EXCLUSIVE: GANOPE ANNOUNCES NEW BID ROUND page 19

EGYPT OIL&GAS NEWSPAPER

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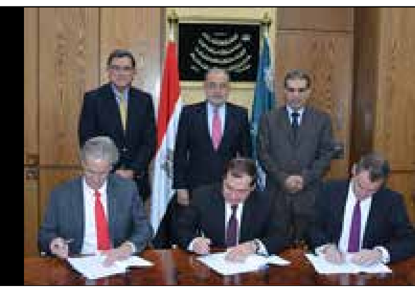


EGYPT STAYS OPTIMISTIC AS GLOBAL OIL PRICES PLUMMET

P.24

Another year begins and Egypt Oil & Gas is still committed to providing our readers with the latest news and the most interesting topics in the industry. The month of December was a busy time for the oil and gas sector. The Mediterranean Offshore Conference held in Alexandria from the 9th to 11th of December marked the beginning of a new era for Egypt as the country strives to overcome the many difficulties it is facing.
The falling oil prices have caused havoc recently; this month, we publish a review of its effects on the Egyptian Economy and an opinion article on the shale oil-OPEC connection.

Our staff writers also explore other topics such as the Egyptian gas pricing predicament, Egypt's energy mix and the latest in offshore drilling technologies.
We would like to renew the call for submitting articles, whether opinion or technological. Your feedback is always welcomed, please do not hesitate to contact us with any comments or remarks.

Last but not least, us at Egypt Oil & Gas wish you all a very Happy New Year and wish to continue having your support and readership throughout this year and beyond.

APOLOGY

We would like to apologize to our readers for a printed mistake in the map in page 30 in our December issue. Halayeb and Shalateen are part of Egypt and are under its Sovereignty.

Editor in Chief **Passante Adel**
padel@egyptoil-gas.com

Prices

Bullion Market		Oil Prices	
GOLD	SILVER	BRENT	CRUDE
1201.76	16.27	70.4181	62.4
USD/BBL	USD/BBL	USD/BBL	USD/BBL
+1.55%	+0.49%	-16.04%	-20.06%

EGYPT OIL&GAS NEWSPAPER

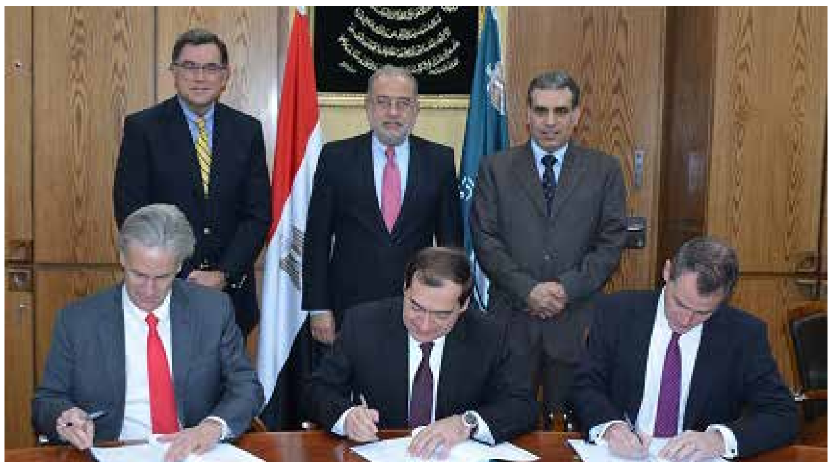
Publisher
Mohamed Fouad

This publication was founded by Mohamed Fouad and Omar Donia

Contact Information:
Tel: +202 25164776
+202 25172052
Fax: +202 25172053
E-mail: info@egyptoil-gas.com
www.egyptoil-gas.com

facebook.com/EgyptOilandGas
twitter.com/EgyptOilandGas

Egypt Officially Starts Its Hydraulic Fracturing Era



In a landmark deal, Egypt awarded its first unconventional gas contracts to Texas-based Apache Corporation and Shell Egypt, a subsidiary of British-Dutch Royal Dutch Shell. The deal, which includes investments of around $30-40 Million, was signed by Eng. Tarek El Mulla, Chief Executive of EGPC, Tom Maher, President of Apache and Aiden Murphy, Chairman of Shell Egypt. Minister of Petroleum Eng. Sherif Ismail stated his belief that the project, to take place in the Abuel Garadeek region of the Western Desert, will open up new energy opportunities for the country. The deal went through despite low global energy prices, which has put off many firms from investing in hydraulic fracturing, or fracking, which is more expensive to extract.

Petroleum Ministry to Add 80 mcf/d of Gas to Production in December

A senior official said that Egypt's natural gas production rate is decreasing at a natural rate of 100 mcf monthly, reports Al- Borsa Newspaper. An estimated 520m cubic feet of gas will be designated for fertilizer and cement factories—only 60% of their actual demand of 920 mcf. The fall of power station consumption, from 95 mcf/d to 80 mcf/d, led to a 30% increase in gas supplies to factories. The decrease in natural gas production in Egypt translates into sluggish foreign investment and research operations, said the official. In turn, endeavors to connect new wells to counteract low production have failed. For this reason, government officials plan to start importing gas in March 2015

Egypt Secures $1.5 Billion Loan to Aid Oil Debt Repayment

A $1.5 billion loan has been arranged to Egypt's state oil company to help repay debts to foreign oil companies. The deal was struck between HSBC, the National Bank of Egypt, and the National Bank of Abu Dhabi, reported Reuters from a statement issued by the banks. It is hoped that this move will encourage energy companies to increase exploration, in hopes of reducing the current energy crisis. "Disbursement of the loan will start before the end of December 2014, with each bank having a share of $500 million," said Hisham Okasha, chief executive of the National Bank of Egypt in a phone interview with Reuters. It was claimed by the government that it planned to issue a tender of $2 billion to pay down the $4.9 billion debt owed to foreign oil companies. The debt has grown over the last few years as Egypt has diverted gas meant for the foreign market to meet growing domestic demand.

Egypt Plans to Buy Natural Gas from Cyprus

Egypt's Petroleum and Mineral Resources Minister, Sherif Ismail announced that Egypt is in prime position to buy Cyprus's exports of natural gas, reported NewsEurope. Egypt plans to import natural gas from the Aphrodite gas field in the southern coast of Cyprus, according to discussions between Ismail and Cypriot Petroleum Minister. "Egypt has a very huge natural gas infrastructure and can accommodate the production coming from Cyprus' economic waters," Ismail said. Collaboration between the two countries would consist of Egypt re-exporting Cypriot LNG from Egypt, he continued. Cyprus's natural gas reservoirs are being tapped by US-based company Texas Energy, which discovered a gas deposit of estimated 4.54 tcf, and ENI-KOGAS, according to NewsEurope. Cypriot Energy Minister, Giorgos Lakkotrypis agreed to export gas to Egypt through a pipeline. Egypt is equipped with pipes connecting its offshore gas fields with its liquefaction infrastructure, wrote NewsEurope, making the 600 kilometers separating Egypt from Cyprus surmountable. "Discussions focus on current liquefaction infrastructure in Idku and Damietta on the Egyptian side," Lakkotrypis said. At the moment, Egypt experiences a deficit in natural gas to meet its domestic demand. "We consume it all in the local market ... and we have a deficit approximately of about 700 mscf that we will recover through liquefied natural gas imports," announced Ismail. Talks for collaboration between both countries were part of the tripartite meeting with Greece's Minister of Environment, Energy and Climate Change, Yiannis Maniatis.

Oil and Gas Deals Amended by Egypt's Cabinet

The Cabinet agreed to amend two existing oil and gas agreements with the UK's BP and German RWE Dea AG, MENA reports. The oil deal is with Egyptian General Petroleum Corporation (EGPC) and covers BP excavations in North Alexandria and east the Mediterranean Sea deep waters, and RWE Dea's in the Western Nile Delta region. The natural gas agreement is between the Egyptian Natural Gas Holding Company (EGAS) and RWE Dea for the Disouq region of the Nile Delta. This was during a meeting on December 18th. BP expected an increase of gas prices would allow for production in the North Alexandria project to begin by 2017. The rise in prices comes as a result of the failure to link the project with production, stated a senior official at the Ministry of Petroleum to the Daily News Egypt. Under the stated agreement, the North Alexandria project is estimated to produce 450 mcf/d at start of production in 2017, with production reaching 800 mcf/d by 2018. Other business that day included approving draft presidential decrees for ten new oil deals with EGPC and six with the EGAS.

EGAS to Offer New Exploration Bid in 2015

A prominent official at EGAS stated to the Daily News Egypt that 11 area will be offered for a new bid round in the beginning of 2015 for natural gas research and exploration. He said that the areas will include three land plots in the Delta and eight marine sites in the Mediterranean. "We sent maps of the areas that EGAS intends to offer to the relevant authorities in order to obtain approvals," the official explained, adding that a meeting will be held with the Navy to agree on the details of the eight marine sites included in the tender. The official also said that EGAS has obtained approvals for shale gas research and exploration in four areas in the Western desert; the bid for these areas will be offered by EGPC. This bid excludes areas where Shell and Apache are currently holding trials for shale gas production. EGAS is offering a number of exploration bids as part of their efforts to increase the steadily declining gas production.

Egypt Seeks to Import Six LNG Cargos From Algeria

A statement released by the oil ministry revealed Egypt's aim to import six cargoes of LNG from Algeria in April and September of the 2015, to help meet pressing demand by the energy sector. Egypt engaged in past efforts to import five LNG cargoes from Algeria, which failed to come to fruition in part due to the country's lack of regasification facilities necessary to handle them. However, Egypt finalized a deal with Norway's Hoegh LNG for a floating storage and regasification unit, allowing it to import LNG, reported Reuters. The launch of the adequate infrastructure set to receive the Algerian cargos is expected for the end of March 2015, a source from EGAS told Reuters. The size of the cargos and their price were not released on the official statement, and officials expect to sign the contract in Algeria later this month. The LNG cargos aim to lift some of the strain put into Egypt's declining gas production and increasing consumption. During the past months, the country experienced recurring power outages throughout the day and across the city, in what became known as the worst energy crisis in decades. Along with other Gulf countries, such as Kuwait, who has been providing Egypt with 1.2 million tonnes of diesel and 120 thousand tonnes of jet fuel annually, Algeria's cargos will go directly into generating power.

StoryBoard

EGAS receives offers from BP, Vital, Trafigura, and Golar for LNG gas import tender

Senior official at EGAS announced that it received offers for a gas import tender from BP, Vitol, Trafigura, Golar LNG and three other companies, reported Daily News Egypt. The offer of the tender includes the import of 500m cubic feet of gas per day to fuel power stations starting March. Final arrangements are underway and the results are yet to be announced. Khaled Abdel Badie, the Chairman of EGAS, said that the tender is a two-year contract and it is subject to renewal. In addition, the price of LNG shipments will follow international prices, which are not fixed. EGAS signed a contract with Sonatrach and Gazprom to import 14 gas shipments, accounting for the possibility of the companies not bidding for the tender. The Egyptian gas provider seeks to bid a tender to import 500m cubic feet daily to power stations after the current tender is finalized, Daily News wrote. Other efforts by EGAS include an additional bid to rent a gasification ship expected to arrive at Port Said to transform 500m cubic feet of gas daily. The purpose for the 1bn cubic feet of daily imported LNG is to meet the needs of power stations only.

Egyptian Militant Group Claims Death of American Oil Engineer

Sinai Province, one of Egypt's most active militant groups, claimed responsibility for the death of an American petroleum engineer last August. William Henderson, an American engineer working for U.S. energy company Apache Corporation and Qarun Petroleum, was found dead in an abandoned vehicle in Egypt's Western Desert. Enid News & Eagle in northwest Oklahoma published an obituary for Henderson last August, yet the cause of his death remains contested. Sinai Province, previously known as Ansar Bayt al-Maqdis, revealed Henderson's passport and identity cards on a Twitter account associated with the group early in December. Apache Corporation's spokeswoman, Castlen Kennedy, stated that the U.S. government continues to carry investigations. The jihadi group is associated with the Islamic State, after pledging allegiance to the militant group. Sinai Province poses a security threat in the Sinai Peninsula, taking responsibility for past attacks, which have killed scores of police officers and soldiers in the last months.

