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UNLOCKING POTENTIAL
**THE ECONOMIC RISE OF EGYPT'S
OIL & GAS SECTOR**

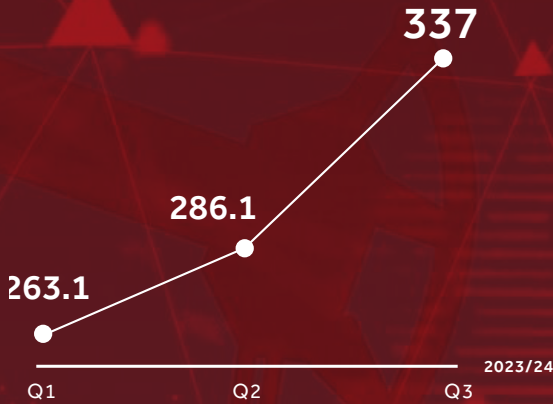
UNLOCKING POTENTIAL

The Economic Rise of Egypt's Oil & Gas Sector

BY JOLLY MONSEF & NERMEEN KAMAL

Key Takeaways

Petroleum Activities' GDP (EGP billion)



40%

Share of Crude Oil Extractions Sector's GDP*

*During the First 9 Months of FY 2023/24



\$4.4 billion

Sector's FDI Inflows*

*During the First 9 Months of FY 2023/24

Egypt's oil and gas sector is a vital contributor to its economic activity. It is a major source of government revenues, as it fuels infrastructure development, social programs, and job creation. In addition, petroleum trade represents a significant share of the country's Balance of Payments (BoP).

The sector's new crude oil and natural gas discoveries open up new export opportunities, further solidifying the sector's economic impact.

Despite global economic challenges, Egypt continues to retain its position as an oil and gas hub. This is evident through efforts including

launching exploration bid rounds, attracting new public and private investment, and expanding existing projects.

This report highlights the contribution of the oil and gas sector to the Egyptian economy during the first nine months of the fiscal year (FY) 2023/24.

OIL AND GAS GDP POWERHOUSE

The oil and gas sector's contribution to Egypt's total GDP was 9%, with an average of EGP 295.4 billion quarterly, during the first nine months of FY 2023/24. Notably, in the third quarter (Q3), the share of petroleum activities increased to 10%, up from 8.3% in the first quarter (Q1).

This growth can be attributed to the commencement of many companies' production from several new exploration and production (E&P) wells, further boosting the sector's activities and overall contribution to the economy, according to the Ministry of Planning and Economic Development (MPED).

GDP Per Product

The GDP for petroleum activities in the first nine months of FY 2023/24 witnessed growth of 17.2% against the same period in FY 2022/23. The most significant increase was in the petroleum refining sector, which showed a remarkable 98% rise in output during Q3 compared to Q1, recording an average of EGP 101.19 billion, according to the MPED.

The sector is developing and expanding several promising refining projects to increase the capacity and efficiency of producing petroleum derivatives.

For instance, the old refineries of the Suez and Al-Nasr are under development with a high degree of efficiency to boost performance, in addition to completing expansion and modernization of the Middle East Oil Refinery Co. (Midor), according to the Ministry of Petroleum and Mineral Resources (MoPMR).

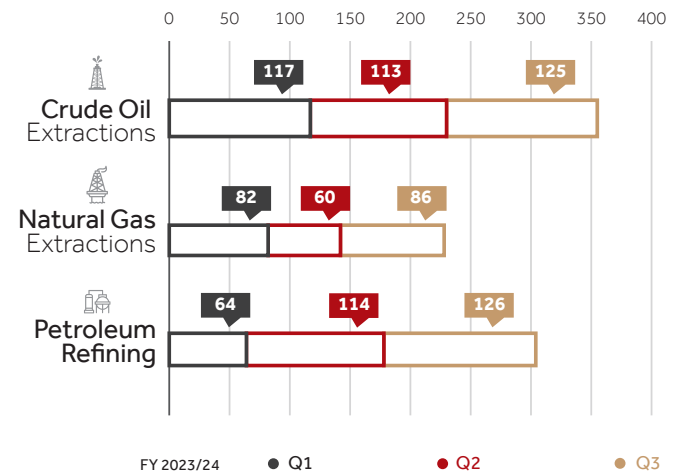
Moreover, crude oil and natural gas extraction activities witnessed a slight growth of 7% and 5%, respectively, from Q1 to Q3. While on a yearly basis, crude oil and natural gas showed a growth of 28.3% and 9.4% respectively, according to the MPED.