IDB Approves $566 Million for Egyptian/Saudi Projects

The Islamic Development Bank's (IDB) Executive Board of Directors has approved $566 million for financing joint projects between Egypt and Saudi Arabia, Reuters reported. At a meeting called by Islamic Development Bank (IDB) President Ahmad Mohamed Ali, $566 million was approved for the financing of joint Saudi-Egyptian projects that cover sectors such as energy, roads, petrochemicals, water, education and health. $220 million of this amount was earmarked for an electricity interconnection project between Egypt and Saudi Arabia. The project is planned to produce 3,000 MW of power. The Saudi Council of Ministers approved a memorandum of understanding for the project. It will allow the exchange of electrical capabilities up to 3,000 MW in off-peak times. Each country pays the cost of the exchange process in its territory with both countries sharing the cost of under-water cable links between the shores of the Gulf of Aqaba.

Summer Blackouts Caused by Non-Compliant Supplies

Egypt's Electricity Ministry has confirmed that the frequent summer power outages were caused by deliveries of fuel oil that were non-compliant with supply specifications for power stations. This resulting decrease in productive capacity led to additional maintenance work thanks to heater blockages, a government source told Daily News Egypt, also causing damage to household electrical equipment. The source added that the Ministry of Petroleum accepted the high sulphur content fuel to save approximately $100 per tonne, which resulted itself from the Ministry of Finance's failure to pay the full value of subsidies owed to the Ministry of Petroleum.

EMG Denies Involvement in Importing Israeli Gas

The owners of the now idle East Med Gas (EMG) pipeline told Israeli paper Haaretz they are not involved in plans to ship Tamar gas to companies in Egypt. The partners in the Tamar field said in a statement in October they had signed a letter of intent with Dolphinus Holdings, a company that represents industrial and commercial consumers in Egypt, to supply up to 5 bcm of Tamar gas over three years. "Dolphinus and the Israeli companies that were quoted in the published articles haven't approached EMG in connection with importing Israeli gas to Egypt. EMG has no knowledge of any agreement or any other document relating to this deal. These documents, if they exist at all, exist only with third parties unconnected with EMG," Niv Seber, the lawyer representing EMG in Israel, told Haaretz. On the other hand, Tamar partners said it had no direct connection with any prospective agreement using the pipeline. EMG pipeline was used to export Egyptian gas to Israel before exports were halted in 2012.

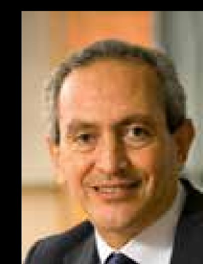
Egypt's Gas Reserves Will Run Out by 2027

The scientific adviser to the Environmental Affairs Apparatus, Maher Aziz, stated that Egypt's natural gas reserves would run out completely by 2027 if the energy consumption increase rate remains at 5.6% per year, reported Al-Masry Al-Youm. Aziz said Egypt had 18.2 billion barrels of reserve oil in 2009 and 77 tcf of natural gas. He added that if the country continues with the current energy mix, as Egypt relies on fossil fuels for power generation by 91%, the reserves are not expected to cover such needs. Speaking on Sunday to a conference on environmental concepts for industrial projects, he added that many countries, such as Germany, use clean coal technology for power stations, which can be a better option for Egypt.

Aiden Murphy: Shell Egypt's New Country Chair and Managing Director

Royal Dutch Shell has appointed Aidan Murphy as the new Vice President, Country Chair and Managing Director for Egypt. During his career with Shell since 1991, Aidan has held a wide range of commercial leadership roles in both the upstream and downstream sectors over the last two years, including Vice President of Portfolio & Growth. During this time he lead new project development as well as negotiation and the establishment of new ventures in many countries including Russia, Kazakhstan, the US, Canada, China, Jordan, Morocco and Australia serving on the boards of a number of these companies. "I am very excited to take on this new role and look forward to working closely with EGPC and our other partners to build on Shell's long-standing business in Egypt" said Murphy. Aidan holds a BS in Physics from the University of Manchester, and an MBA from the Manchester Business School. Before joining Shell he was a Wireline Field Engineer, working in North Sea and North America. Aidan Murphy is replacing Jeroen Regtien, who will take on a new role outside of Shell.

CHOICE **Words**



I am confident that Egypt is positioned to achieve exceptional economic growth in the years to come, attracting direct investments in key sectors which continue to offer substantial investment opportunities.

Naseef Sawiris

China firmly supports the Egyptians' pursuit for a development path suitable for their own national condition.

Chinese President Xi Jinping

If low world oil prices continue during the second half (of the fiscal year) it is estimated that the year's total petroleum subsidies bill will decrease by about 30 billion Egyptian pounds ($4.2 billion), The expected savings still leave the state paying the large sum of 70 billion pounds for subsidies through the fiscal year.

Eng. Sherif Ismail
Minister of Petroleum

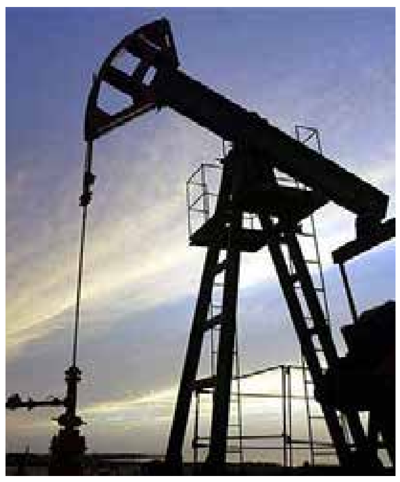
Of course the US-provided equipment helps significantly, but there has been a clear Al-Sisi approach aimed at 'diversifying sources of weaponry acquirement', which has indeed been forged for with Russian counterparts, in addition to Sobhy's ongoing official visit to Italy, a key economic partner and strategic ally to Egypt

Major General Fouad Allam
Former Deputy Head of State Security

CARTOON

Fall of Brent Crude prices bring down subsidies in 2014/2015

The collapse of global crude oil prices led to a decrease of the subsidy budget from approximately EGP 100 billion to EGP 50 billion for the fiscal year 2014/2015. The decrease comes from the readjustment of the subsidy allocation calculated for a $105 per barrel price of crude to the Brent price of $59.3 per barrel. After OPEC´s decision not to lower crude oil production shares, the price of a Brent barrel fell. Tarek El Molla, Chairman of EGPC, stated that the decline in Brent Crude prices aligns with Egypt´s best interests, since Egypt is a crude oil net importer. In addition, the fall of Brent prices will lower fuel prices in Egypt and ease the burden on the state budget, El Molla continued. Medhat Youssef, petroleum expert, told Daily News, that Egypt's petroleum industry will face challenges with rising global fuel oil prices. At the moment, global price of fuel oil is EGP2,448 per ton, while the local market price is EGP 2,300. The price of natural gas, the favorite alternative to fuel, is between $17-18 per million BTUs.



QALAA and EGPC secure MOUs with Edison for Abu Qir

Edison, one of Italy's largest gas companies, announced the signing of two Memorandums of Understanding (MOU) with QALAA and the Egyptian General Petroleum Corporation (EGPC) to build a 180 MW power plant in Abu Qir. Both QALAA, a leading African investment company, and the state oil-firm EGPC believe the new power plant built by Edison will be run in a safe and efficient manner and will boost Egyptian energy capacity. The Italian gas company has been in Egypt since the 1990's and holds the exploration, development and production rights in Abu Qir, located offshore the Nile Delta. In addition, Edison announced that they would sponsor a Ph.D candidate from The American University in Cairo to conduct research on the current energy situation in Egypt.

QALAA HOLDINGS القلعة

Total Egypt Explores New Investment Opportunity in Alexandria

Thomas Repeyrol, Managing Director for Total Egypt, told Daily News Egypt that it is planning to invest in a new factory in Alexandria. He also explained that feasibility studies were already underway and that the volume of investment needed would be similar to the amount they put in another oil factory in Burg al Arab, near Alexandria. In recent years, Total has been bullish on prospects for Egypt and has increased investment in the country. In addition to its main focus of logistics and distribution of oil products, Total also has 235 petrol stations in Egypt with 80% of its turnover coming from diesel and gasoline while 20% comes from lubricants.

EGAS to Up Production by Linking 16 Development Wells

A senior official at Egyptian Natural Gas Holding Company (EGAS) told Al-Borsa that EGAS plans to up gas production from 4.75bn cubic feet of gas daily to 4.95bn by linking 16 development wells to the production map for the current fiscal year (FY) 2014-2015. The wells by themselves will produce 920m cubic feet of gas a day, contributing 200m cubic feet to Egypt's production – adding 2,250 barrels of condensate to daily production – and help compensate for the natural decline in Egypt's well production that goes down by 100m cubic feet monthly. The remainder of production will make up for the rest of this natural.

The official also explained that the EGAS plan was drawn up in agreement with a foreign partner, which committed to linking the wells within the agreed upon time. Natural gas production linkage projects by such foreign partners had been delayed previously in response to the government's lack of commitment to paying debts to the companies by the specified deadlines. The Ministry of Petroleum recent commitment to pay 60% of total foreign partners' dues by the end of FY 2014/2015 will change this. Of the 16 wells six belong to Petrobel, three to Badr El-Din Petroleum Company (BAPETCO), three for Pharaonic Petroleum Company, two to El-Wastani Petroleum Company, and two to El-Mansoura Petroleum.

Sipetrol Announces Successful Gas Discovery in Western Desert

Eng. Sayed Rezk, General Manager of the Chilean State-owned Enap Sipetrol – Egypt and General Manager & Managing Director of the JV Company "PetroShahd" announced a new successful discovery in exploratory well Shahd-4 in the East Ras Qattara Concession, Western Desert, where gas was discovered in Middle Jurassic – Wadi El Natrun Formation at depths of 13,500 ft with a daily gas flow rate 24.5 mscf on 1" choke and condensate rate of 2,340 b/d. Eng. Rezk highlighted that Sipetrol is the first to achieve such a discovery in the Middle Jurassic – WEN Formation and to prove that this formation could have the ability to be an efficient hydrocarbon reservoir. Furthermore, this discovery is expected to change how companies operate in the Western Desert and, given the current energy crisis facing Egypt, will spur more firms to invest in the area. Rezek added that such success and production increase is the result of the effective cooperation and constant coordination with both EGPC & Partners. It is worth mentioning that ERQ Concession in Western Desert was acquired by Sipetrol in 2004 with 50.5% participation interest with Kuwait Energy Egypt holding 49.5%.

Drilling **News**

BAPETCO Drills New Well

BAPETCO, a joint venture between EGPC and Royal Dutch Shell, has recently completed drilling a new oil-producing developmental well in their concession area in the Western Desert. The production rate of BAPETCO was 1.283 million barrels of oil as of November 2014.

OBA D-AQ

The well was drilled at the depth of 14,174 ft. utilizing the EDC-55 rig. Investments surrounding the project are estimated at $3.761 million.

West Bakr Drills New Well

West Bakr, a joint venture company between EGPC and TransGlobe, has completed digging a new oil-development well in its concession area in the Eastern Desert.

H-29

The new well was drilled at a depth of 5,429 ft. utilizing the EDC-62 rig. Investments surrounding the project are estimated to be $700,000.

GPC/SCIMITAR Drills New Well

GPC/SCIMITAR has completed drilling a new developmental oil-producing well in its concession area in the Eastern Desert.

ISS-122

The new well was drilled at a depth of 1,872 ft. utilizing the SHAMS-1 rig. Investments surrounding the project are estimated to be $367,000.

Khalda Drills New Wells

Khalda, a joint venture company between EGPC and Apache, has completed drilling new oil producing wells in its concession area in the Western Desert. The production rate of Khalda was 4.341 million barrels as of November 2014.

UMB-221

The new developmental well was drilled at a depth of 12,410 ft. utilizing the EDC-18 rig. Investments surrounding the project are estimated to be $1.661 million.

RAMOSE-1X

The new exploratory well was drilled at a depth of 14,500 ft. utilizing the EDC-41 rig. Investments surrounding the project are estimated to be $3.868 million.

AG-102

The new developmental well was drilled at a depth of 11,480 ft. utilizing the ST-10 rig. Investments surrounding the project are estimated to be $1.834 million.

AG-118

The new developmental well was drilled at a depth of 11,500 ft. utilizing the FT-6 rig. Investments surrounding the project are estimated to be $2.286 million.

Qarun Drills New Wells

Qarun, a joint venture between EGPC and Apache, has recently completed drilling new developmental oil producing wells in its concession area in the Western Desert. The production rate of Qarun was 1.175 million barrels as of November 2014.

SAMRA-81

The new developmental well was drilled at a depth of 5,820 ft. utilizing the EDC-63 rig. Investments surrounding the project are estimated to be $1 million.

HEBA-454

The new developmental well was drilled at a depth of 6,602 ft. utilizing the ST-2 rig. Investments surrounding the project are estimated to be $1.3 million.

Agiba Drills New Well

Agiba, a joint venture between EGPC and IEOC, has recently drilled a new developmental oil-producing well in its concession areas in the Western Desert. The production rate of Agiba was 2.047 million barrels as of November 2014.

EMRY DEEP-9 ST

The new developmental well was drilled at a depth of 10,767 ft. utilizing the PDI-147 rig. Investments surrounding the project are estimated to be $2.819 million.

PETROBEL Drills New Well

PETROBEL, a joint venture between EGPC and Eni S.p.A, has recently completed a new oil-producing developmental well in their concession area in Sinai . The production rate of PETROBEL was 3.245 million barrels as of November 2014.

112-161

The new developmental well was drilled at a depth of 7,645 ft. in the company's concession in Sinai utilizing the PD-104 rig. Investments surrounding the project are estimated to be $3.642 million.

Libya Prepares to Reopen El Feel Oilfield

Libya's National Oil Corporation (NOC) stated it is still testing pipelines prior to re-starting the El Feel oilfield, reported Reuters. The field was shut down in November due to clashes with anti-government tribesmen, shutting down the adjacent El-Sharara oilfield that uses the same power supply. The field is operated jointly between NOC and Italy's ENI SpA. Although there are no specific price breakdowns, Libyan President Al-Thinni stated that the country's oil production was 900,000 b/d. While giving a press conference in the eastern city of Bayda, he stated that the country had earned $1.8 billion in the month of October. NOC has not produced any recent production data, but its El Feel was pumping 80,000 b/d and El-Sharara was pumping 300,000 b/d until fighting between oil guards and local tribesmen forced a shutdown. The tribesmen are loyal to an opposition government that is operating from Tripoli.

Algeria to Increase Production from New Fields

As reported in the Argus News, Algeria plans to use its newly developed oilfields to boost production over the next 4 years. At the North Africa Oil and Gas Summit in Algiers, Sonatrach announced that crude output at the Bir Sebaa, (BRS) and Bir ElMsanq (BMS). BRS will produce 20,000 b/d in its first phase by April 2015 with a further 20,000 b/d by 2017. BRS is a joint venture between Sonatrach, Thailand's state-controlled oil firm PTT and the Vietnamese equivalent, Petrovietnam. BMS, which is a joint venture between Sonatrach and Spanish Cepsa will start producing 12,000 b/d in 2015. Cepsa obtained this concession from Hess last year. First oil is expected in 2016 from the Central Area Field Complex in the Berkhine Basin, at the Menzel Ledjmet East Field, a joint venture between Eni of Italy and Sonatrach.

Israel's New Gas Discovery Royee Holds Around 3.2 tcf

A 3D seismic survey of a new natural gas field off Israel's Mediterranean coast indicates it may hold about 3.2 tcf of gas, according to a statement made by an exploration group, reported Reuters. The Royee field, located about 150 kilometers offshore of Israel's maritime borders with Cyprus and Egypt, would be the third largest discovered in Israeli waters if these estimates are accurate, said Israel Opportunity, a partner in the group. "At the national level, the news means a lot. We have learned that the Levantine basin holds reservoirs at other depths and I hope the next government will exploit the opportunity," said Eyal Shuker, CEO of Israel Opportunity. The company provided a range for estimated reserves of 1.9 tcf to 5 tcf, with a best estimate of 3.2 tcf. The drilling of an exploration well is expected to begin in December 2015 and cost about $100 million, Shuker told Reuters. Israeli Opportunity holds a 10% stake in the Royee project. Ratio Oil has 70% and Italy's Edison holds 20%.

Clashes Force Libya's Hand

On December 14th, Libya declared force majeure over its two biggest oil-exporting ports, Es Sider and Ras Lanuf. Clashes have been breaking out near the two eastern oil ports between armed factions of Libya's two rival governments. Speaking to Reuters, Libya's National Oil Corporation said that oil production would be gradually shut down. Since the fall of Muammar Gaddafi's regime in 2011, Libya's energy sector has suffered from the political unrest with significant drops in production and revenue. Crude oil production in the country has dropped from producing 1.65 million b/d in January 2011 to just over 500,000 barrels by last estimates. Force majeure essentially frees parties of liability in the event of unexpected occurrences such as natural disasters or, in the case of Libya, political hostilities.

Israel Electricity Corp May Withdraw $4.2 Billion Lawsuit Against Egyptian Gas Companies

Israel Electric Corporation (IEC) could withdraw a $4.2 billion lawsuit against EGAS and EGPC, according to Jewish Business News (JBN). The claim comes from the Egyptian government´s decision to halt the gas-flow to Israel on April of last year, causing a surge of outrage from Israeli gas company, EMG. IEC´s complaint is being handled by an international arbitration tribunal in Paris. "The withdrawal of the mega-claim," said JBN, "would eliminate the chances that Israeli consumers will receive any compensation for the 30% increase in their electricity bills between 2011 and 2014." Egypt´s halted flow of natural gas to Israel forced IEC to purchase more expensive fuel to meet its energy demand. The higher prices of fuel resulted in a $2.56 billion burden on the IEC and the intervention of Doron Cohen, the Ministry of Finance Director General, who allowed the company to raise $2.30 million with State guarantees, JBN reported. Consequently, electricity rates rose by 30% in the last years. The tribunal arbitrations witnessed IEC and EMG argue that a trilateral agreement between the parties made in 2009 had been violated, wrote JBN, while the Egyptian authorities attributed the cessation of gas-flow to higher powers. IEC announced that the verdict of the claim has been postponed until January.

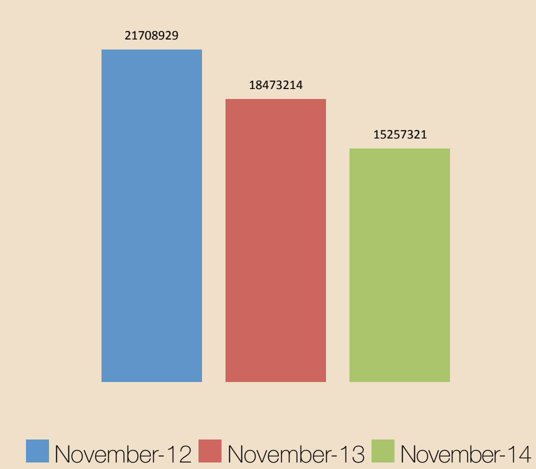
Production (barrel)

Oil		
November-12	November-13	November-14
NA	NA	NA

Equivalent Gas		
November-12	November-13	November-14
21708929	18473214	15257321

Condensate		
November-12	November-13	November-14
1221595	1020050	852066

Liquefied Gas		
November-12	November-13	November-14
370311	387864	346088



Mediterranean Rig Count October 2014

Total	Percentage of Total Rigs
6	5%

Rockhopper Pulls Out of Maltese Well

Falklands' based oil exploration firm Rockhopper has informed the Maltese government that it will be withdrawing from the Area 4 license it took over from Mediterranean Oil and Gas plc (MOG), reports Malta Today. This will take place on January 18th, the latest in a long line of disappointments for Malta. The decision follows the results from the Hagar Qim well drilled in mid 2014. Weeks before plugging the Hagar Qim well in June, MOG sold its shares to Rockhopper for €37 million in May this year, at a premium of 31.1% over its average share price. The company ascribed "no value" to the well upon acquiring MOG, which was interpreted as a positive sign by the Maltese government at the time. "The 'no value' given by Rockhopper Exploration was not related to the petroleum prospects of the area," a spokesperson for transport minister Joe Mizzi told Malta Today. MOG's acquisition, which took place in August, provided Rockhopper with a low cost entry into the whole Mediterranean region with onshore and offshore production and exploration interests in Italy, Malta, France and Montenegro. The actual job of digging the Hagar Qim well went to Tony Hayward's Genel in 2013 with a 75% share in the license. By March 2014 he estimated a mere 20% chance of success, while MOG itself had already spent over €8 million just in data collection. Two companies have visited the country, for data mining purposes, after Malta participated in the annual European Association of Geoscientists and Engineers conference in June. The government also signed an agreement with TGS for seismic data reprocessing, to provide oil companies with better information to evaluate the offshore acreage. Also at stake is Area 3 where the processing of a 2D broadband survey is nearing completion, deciding whether an extension to the Exploration Study Agreement with a 3D survey commitment will be made. Area 4 represented Malta's most anticipated oil prospects in 20 years.

Dragon Oil Drops Offer for Petroceltic Takeover

London-listed oil producer Dragon Oil has dropped an $800 million takeover offer for rival Petroceltic, blaming the falling oil prices, reported Reuters. "Dragon Oil now confirms that, in the light of prevailing market conditions, it no longer intends to make an offer for Petroceltic," the company said in a statement. The news of Dragon Oil's abandonment of the deal sent Petroceltic's shares down by 32% while Dragon Oil's shares dropped by 1.7%. Dragon Oil is now unable to make another offer for Petroceltic for 12 months unless it receives consent from the Irish takeover panel. The deal would have helped the Turkmenistan-focused Dragon Oil build a significant presence in Algeria. On the other hand, Petroceltic said that it has delivered a strong performance in 2014. The company said in a statement, "It is noteworthy that the company's flagship gas condensate project in Algeria, which is expected to start production in 2018, is unlikely to be affected by the current volatility in crude oil markets, given the forecast level of oil prices at that time." It added that the majority of its current production is sold at a fixed gas price in Egypt. "The board of Petroceltic remains confident in the ongoing execution of its strategy as an independent company."

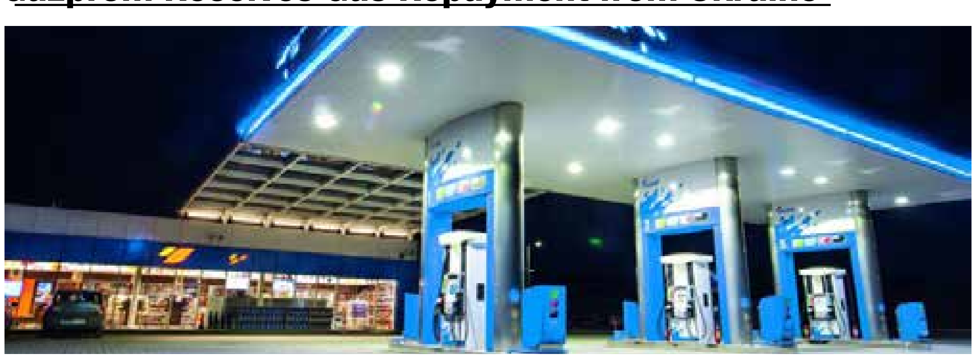
Petrobas Increases its Presence in the Caribbean.