Sector's GDP Contribution



EGP 886 billion

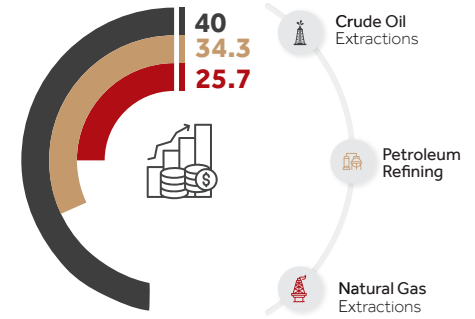
Petroleum Activities' GDP (EGP billion)



Share Per Product

Over the first nine months of FY 2023/24, each petroleum activity holds a significant share of the oil and gas sector's GDP. In Q1 the largest share was for crude oil extraction activities, at 44.5% of the total. The share of petroleum refining activities gradually grew to reach the largest share of 37.46% in Q3, according to the MPED.

Share of Activities in Sector's GDP (%)



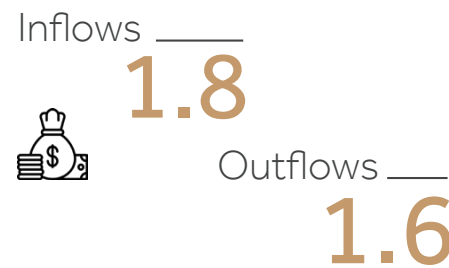
SECTOR'S FDI DYNAMICS

The MoPMR is actively seeking to strengthen its partnerships and hold extensive discussions with international oil companies (IOCs) to explore opportunities for increased cooperation and investment. As a result, several companies have expressed their intention to invest in drilling new wells, developing existing fields, and boosting production.

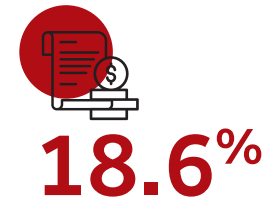
FDI inflows in the oil and gas sector increased to \$4.4 billion during the first nine months of FY 2023/24, driven by new investments from IOCs. Conversely, the sector's FDI outflow decreased from \$5.1 billion to \$4.6 billion over the same period. The inflows and outflows witnessed fluctuations, as they decreased in Q2 by 14.3% and 12.5% compared to Q1 respectively, according to the Central Bank of Egypt (CBE).

To boost the sector investments, the government implemented a payment schedule for foreign companies' outstanding arrears. In July 2024, between 20% and 25% of these arrears were settled, with the exact amount varying depending on the arrears of each company, according to the MoPMR.

FDI Flows in the Sector in Q3 2023/24 (\$ billion)



In the first nine months of FY 2023/24, FDI inflows into the oil and gas sector contribution to the total investment inflows was less than the same period of the previous year. This is mainly due to the large increase that occurred in the volume of the state's total FDI inflows as a result of investment flows from the Ras al-Hikma deal.



Share in Total FDI Inflow During the First 9 Months of FY 2023/24

SECTOR'S EXPORTS DEVELOPMENT

Export's Volume

The oil and gas sector's export volume declined in the first nine months of FY 2023/24, compared with the same period in FY 2022/23. Crude oil exported quantities decreased by 24%, compared to the mentioned period in FY 2022/23, while LNG declined by about 76%. This was primarily driven by geopolitical tensions in the Middle East region and reduced production in some fields, according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

Sector's Exports Volume* (mmt)



*During the First 9 Months of FY 2023/24

a decline in the value of exports, which surpassed that of oil imports. The export decline reflects a decrease in both natural gas and petroleum products exports by \$6.2 billion and \$1.2 billion, respectively, due to the lower export quantities and global prices. On the contrary, crude oil exports saw a minor increase of \$181.1 million, driven by higher export volumes, according to the CBE.

Export's Value

The oil and gas sector trade balance shifted to a deficit of \$5.1 billion in the first nine months of FY 2023/24. This shift was primarily driven by

Sector's Exports Value*



*During the First 9 Months of FY 2023/24



Egypt has strategically prioritized strengthening its oil and gas sector by boosting crude oil and natural gas production to support the national economy. Consequently, increasing production became the MoPMR's top priority. The Ministry has incentivized IOCs to execute development and exploration plans through commitment agreements to address production challenges. In late 2023/24, there were 145 active commitment agreements in the research and exploration field, and the Ministry is working to increase this number.

The Ministry has also demonstrated significant interest in the midstream sector, including refining activities and the petrochemicals industry, alongside the upstream activities, which has positively impacted economic activity. By operating refineries and petrochemicals factories at full capacity, the MoPMR plans after reaching local sufficiency to increase its exports of petroleum products from refining and petrochemical projects. These efforts align with the sector's strategy of securing local needs and reducing import bills.



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