Brazil's state-run Petroleo Brasileiro SA, (Petrobas) has announced it has found natural gas in an exploratory well off the coast of Columbia. This is the first deep-water discovery in Colombian Caribbean waters. Petrobas is the operator of the Bloco Tayrona area, controlling a 40% stake. Columbia's state-run Ecopetrol SA and Spain's Repsol SA both control 30%. Petrobas has also started oil and natural gas production at its ultra-deep field in the Gulf of Mexico, 450 km (280 mi.) off the coast of Louisiana. The deposit sits 8,077 meters from the surface under 2,100 meters of water. The Jack/St. Malo platform can handle 170,000 barrels of oil and 1.2 mcf of natural gas, which can be increased.

Oil spill results in heavy damage to Israel's nature reserve

A major oil spill occurred in Kibbutz Ketura, southern Israel early in December, with millions of liters of crude oil damaging one of the area's important natural reserves, reported Haaretz. Efforts from firefighters, police, Environmental Protection Ministry officials and oil pipeline maintenance teams were able to diminish the flow after two hours, not without serious damage. According to Haaretz, the breach took place while work on a pipeline, part of the project to build an international airport in Timma, was under way. Company officials shut the valves the moment the leak was located, but failed to avoid the spillage of millions of liters of oil. The pipeline used to connect Eliat to the port city of Ashkelon prior to the disruption of Israeli-Iranian relations in 1979. Investigations for the cause of the spill are being carried by the Environmental Protection Ministry's Green Police, to determine whether the accident could have been prevented, as well as the way it was handled. Eilat Police ruled out foul play as a possible cause of the pipeline leak, wrote Hareetz, and suggested the cause to have been a technical malfunction from previous work. "Rehabilitation will take months, if not years. This is one of the State of Israel's gravest pollution events. We are still having trouble gauging the full extent of the contamination," said Environment Ministry official Guy Samet on Israel Radio. Israeli authorities and experts are working to treat the pollution caused by the spill, which may entail removing large portions of land that are soaked in oil, said Dr. Gilad Golub, CEO of the Environmental Services Company.

Gazprom Receives Gas Repayment from Ukraine



Gazprom, Russia's national gas producer, has issued a statement that it received a prepayment of $378.22 million from the Ukraine to supply natural gas. This will make possible the first shipments of gas to the Kiev government since Moscow stopped supplies in June, reported Reuters Africa. Naftogaz, Ukraine's state energy company, has said that it transferred the money to Russia for December. A spokesman for Gazprom has confirmed the arrival of the money. According to a deal signed in October between Russia and the Ukraine, the gas supplies that were stopped over prices and non-payment of debts, will resume 2 days after receipt of the payment. There was no definite statement of how much gas was planned for the purchase, but the energy ministry has made statements of approximately 1 bcm. Russian counterparts have agreed that amount is correct.

Noreco Begins Drilling Zana Well

In a press release, Noreco the Norwegian Energy Company has announced that it has begun drilling of the Zana exploration well in license 9/95 on the Danish continental shelf. It is isolated close to Svane, a gas discovery in the Danish sector of the North Sea. Maersk Oil, which is the operator of the license, has announced that the jack-up drilling unit Noble Sam Turner will be moved to begin the drilling after the capping of another well. The main target is 4,600 meters beneath the seabed. Drilling time to the target depth is approximately 140 days. Noreco estimates that Xana's chance of success is 27% and that the prospect contains between 130 and 235 million boe gross, most of it gas. Maersk Oil owns 46%, Noreco 20.1% through its subsidiary Noreco Oil Denmark A/S, DONG E&P owns 27.3%, while Danoil Exploration owns the other 10%.

Eni Begins Drilling West Hub Development Project

According to Offshore Energy Today, Italian energy company Eni has started production of oil from the West Hub Development Project (Block 15/06) in the Angola Deep Offshore. The field, through the N'Goma FPSO is producing 45,000 b/d, with an increase in production expected to reach 100,000 b/d. The East Hub Development, which is expected to come online in 2017, will double the output of Block 15/06 to 200,000 b/d. When it won the bid round in 2006 for Block 15/06, Eni drilled 24 exploration and appraisal wells and discovered 3 billion barrels of oil, plus 850 million barrels of reserves. It achieved an industry-record 44 months time to market. In a press release, a company spokesman said, "Eni will continue its exploration programme in Block 15/06: potential discoveries tied in cost effectively. A recent example is the Ochigufu discovery, which added 300 million barrels of oil in place and will be tied to the N'Goma FPSO within the next two years. Eni is the operator of Block 15/06 with a 35% stake and Sonangol EP is the Concessionaire. The other partners of the joint venture are Sonangol Pesquisae Producao (35%), SSI Fifteen Limited (25%) and Falcon Oil Holding SA (5%).

Argentina Passes Revised Energy Law

Argentine lawmakers approved a revised version of the hydrocarbon law to include regulations for shale and offshore oil gas exploration, hoping to increase investment in the Vaca Muerta, an energy field the size of Belgium, reported by Bloomberg. The bill comes after negotiation between the presidency, YPF SA (the state-run oil company), and governors from 10 provinces, who reached agreement on how to share the South American nation's newfound mineral wealth. It aims to make Argentine self-sufficient in energy and triple its oil and gas production in the next 20 years. The new rules will allow energy producers that invest $250 million or more to sell 20% of that production on the international market without paying export taxes and to keep a percentage of the money outside the country for oil shale and conventional projects. Shale and offshore fields will be granted 35-year concessions and royalties will be capped at the same nationwide level starting at 12% plus 3% in provincial net income tax. The bill will allow Argentina to boost it's output from 550,000 bpd to 1.8 million bpd over the next 20 years, while gas production could triple from 105 to 317 cubic meters per day.

China and Kazakhstan in Talks for Signing $10 Billion Cooperation Agreement

With the visit of Premier Li Keqiang of China to Kazakhstan, China is due to sign 30 cooperative agreements worth $10 billion with Kazakhstan, Xinhua news agency reported. The Sino-Kazakh relationship continues to straighten, with Kazakhstan being the second largest trade partner in the Commonwealth of the Independent States and China emerging as the second largest trade partner and largest export market of Kazakhstan. "The Sino-Kazakh cooperation is developing rapidly. The volume of trade between the two countries is increasing annually by 20 percent," Xinhua quoted Li as saying. Chinese Vice Foreign Minister, Cheng Guoping, urged interconnectivity with highways, railways, ports, air routes, oil and gas pipelines as part of the cooperation agreements, wrote Reuters.

South Sudan Chaffing Under Self-Inflicted Oil Prices

South Sudan's oil revenues have now fallen to about $100 million a month, reports the Financial Times. The IMF estimates that oil accounts for 95% of the South Sudanese government revenue, predicting that the country's fiscal deficit will balloon to 12% of GDP next year. Factors affecting the falling revenues are the sudden decline in oil prices caused by Saudi production, the contribution of American and Canadian shale oil to the global market and the civil war in South Sudan. Production has halved since civil war broke out in the country last December. South Sudanese crude is of low quality and is sold at a discount to Brent; however, the greatest problem facing the beleaguered state is that it adopted a 'fixed payment' system to gain access to a pipeline that runs north through neighboring Sudan to Port Sudan on the Red Sea coast. This was against the industry's original advice, preferring a sliding scale system linked to global prices. Juba signed the pipeline deal with Khartoum in 2012 after months of negotiation, pledging to pay $11 per barrel for the use of the pipeline plus another $15 a barrel as compensation to Sudan for the loss of oil income after independence. The southern government hoped that the price of oil would stay at $100 a barrel. South Sudan is now selling oil at $20-$25 a barrel, arguably the lowest oil price in the world.

China's Risky Uighur Energy Gamble

China is beefing up energy production in the northwestern Xinjiang region, according to the New York Times, hoping to transform the ethnic homeland of the Uighur people into a national hub for oil, gas and coal. The beneficiaries include oil extraction and refining, coal production, power generation, and natural gas production and transport. Xinjiang's oil reserves are estimated to be 21 billion tons, a fifth of China's total. Xinjiang is expected to produce 35 million tons of crude oil by 2020, a 23% increase over 2012, according to the Ministry of Land Resources. China started pumping oil in the region more than half a century ago, leaving the Xinjiang's Karamay as one of the country's wealthiest cities. A state-owned oil company has also recently found a deposit estimated to have more than one billion tons of oil on the northwestern edge of the Dzungarian Basin, not far from Karamay's fields, the greatest discovery of the year. Xinjiang also has the country's largest coal reserves, an estimated 40% of the national total, along with the largest natural gas reserves. Oil, gas and coal are part of China's delicate balancing act to fuel the growth and prosperity of its cities and industries. This has done little, however, to placate ethnic tensions in the Xinjiang Uygur Autonomous Region driven by inequality and marginalization.

Total Makes Second Oil Discovery in Kurdistan

French oil company Total has announced that it has struck oil near Erbil, a city in the Kurdish autonomous region in Iraq, reported Reuters. This is the second discovery in Total's Harir block. The well, named Jisik-1 was tested with a flow rate of 6,100 b/d. Total controls a 35% interest in the Harir Block. The other two owners are the Kurdish Regional government with 20% and Marathon Oil with 45%.

Kuwait to Provide Pakistan with Gasoil

Kuwait and Pakistan have finalized a deal for gasoil, which Pakistan uses for the generation of energy as well as transportation, reported Reuters. The contract, which maintains terms that include the same volumes of 2014, was finalized by Pakistan State Oil Ltd. (PSO) and Kuwait Petroleum Corp. (KPC). PSO will buy 2.5 million tonnes a year of high-sulphur gasoil from KPC, with a tolerance level of plus and minus 10%. There is a sealed term contract for gasoil between KPC and PSO at a premium between $1.80 and $1.90 a barrel above Middle East price quotes, on a delivered basis. Pakistan has low demand due to an economic slowdown. It has also been lifting gasoil from local sources, such as Byco Industries (Karachi)— the company that commissioned the largest refinery in Pakistan earlier this year. However, this supply has been inconsistent due to crude supply issues and other financial problems.

Saudi Arabia to Consider Cutting Production if Other Countries Follow

Former Saudi intelligence chief, Prince Turki Bin Faisal, said that Saudi Arabia would accept cuts in production only if other countries, amongst them Russia, joined in the regulations. "The Kingdom is not going to give up market share at this time for anybody and allow producers whether in Russia, Nigeria, Iran and other places to sell to Saudi customers because we cut our production," Prince Turki said on a visit to London, reported Reuters. Saudi Arabia is standing over solid ground thanks to its lofty financial reserves, which act as a buffer against a drop in oil prices. OPEC countries planned to decrease output towards the end of November in attempts to rebalance the market without changing current production targets. "I see no immediate crisis for Saudi Arabia in the coming couple of years or so," assured Prince Turki.

Baker Hughes Upbeat on Prospects in Middle East

Despite declining oil prices, Baker Hughes remains optimistic about their Middle East operations. Speaking to Gulf News, Mario Aufiero, managing director of South Arabian Gulf Geomarket for Baker Hughes, said that the firm has 'big plans' for Abu Dhabi, investing heavily in infrastructure in the emirate. Furthermore, the recent takeover by Halliburton, in a $35 billion deal concluded last month, will have little effect on the operations in the region. Arjuna Mahendran, chief investment officer at Emirates NBD, explained to Gulf News that the merger "might lead to some job losses in North America but not in the Middle East region". Baker Hughes assessment is in contrast to the current trend, as investments have fallen sharply in recent months due to the drop in oil prices.

Kurdistan and Dana Gas in $100 Million Dispute

Reuters reported that the Kurdistan Regional Government (KRG) has failed to pay a consortium, headed by Dana Gas, $100 Million, despite being instructed to by a London arbitration court. Abu Dhabi-based Dana Gas warned the KRG that they could face sanctions if they failed to pay the money to the consortium, which includes Pearl Petroleum and Crescent Petroleum. The KRG dismissed the statement by Dana Gas, asserting that the London court did not award the company the right to receive outstanding fees. As of September, Kurdistan owes Dana Gas and its partners a total of $712 million.

Top Energy Consultant to Arab World: Expect Declining Energy Investments

Gulf news quoted Dr. Ali Aissaoui, Senior Consultant at Arab Petroleum Investments Corporation, as stating that total energy investment in the Middle East to be "$685 Million…which is slightly lower than last year's review". Saudi Arabia –the biggest investor in the region– is projected to see energy investments fall to $127 billion, while the UAE, which has spent heavily on a variety of energy products, will see its investments rise to $116 billion. Speaking at the Arab Energy conference in Abu Dhabi, Dr. Aissaoui also warned gulf countries that further reforms are needed in order to improve the investment climate. In particular, he singled out countries which "have witnessed a wave of social and political unrest and, therefore, are in greatest need to attract investors".

UAE to Have First Nuclear Power Plant Operational by 2017

Mohammed El-Hammadi, CEO of Emirates Nuclear Energy Corporation (ENEC), has stated that the first of four nuclear reactors to be built by the UAE will be online by 2017. Speaking at the 10th Arab Energy conference in Abu Dhabi, Hammadi explained that once all four reactors are operational in 2020. "They will generate 25% of UAE power needs." As first reported by AFP, Hammadi also said that ENEC signed a 15-year/$3 billion agreement with foreign firms to provide fuel for the plant. Furthermore, another five% of the gulf state's energy will come from renewables by the same time, reducing carbon emissions by 12 million tonnes.

Unconventional News

New York Strikes Down Proposed Fracking

Andrew Cuomo, Governor of New York, announced that his administration plans to prohibit hydraulic fracturing, commonly known as fracking, in his state. As reported by the Associated Press, Cuomo asserted that he would follow the recommendations of the State's Environmental Commissioner Joe Martens and Health Commissioner Howard Zucker. Martens and Zucker concluded, following a review of environmental and health concerns, that "shale gas development using high-volume hydraulic fracturing carried unacceptable risks that haven't been sufficiently studied". Southern New York sits under the Marcellus Shale, a rock formation that also encompasses Pennsylvania, Ohio and West Virginia. While other states have shown enthusiasm for the economic prospects of fracking, some residents of New York have been hesitant given the potential health dangers that the drilling can cause. Despite the ruling, debate in New York has been fierce. AP quoted Governor Cuomo as saying that this was his "most emotional" decision since taking office in 2011, with both sides engaging in heated discourse over the issue.

US shale oil weathering the Arab price storm

Oil prices tumbling 50% from since its June peak has not prompted any American oil producer to shut down wells, reports the Associated Press. According to US Energy Department projections, American oil production is set to reach 9.42 million barrels a day in May, which would be the highest monthly average since November 1972. US wells are poised to approach a 42-year record next year .A combination of shale formations, deep-water fields, the Alaskan wilderness and land-based wells in pockets of Oklahoma and Pennsylvania is responsible for the boom, pushing demand for imported oil down to its lowest point since 1995. Exxon, already the world's biggest oil producer by market value, is expected to boost crude and natural gas output by 2.8 percent next year to the equivalent of 4.1 million b/d. Production costs for fracking are higher, no doubt, but they've already been paid for when the wells were first dug – quite literally 'sunk' costs, explained Andrew Cosgrove, an analyst at Bloomberg Intelligence in Princeton, New Jersey. As a consequence, the average cost to operate an existing well in the US "is about $20 a barrel," said Tom Petrie, chairman of Petrie Partners Inc., an investment firm specializing in the energy sector. "It might be $5 higher or it might be $5 lower, that's the out-of-pocket costs that we're talking about. Until you dip into that and start losing money on a cash basis day in, day out, you don't think about shutting in", he added. Continental Resources Inc. only spends about 99 cents to pump each barrel from its 1.8 billion-barrel 2012 discovery in the so-called South Central Oklahoma Oil Province. Laredo Petroleum, operating in Texas, has already more than tripled production since 2010 and plans to 'slash' capital spending by about 50% next year. That being said, oil executives are wary about "making long-term production decisions with this kind of volatility", said Timothy Rudderow, chief investment officer at Mount Lucas Management in Newtown, Pennsylvania. Exploration will only go through for the very best of the best wells.

Chevron 10 Billion Ukraine Shale Gas Deal Scuttled

Valeriy Chaliy, a senior Ukrainian presidential official announced that there was 'information' that US energy major Chevron plans to withdraw from a $10 billion shale gas deal it had signed with Kiev in November 2013, reported MENAFN. Chevron in Kiev declined to comment on the report. A London-based spokesperson for Chevron said: "We have just delivered to the Ukrainian government our response. Therefore it is premature for us to comment." Local media sources in Ukraine said the move came as a result of increasing taxes levied on energy companies by the post-Yanukovich government. The agreement was designed for the very long haul, spanning 50 years with an initial investment by Chevron in the first two or three years of $350 million for exploration work. The shale gas production-sharing agreement had been signed just before the Maidan revolution. Shale gas development in Ukraine was meant to reduce the country's energy dependency on Russia. The other major project, belonging to Royal Dutch Shell, could also be in danger as the gas deposit intended for development is close to the eastern territories now controlled by pro-Russian separatists. Ukraine is also heavily in debt to Russia financially and involved in disputes over energy prices.

Fracking Ban in the Birthplace of Fracking

Hydraulic fracturing or "fracking" met a setback with the first ban of the practice going into effect in the city of Denton, located 30 miles (50 km) north of Dallas. The people of the city felt that the practice had become a public outrage, poisoning aquifers and causing small earthquakes, reported Reuters. The operators of several fracking projects, who are represented by the industry group the Texas Oil and Gas Association, filed a suit immediately to have the ban overturned. Ironically, fracking was largely developed in the Barnett shale formation, an energy field that covers 24 counties in the northern part of Texas, where Denton is located. After the last round of U.S. elections, public opinion on fracking is mixed. Three Ohio counties opposed bans, while one was approved. A proposed ban was approved in two California towns but was struck down in another. Bans were approved as well in some Colorado cities, but are subject to lawsuits. Cathy McMullen, leader of an anti-fracking group said in a statement, "We are glad Denton is listening. We wish we could say the same about our state." After the election David Porter, a member of the Texas Railroad Commission, said he is confident "reason and science" will prevail and the ban will be overturned.

Gazprom Halts South Stream Project

Reuters reported that Gazprom's CEO Alexi Miller said that the construction of the South Stream pipeline is no longer in consideration. The planned $40 billion Gazprom project was to deliver gas across the Black Sea to Southern Europe by way of Turkey and Bulgaria, cutting out Ukraine altogether. Putin has stated, "If Europe does not want to carry out South Stream, then it will not be carried out." Last year, Russia supplied 13.7 bcm of gas to Turkey via Blue Stream. Putin has offered to reduce the price of gas for Turkey by 6%, while supplying an additional 3 bc meters. It was also ready to build a gas hub on the Turkish/Greek border to compensate for the loss of the South Stream Project.

Shell Leaks Thousands of Barrels of Oil in Niger Delta

Officials at Shell Oil and the Nigerian Oil Company have reported an oil spill of 3,800 barrels, making it one of the worst in recent history, reported Reuters. The spill is believed to have been caused by a botched oil theft. "This spill occurred 7-8 nautical miles from the shore… So the volume runs into the thousands of barrels," said Alagoa Morris, the head of the Niger Delta Resource Center for Environmental Rights Action. Shell closed down its 28-inch pipeline carrying Bonny Light crude on November 22nd, but re-opened it a week later after an investigation revealed a leak. The 24-inch pipeline, the source of the most recent accident, remains closed, pending the completion of a full investigation. Nigeria, Africa's top oil producer, loses tens of thousands of barrels of oil a day to oil theft. Failed thefts, and corroded pipes, are the main cause of spills. Shell's SPDC, a joint venture with the Nigerian government, is under pressure to pay damages for past spills. Nigeria's Parliament went on record saying that SPDC should pay $4 billion for a previous spill at the offshore Bonga oilfield. The Bodo community in Ogoniland is also suing over 2 large oil spills in 2008. Shell has deployed oil booms to contain the current spill and has retrieved 1,200 of the 3,800 barrels to date.

Canadian Firm to Finance Turkish Refinery

Export Development Canada (EDC), a Canadian export credit agency, has agreed to be the lead arranger in a $3.3 billion debt refinancing for the planned STAR refinery in Western Turkey. STAR, which is owned by SOCAR, the Turkish subsidiary of the Azerbaijani national oil company State Oil, secured financing of $150 million from EDC and hopes to begin full operation of the refinery by 2018. The deal further reiterates SOCAR's expansion plans for the Eurasia region. EDC on the other hand told Oil & Gas Journal that it expects "strong growth" in procurement from SOCAR over the 15-year period of the loan agreement. .

Turkmenistan's Oil and Gas Lifelines

China, which has been switching from coal to gas to shelter its environment, has openly declared plans to invest billions into Turkmenistan's energy sector at an energy conference in the Turkmen capital Ashgabat, reports BBC News. China hopes to import 65bn cubic metres of gas from Turkmenistan every year by 2020. By 2016 the fourth branch of the China-Central Asia pipeline will be completed, meant to raise the export capacity level to 85 bcm a year as part of its policy of developing a new "Silk Road". Currently China's National Petroleum Corporation (CNPC) is the only foreign company that has a direct access to Turkmenistan's on-shore gas fields. Not only is China building up capital stock in Turkmenistan, it is also loaning the country money "to meet its share of the development costs", threatening to make the small country into a "debtor nation", warns energy security specialist John Roberts. China's chief rival is the US and Turkmenistan is eager to go along with American plans in an effort to diversify and not become 'too' dependent on China, such as the TAPI pipeline, which will deliver Turkmen gas to Pakistan and India via Afghanistan, and the controversial Trans-Caspian pipeline to deliver gas to Europe. Russia is blocking this second project until the status of the Caspian Sea is resolved, as it is divided between Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan. Turkmenistan holds the fourth-largest gas reserves in the world.

Gazprom, Botas Plan Pipeline to Turkey

Gazprom's CEO, Alexi Miller has announced a deal between Russia's Gazprom and Turkey's Botas to build an undersea pipeline to Turkey. This pipeline will have an annual capacity of 63 bcm, 14 bcm of which will go to Turkey alone, the amount that it currently purchases. In a separate deal, Russian Energy Minister Alexander Novak has stated that Turkey was attempting to negotiate a 15% reduction in cost for gas purchased from Russia. President Putin has said that Turkey will get a 6% discount on gas, starting next year.

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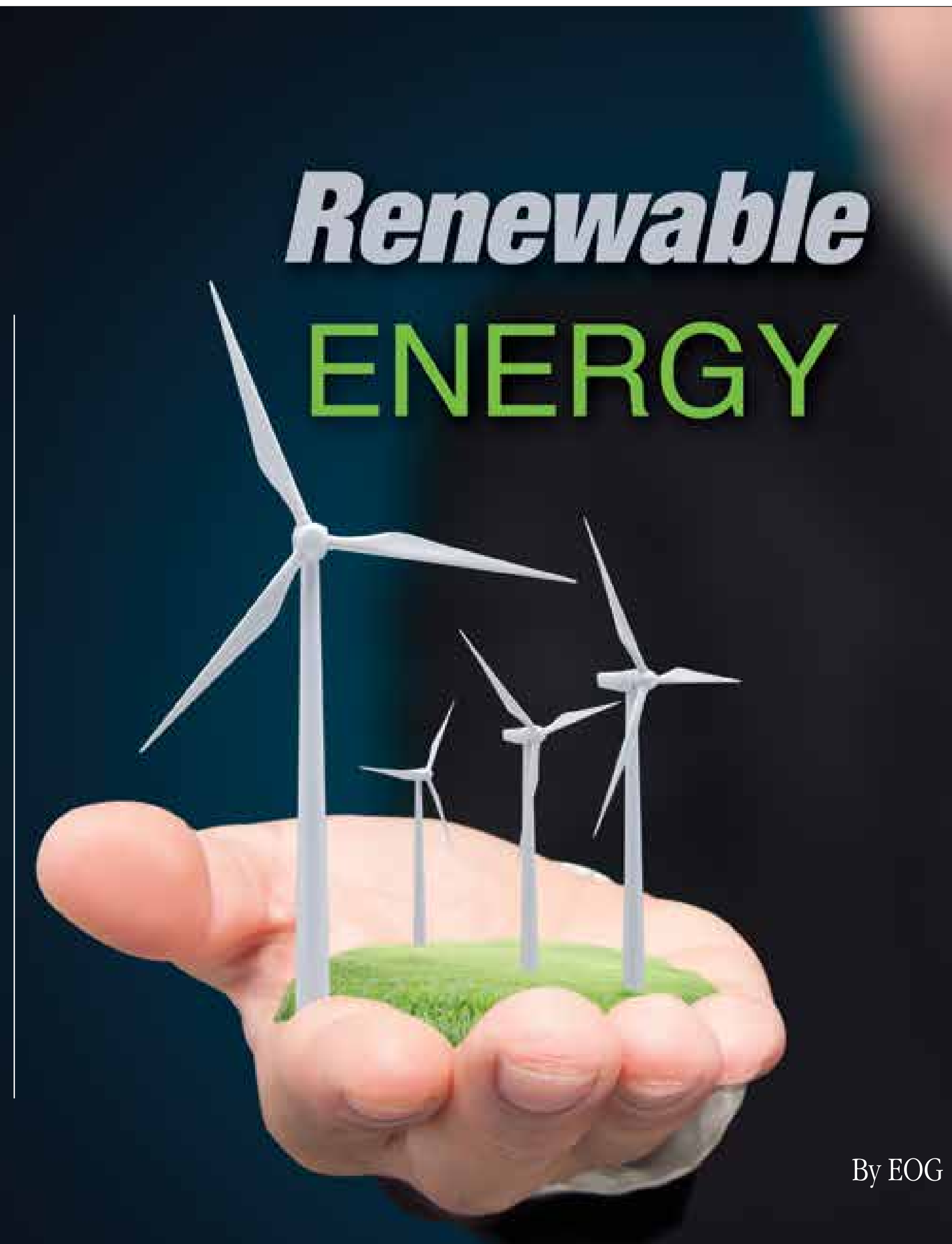
Saudi Shaheen Group to Invest in Renewable Energy in Egypt

Daily News Egypt has reported that Abdullah Shaheen, chairman of the Saudi-based Shaheen Group has agreed to invest EGP 500,000 in the new and renewable energy sector. The investments will be in the agricultural and solar projects, including a solar station in the New Valley. Shaheen was quoted as saying it would be "appropriate" to invest in Egypt, due to new government regulations to attract business. Minister of Supply, Khaled Hanafy commented that Egypt is undergoing a "legislative revolution." This is being done to maintain Egypt's position as the largest market in the Middle East and North Africa. These comments came at the 16th Conference of Arab Businessmen and Investors that took place in Cairo and was attended by over 1,000 investors from all Arab countries. The Minister of Investment, Ashraf Salman said the government is expecting 3.5% of GDP economic growth to be provided by the private sector by the end of the fiscal year. He added that the government is investing EGP 85 billion and expects the private sector to invest EGP 280 billion to attain the target. Following the installation of Mohammed el-Fattah al-Sisi, in July of the previous year, Saudi Arabia made available a $5 billion aid package. This package was divided into $1 billion cash, a $2 billion interest-free deposit in the Central Bank of Egypt and $2 billion in form of petroleum products.

Finances for Africa's largest Wind Farm Finalized

Kenya's Lake Turkana Wind Power Project (LTWP) has just received its first disbursement of funds from the financing agreements signed in March 2014, reports AllAfrica.com. Not only is the Sh70 billion project the largest single wind power project in Africa, it is the largest private investment in Kenya's history and the most complex and challenging renewable energy project to be undertaken in sub-Saharan Africa. It is part of the Kenyan government's plans to scale up electricity generation to 5,000 MW, and is intended to provide 20% of Kenya's currently installed generating capacity. The LTWP consortium is comprised of KP&P Africa B.V. and Aldwych International as co-developers and investors, and Finnish Fund for Industrial Cooperation Ltd (Finn Fund), Industrial Fund for Developing Countries (IFU), Norwegian Investment Fund for Developing Countries (Norfund), Vestas Eastern Africa (VEAL) and Sandpiper as investors. Aldwych Turkana Ltd, an affiliate of Aldwych International, will oversee construction and operations of the project on behalf of LTWP.



By EOG

WHEN NATURAL GAS IS NOT ENOUGH: Diversifying Egypt's Energy Mix

By Lorena Rios

Egypt's smothering summer months are old news, at least until May creeps back into our calendars. Yet the country's worst energy crisis in decades continues to make the headlines. The second half of 2014 experienced plaguing power outages across the city, struggles to repay rising government debt, lagging foreign investment and a race to match natural gas production with domestic energy demand – all while juggling presidential elections, fuel subsidy reforms and a vulnerable industrial sector.

Egypt relies heavily on natural gas to fuel its power stations; in 2013 natural gas and oil accounted for 94% of the country's total energy consumption, according to the Energy Information Administration (EIA). Egypt needs to reduce its dependency on hydrocarbons to attain sustainability and energy efficiency, and to achieve this, measures must be implemented to diversify Egypt's energy mix.

"It will be a big mistake for any country to rely solely on hydrocarbons as the energy source," stresses Magdi Nasrallah, professor at the Department of Petroleum and Energy Engineering at The American University in Cairo. "A reasonable energy mix is extremely important." The government plans to increase the production of renewable energy to 5,000 megawatts by 2027 and so far it has succeeded in adding 500 megawatts, reported Al-Ahram.

Standing as Africa's second largest natural gas producer, Egypt's wealth of natural gas reserves reveals the inherent potential of untapped discoveries to attract foreign investment. Currently, natural gas production meets only 80% of consumption and export needs, despite Egypt ranking 7th among non-OPEC countries with 2.2 trillion cubic meters of proven gas reserves, according to a study by BNP Paribas.

The natural gas boom began in 1997 when an upsurge of natural gas discoveries in the Mediterranean and the West Delta came as Egypt´s answer to the decreasing crude oil production.

"Egypt is a relatively pristine land when it comes to hydrocarbon exploration and production," informs Nasrallah. It became clear that Egypt's rich natural gas discoveries could shift the oil paradigm and generate considerable wealth from exports. Consequently, the majority of power stations, fertilizer plants and cement mills have been fueled almost entirely by natural gas, accompanied by a rise of natural gas exports to make up for the decrease in crude oil exports.

The natural gas boom was short lived as political turmoil in Egypt made the country inhospitable for foreign investment. "The years of instability and the foreign debt rendered development of gas and oil fields extremely difficult," explained Nasrallah. "The main challenges at the present time include political and security instability, subsidies, debt to foreign operating companies and reduced hydrocarbon production," he concluded.

Recent years have taken a considerable toll on natural gas production. Egypt's dry natural gas production has fallen 14% from August 2014 figures, and exports dropped 86% from last year, reported the Information and Decision Support Center (IDSC).

The Egyptian German Joint Committee on Renewable Energy and Energy Efficiency (JCEE) warns that Egypt's extensive gas strategy is bound to reach its limits during the 2020s if measures are not implemented to rethink consumption, attract investment and explore alternative sources.

According to JCEE, Egypt will need to reconsider gas exports and successively replace domestic with imported natural gas to maintain its high use of natural gas. EGPC and EGAS have acted by importing liquefied natural gas (LNG) and are taking measures to meet growing domestic demand. Both state-led companies have made agreements with companies like Norway´s Hoegh, Algeria´s SONATRACH, and Russia´s Gazprom to guarantee the necessary technology to handle subsequent LNG shipments.

¨This is just a temporary problem," said Maged Mahmoud, energy expert at the Regional Center for Renewable Energy and Energy Efficiency (RCREEE). Egypt has set a target of 20% of its energy to come from renewable sources by 2020. "This target is not difficult to achieve specially after adapting the new feed-in tariff scheme," he said, "which sets a reasonable price for renewable electricity.¨

The feed-in tariff was implemented in mid-September by the Ministry of Electricity to invite foreign and private investment into the field of renewable energy. The energy tariff is divided into five categories, each tailored to different usages. The prices range from EGP 0.84 for 200 kilowatts of usage to EGP 1.02 per kilowatt-hour for 20-50 MW. The new tariff system also reduces customs on new and renewable energy production supplies by 2% and sets bank financing at 40-60%.

Furthermore, the government plans to generate 2,000 megawatts from wind energy and 2,300 megawatts from solar within the next two years, added Mahmoud. This initiative, along with the gradual removal of subsidies on energy, should incentivize foreign investment by making renewable energy more competitive and profitable.

"The current government has made renewable energy a priority," said Mahmoud. As a renewable energy expert, Mahmoud is an advocate for implementing policies that set a permanent target of 20% to 30% of renewable energy in the energy mix.

The continued reliance on natural gas to meet energy demand may not be successful in the long run if foreign investment doesn't boost production. Policymakers are striving towards diversifying the energy mix by creating the adequate environment to attract foreign investment. "If we do our best in this particular moment in history, then the problem of lack of investment can be solved by maximum 2020,¨ predicts Mahmoud.

Renewable energy is no longer a bold move but an obligation. Big economies such as the United States and China are resorting to renewable energy as an answer to fluctuating oil and natural gas prices and conservation.

"Egypt needs to change the paradigm," said Nasrallah. "Current hydrocarbon resources are insufficient and polluting, in addition, the real added value of hydrocarbons is in processing to petrochemicals and not combustion provided that alternative resources are available," he finished. Studies show that renewable energy sources could supply up to 30% of the global energy supply by 2050, "maintaining a reliable, affordable, and much cleaner electricity system.¨

The need for cleaner and more sustainable energy systems is imperative, especially from an environmental point of view. According to the Union of Concerned Scientists (UCS), the share of emissions from natural gas is increasing at a fast pace, with the EIA projecting an increase of electricity related CO_2 emissions to rise by 12% from 2012 levels by 2040.

Despite environmental concerns, coal is also being considered as an alternative to fossil fuels. ¨Allowing companies to import coal is a step in the right direction," said Nasrallah, "provided that all environmental codes are strictly applied.¨ The diversion of natural gas into the electricity sector has put the country´s factories in a difficult position. Jose Maria Magrina, CEO of the Arabian Cement Company told Al-Ahram last August, that the inability of the government to provide natural gas led to a 30% drop in production, resulting in higher prices in the local market. The same goes for state-owned Delta Company for Fertilizers and Chemical Industries, who had to cut production by 15%.

Importing coal to relieve pressure from natural gas as the main generator of electricity can be risky, as coal is still a high pollutant. Natural gas emits around 800 pounds of CO_2 per megawatt hour – 50% to 60% lower than the emissions from a typical coal plant, according to UCS.

Nonetheless, Egypt is following the world's departure from fossil fuels as the only source of energy and transitioning slowly into renewable energy. For example, "Egypt is number one in the Arab World in terms of wind energy generation," Mahmoud said, "producing 750 wind megawatts."

This past month, the Minister of Petroleum Eng. Sherif Ismail, attended the MOC 2014 in Alexandria. During his opening speech, Ismail spoke adamantly of sustainability and energy efficiency in Egypt's oil and electricity industry. The future is bright for Egypt since the country possesses the adequate resources to develop a strong and sustainable energy sector. Thus, the responsibility lies on policymakers to further prioritize investment in natural gas and pay closer attention to the field of renewables. This way, the energy crisis will cease to make the headlines and Egyptians won´t have to worry about stocking up on candles to be able to read them.

Arab Republic of Egypt

Ministry of Petroleum And Mineral Resources

Ganoub El Wadi Petroleum Holding Company

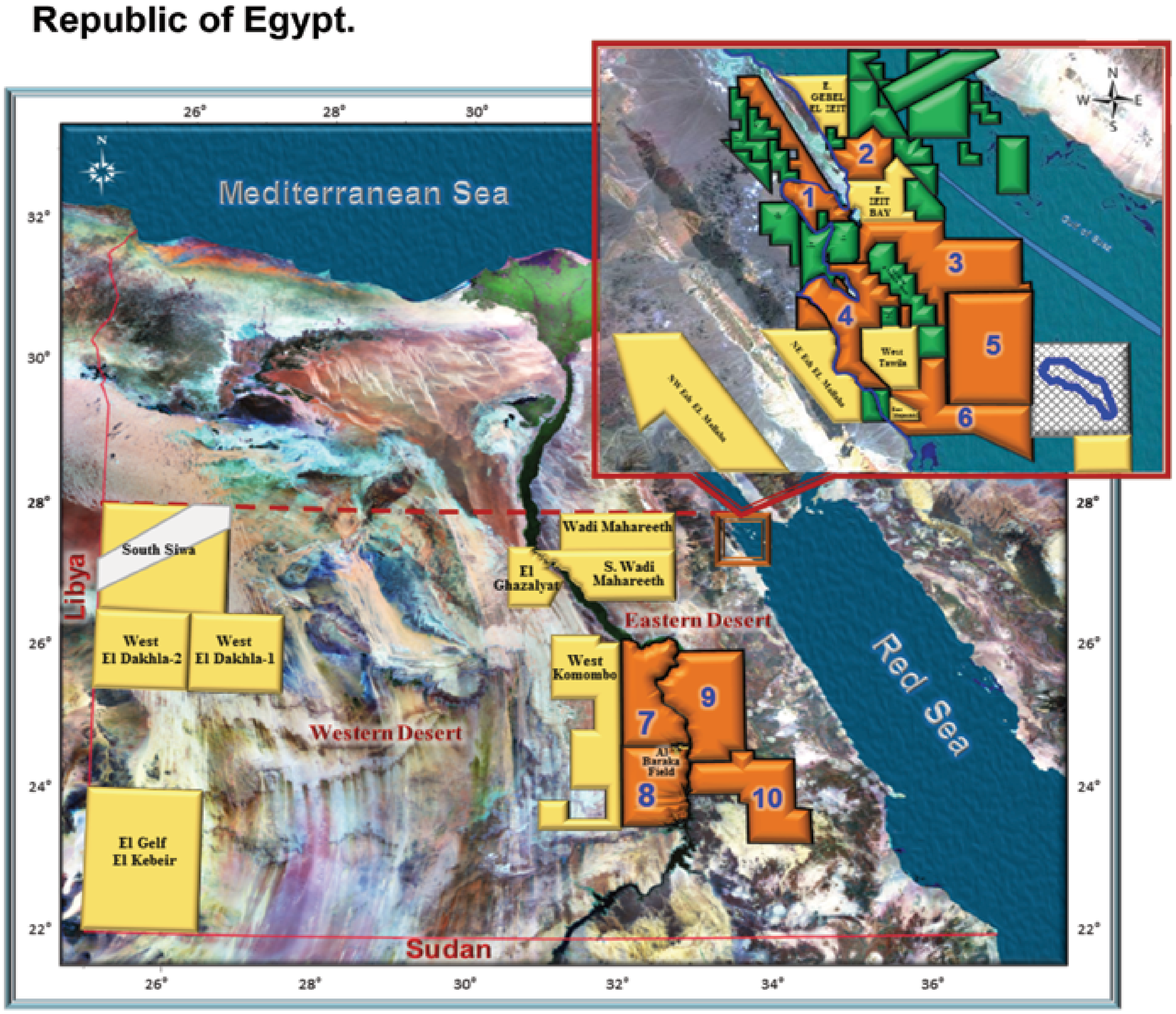
Ministry of Petroleum

Announcement

For

The International Bid Round, 2014

Ganoub El Wadi Petroleum Holding Company (Ganope) invites Oil and Gas Companies for 2014 International Bid Round, to explore/exploit for Oil and Gas. The Bid Round includes Ten (10) Exploration blocks in the South Gulf of Suez, West Nile and East Nile, as shown in the map and according to the Production Sharing Model Agreement applied in the Arab Republic of Egypt.



2014, Bid Round | Exploration Blocks | Production Companies

South Gulf of Suez Blocks

	Area
1. West Gabal El Zeit	(132 Km^2)
2. S.E. Ras El Ush	(68 Km^2)
3. N.E. Geisum	(257 Km^2)
4. N. Magawish	(194 Km^2)
5. N.W. Shadwan	(286 Km^2)
6. N.W. Sea Bird	(191 Km^2)

West Nile Blocks

7. North Al Baraka	(11860 Km^2)
8. South Al Baraka	(10900 Km^2)

East Nile Blocks

9. S.E. Qena	(15745 Km^2)
10. Kharit	(14270 Km^2)

Interested Companies can review the technical data and purchase the Data Packages related to the Bid Round blocks upon their prior request and according to the relevant stated fees starting Tuesday, December 30th, 2014 at Ganope Premises:

El Nour Street from El Nozha Street, Nasr City, Cairo, Egypt P.O.B.: 3011 El Horria.

Blocks Principal Data Package, Bid Round Procedures Terms and Conditions and the Model Agreement can be obtained through Ganope website: www.ganope.com

The closing date will be Tuesday, March 31st, 2015 at 12:00 noon, Cairo local time

For more information, please contact:

Ganope Vice Chairman for Agreements & Exploration

Tel.: +202 26910185 Fax: +202 26910184

email: mohamedsalah@ganope.net

No Accountability:

The Story Behind Mubarak's Dropped Corruption Charges for Israeli Gas Deal

By: Alessandro Accorsi

When on November 29th an Egyptian court dropped all the charges against former president Hosni Mubarak, who had been indicted for the killing of protesters during the January 2011 uprising, some Egyptians reacted with jubilee, others with outrage. While people in the streets and in cafés were busy commenting on the ruling or making jokes about it, the court also cleared Mubarak, as well as his sons Alaa and Gamal and old tycoon Hussein Salem of the corruption charges related to real estate interests in Sharm el Sheikh and to the Egyptian-Israeli gas deal.

Mubarak and Hussein Salem were accused of selling under-priced gas to Israel at the expense of possible revenues for Egyptian public finances. The former president used his influence to grant the Eastern Mediterranean Gas company (EMG), partly owned by Salem, the exclusive rights to sell Egyptian natural gas to Israel.

Salem, who was judged in absentia as he fled Egypt for Spain on February 3rd 2011, is also implicated in a separate trial with former Minister of Petroleum Sameh Fahmy for selling the under-priced gas to Israel with a substantial mark-up.

Judge Mahmoud al-Rashidi, who presided the court, dismissed the charges because of the lack of evidence against Mubarak and Salem, and because the sale had received approval from the state's security services. He further dismissed the case as purely "political".

"It is true that it is a political case," says Mohamed Abdelaziz, a lawyer at Al-Haqaniya Legal Centre, who has followed the trial since it was launched. According to Abdelaziz, as activists and people in Tahrir Square demanded accountability for leaders and cronies of the old regime, the prosecutor rushed to bring Mubarak to trial. However, the prosecutor failed to present substantial evidence, build an in-depth case, or make a clear statement on what the former president was actually accused of.

"Even if it's a political case, that does not mean that Mubarak or his aides and proxies did not commit crimes and should not be held accountable. The prosecutor hastily investigated it and set up a weak, shaky case," added Abdelaziz.

Since it was signed in 2000, the gas deal had spurred speculations, rumours, and widespread anger amongst Egyptians. The government attempted to justify the deal as part of the obligations of the 1978 Camp David agreement between Egypt and Israel. Due to its sensitive nature and the popular opposition it provoked, the state had shrouded it in a veil of secrecy to the point that the transaction did not even need the approval of the Parliament and its details had never been revealed.

Egypt would not trade the gas directly to Israel. The General Authority for Petroleum opted to sell it to the middleman company, EMG. The price paid for the gas was left up to the discretion of the former Minister of Petroleum, Sameh Fahmy. Before becoming minister in 1999 – a year before the gas deal was signed – Fahmy had started his career in MIDOR, an Egyptian-Israeli joint venture between Hussein Salem and the Israeli businessman Yossi Meiman, the same two major stakeholders of EMG.

"In 2004 EMG was buying natural gas for a price between $0.75 and $1.50 per million BTU, way below the market price at that time," explains political economist Amr Adly, a non-resident fellow at the Carnegie Middle East Center. In 2010, the price was closer to $3, but it was then sold to Israel for around $4.50, with a substantial mark-up since EMG had no part in the production process and was basically acting only as a broker.

Public finances, however, could have lost substantially more profits with the deal. Unlike oil, natural gas does not have a global benchmark price given that its cost depends on multiple elements including transportation and geopolitical factors. Despite this, "when Egypt was selling gas to EMG for $1.50, Japan was paying $12.60 per million BTU, Germany around $11," claims Adly, who with energy expert Mika Minio-Paluello estimated that Egypt lost up to $11 billion in possible revenues between 2008 and 2010 by selling under-priced gas to Israel and not to other countries.

In 2008, the Supreme Administrative Court found clear signs of under-pricing in the selling of gas, and questioned Fahmy's decision to set a pricing formula that held a fixed pricing ceiling. The ruling halted the deal, but it was appealed by the government who ignored the court's decision and continued to sell the natural gas at a price that was close to the cost of production.

"The Supreme Administrative Court's ruling had already revealed the severe corruption, cronyism, mismanagement and incompetence at all levels of the governmental chain implicating the Mubaraks and Hussein Salem," explains Amr Adly.

In 2011, the Egyptian newspaper Al-Masry Al-Youm published a correspondence in which Hussein Salem required Sameh Fahmy to halve the minimal price from $1.50 to $0.75. The same day that he received the letter, Fahmy wrote to the Council of Ministers and obtained a decree from the Prime Minister granting Salem's request.

A Kuwaiti newspaper also published three leaked documents dating back to 2005 that allegedly showed how Gamal Mubarak, Hussein Salem and Sameh Fahmy asked the Israelis for a commission in exchange for ensuring the gas deal.

"Even under Mubarak's regime there had been evidence of corruption and mismanagement, how could the court ignore it," asks Abdelaziz questioning the lack of documents presented by the prosecutor in the trial.

Although clearly linked, the two cases against Mubarak and Fahmy have not been dealt with in a single trial. Mubarak was charged for enabling Salem and EMG to buy under-priced gas, but the prosecutor never addressed the former president's interest in the gas exportation deal, focusing only on the alleged abuse of power.

"The two cases are obviously linked as Mubarak's alleged connection to Salem enabled this latter to squander public funds with the complicity of Fahmy," says Mohamed Abdelaziz. "Nevertheless, since the prosecution itself claimed that Sameh Fahmy was a key witness in Mubarak's trial and the only one able to provide documents and evidence, the two cases have been kept separate," he explains.

The former minister, however, defended himself claiming that he had no control over the prices or the deal, as the selling of gas was a matter of national security managed directly at the "highest level of leadership," a statement that seemed to implicate Mubarak. Nevertheless, instead of providing evidence against the former president, Fahmy accused former head of General Intelligence Omar Suleyman, stating that the selling of gas was managed directly by the state security services due to its sensitive political nature and that Fahmy himself had no control over it.

On November 29th, the court dismissed the charges against Mubarak and Salem on the grounds that the deal had the approval of the General Intelligence. However, in previous rulings, other judges "declared that even if Suleyman was the one in charge of the file, he could not have forced Fahmy to accept it or to act as he did," says Amr Adly. "Moreover, the whole national security argument does not stand because EMG did not sell gas only to Israel, but also to Jordan, Spain and other countries," he adds.

"Since the ruling has been appealed, I am confident that the Court of Cassation might do a better job and order a new investigation," explains Abdelaziz. "There is a kind of political will to close an eye on the cases and negotiate settlements with cronies from the old regime," says Adly. However, he believes that if the courts keep dismissing corruption charges, the government's position is only weakened.

Moreover, in an ironic twist of events, EMG is now suing the Egyptian government for damages and lost profits, charging that the military-led SCAF government unilaterally decided to terminate all the gas and oil exports contracts in April 2012.

"Egypt not only lost billions of dollars due to corruption and mismanagement, but it is now in the position of being unable to honour previous contracts and paying foreign companies as the amount due is equal to the total of its currency reserves," says Adly.

After breaking the contracts, production decreased, leading to energy shortages in a country that still has reserves, but might start importing gas from the newly found Israeli reserves. "Egypt sold gas trading short-term gains that enriched Salem and a number of middlemen and officials in the government at the expenses of meeting long-term consumption needs," states Adly.

"If Mubarak ordered the selling of under-priced gas to Israel because of purely geopolitical reasons, that is something he – and his aides – should be held politically accountable for," says Abdelaziz. "But if they did so by ripping off profits from public finances and spoiling the Egyptian state – that is a crime. And courts should investigate it as such."

Egypt Stays Optimistic as Global Oil Prices Plummet

By Lily Leach

Following OPEC's decision to maintain crude output levels at 30 million barrels per day (b/d), oil prices plummeted. The stock market in the Gulf plunged to unprecedented lows. At time of writing, Brent crude dropped to $61.38 per barrel, after four consecutive weeks of losses, down almost 16% over December, and nearly 50% since its June peak, Reuters reported. Saudi Arabian Petrochemical markets, as their prices are closely linked to oil prices, took major hits. Banks were down 3.2% and retail lost 3.5%. With sweeping market losses being reported internationally across various sectors, Egypt overcame the crash relatively unscathed, its market slipping a mere 0.2%.

OPEC's Market Share

"The oil cartel is trying not to lose control of the oil market to countries like the U.S. and Russia, while still maximizing its own revenues. In many ways, these two forces are diametrically opposed, leading to some very difficult decisions," writes Travis Holum for the Motley Fool. "The core problem is that oil is no longer the one-stop-shop it was two decades ago when OPEC supplied half of the world's oil. Today, U.S. shale producers, Brazil, Russia, and others are big players in the market, all having a vested interest in increasing production if the price is right."

"It's no surprise that the current near 50% drop in oil prices since June of this year has captured global headlines and spawned numerous narratives: OPEC and/or Saudi Arabia vs. U.S. shale oil, one of the more popular ones, and Saudi Arabia/UAE vs. Iran/Russia a secondary one. But as with most popular narratives, there is a deeper issue at play here," says Afshin Molavi, senior fellow and director of the Global Emerging and Growth Markets Initiative at the Foreign Policy Institute of the Johns Hopkins University School of Advanced International Studies (SAIS) for Al Arabiya.

He dispenses of the Russia/Iran "squeeze play" story, because price declines would have to be larger and over a longer period of time to affect them. The more popular theory, that OPEC is struggling to maintain its market share and let prices drop to put pressure on US Shale production, has more legitimacy. Still, Molavi believes that US shale oil still doesn't have the power to radically transform global energy markets in the short to medium term.

Egypt's Import Dependency

How Egypt's domestic energy crisis figures into the international oil market is a complicated equation, and what the country stands to lose or to gain as oil importing nation is a matter of some dispute.

When Egypt is referred to as an oil importer, it's typically mentioned as a point of economic decay. Egypt's energy consumption began to overtake its petroleum exports in the mid 1990s, tipping its oil economy into the red. Its population became dependant on fuel subsidies and aid to meet its energy needs, with debt mounting to foreign oil companies as products meant for export were increasingly funneled into the domestic market.

"In the 2013/14 fiscal year, Egypt imported $10 billion worth of food products and $13.2 billion worth of petroleum products, according to Central Bank data. Local industries also depend heavily on imported machinery and inputs needed for production," informs state media.

However, Egypt's annual import bill, which stands at $59 billion, could potentially drop by around $4 billion if oil prices stay around the level of $75 per barrel. "This in turn would reduce the current account deficit and Egypt's dependence on foreign financing, thus easing strains in the balance of payments," William Jackson, an economist with London-based Capital Economics, told Ahram Online.

Low Brent: "In Egypt's Favour"

Following on the heals of the first wave of Sisi-administration economic reforms and subsidy cuts, which raised fuel prices by up to 78%, the dropping international oil prices could prove to be a further silver lining to ease pressure of energy demand. Simply put, low Brent prices are in Egypt's favour in terms of decreasing the fuel subsidy bill, as Tarek El-Molla, Chairman of the Egyptian General Petroleum Corporation (EGPC), explained to Daily News Egypt.

On a related note, Medhat Youssef, former Vice Chairman of the EGPC, said that a decline in subsidies for the current fiscal year would also lead to a reduction in the state budget deficit and improve the financial status of the EGPC.

El-Molla told Reuters in November that the fall in prices means the government will spend 25% less on energy subsidies this year. Egypt is now likely to spend EGP 75 billion on the subsidies in the 2014-15 fiscal year as opposed to the EGP 100 billion originally forecasted.

The drop in oil prices isn't likely to ease the financial strain on Egypt's energy market in the short term, industry leaders told state newspaper Ahram Online, though gains could be felt on a macroeconomic level.

Low oil prices aren't expected to affect Egypt's Gulf aid balance either, in part due to the political nature of the aid, as Saudi Arabia and the UAE have a vested interest in stabilizing Egypt and supporting the crackdown on the Muslim brotherhood. "Gulf aid to Egypt is considered defence expenditure, which is not influenced positively or negatively due to its relation to national security," Hany Genena, chief economist at Cairo-based investment house Pharos Holding told Ahram Online.

A Break for Consumers?

On a consumer-level, as fuel products are already subsidized, cheaper oil prices aren't expected to make a difference. Jackson explains that the onus is on policy makers to determine if the drop in fuel costs will influence state budget and trade deficits to fall. "If the government diverts spending that had previously gone to energy subsidies, this would boost growth," Jackson said, adding that, "Given the government's desire (and need) to reduce the budget deficit, they may not react, in which case there wouldn't be much of an impact on economic growth."

While Egyptian consumers might not feel the effect of dropping oil prices on energy expenses, due to the monopoly the government has over supplying energy industries, locally manufactured products may become cheaper as prices of imported raw materials decline, Mohamed El-Bahey, a member of the executive bureau of the Federation of Egyptian Industries told Ahram Online.

This is in part due to the expected ease in the inflation that has soared since subsidies were cut, said Genena, as a result of the drop in oil prices. This could come "by the end of 2015 or early 2016, not by 2018 as originally expected," he said. "The urban inflation rate has recorded double digits in every month since July's price hikes, reaching 11.8 percent in October," Ahram Online Reports.

As the rise in inflation in Egypt is also linked to the depreciation of the pound, which fell to around 7.65 to the dollar in the black market last month, the Egyptian pound is also expected to improve. Prime Securities, a brokerage, said that the plunge in the Brent prices "should ease the Central Bank of Egypt's (CBE) fears of a disorderly depreciation in the value of the Egyptian currency."

Added Pressure on EGPC

Falling oil prices could adversely affect Egypt's economy in some ways. "On the negative side, however," Niveen Wahish writes for Ahram Weekly, "research has drawn attention to the fact that lower oil prices will put pressure on the finances of EGPC, at a time when it is repaying some $6 billion in debt owed to foreign oil companies operating in Egypt and has to provide the needed cash for natural gas imports."

According to Citibank, this financial pressure indicates the government will have to assume a larger role in supporting EGPC by taking a "a greater share of the procurement bill onto the budget, raising oil-related expenditures and potentially more than compensating for any on-balance sheet gains from falling oil prices."

Still, regional economists and industry leaders agree that in general, the global oil price plunge will have a neutral, if not positive effect for Egypt. Further promising for Egypt's recovering economy is the recent upgrade to "B" from "B-" on Fitch Ratings' Issuer Default Ratings (IDR) index – the first increase in Egypt's credit rating following a series of devaluations over the past few years.

According to Reuters, Fitch cited power shortages being tackled, reduction of overdue payments to oil companies, the revision of investment laws and settling disputes with foreign investors as the reason for the upgrade. Whether or not OPEC's output levels affect the country significantly in the long term, increasing stability isn't going unrecognised on the international market, and the record low oil-prices have only helped Egypt so far.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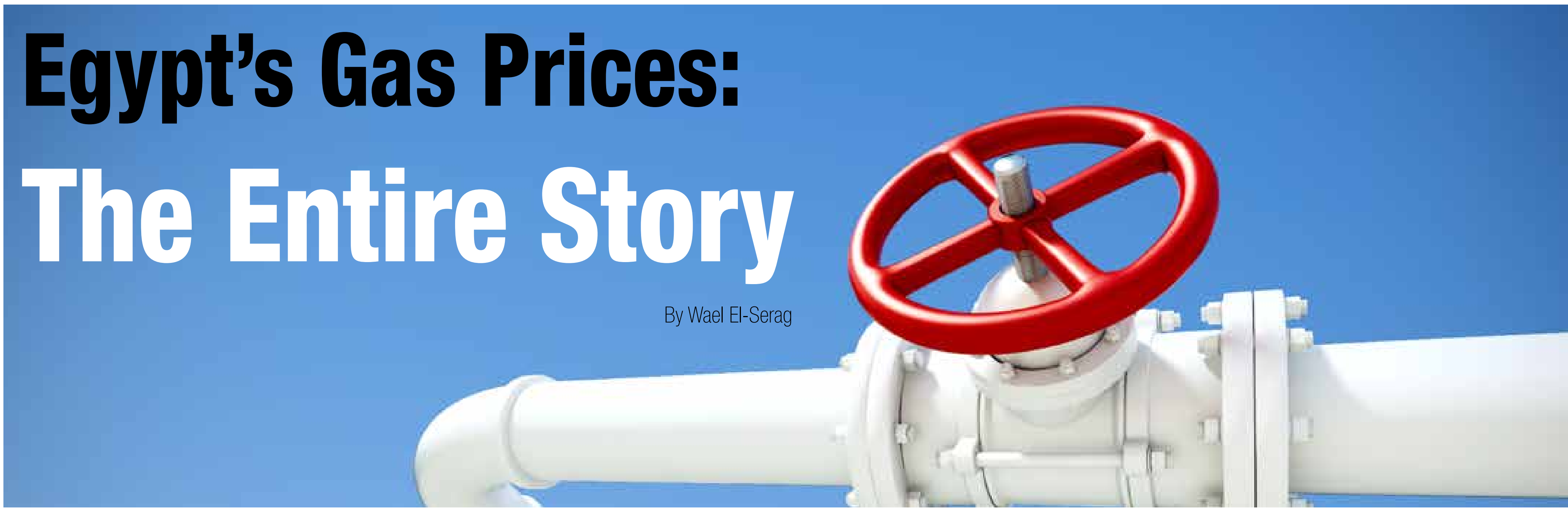
Egypt's Gas Prices: The Entire Story



By Wael El-Serag

Gas pricing has been a recurring issue for the current and previous governments alike, and it remains without any apparent solution. The current government has changed the previous gas pricing equation – created by former Minister of Petroleum Sameh Fahmy– to allow gas prices to vary based on the nature of the drilling area and the cost of drilling; these amendments would only affect new and exploratory wells.

The Making of Egypt's Gas Economy

Egypt is considered to be one of the first countries in the Middle East to have discovered oil, with finds documented as early as the late nineteenth century. As for gas, it was first discovered in the Abu Mady area in the Nile Delta in 1967 by Baleem petroleum. The first marine gas discovery was in Abu Qir in the Mediterranean in 1969 followed by several more, most notably in Quraa, Qantara 1, Khalal 1, Naf, Port Fouad, Qar, and Qersh.

The Mediterranean is considered a promising area for gas discoveries in general and deep-water discoveries in particular, where Rashid, Safron, Seamian, King Mariot fields were discovered. More discoveries were found in the Western Desert – the most important of which are Qasr, Albeid and Matrouh – which contributed greatly towards the country's natural gas reserves and daily output, allowing Egypt to become a gas exporting country, as well as exporting gas to neighbouring Arab countries though the Arab gas pipeline project.

Egypt had been trying to achieve a balance between the increasing local demand and exports before the January 25th revolution in 2011. Oil and gas wells have seen a natural decline, making the continuance of exploration essential to compensate for the decline. However, the opposite happened between 2011-2014, as a result of political unrest and the delay of foreign companies' debts repayment by the Egyptian government. This, along with soaring gas prices in international markets that Egypt has failed to keep up with, and fixing the gas price at $2.65 per million Btu, has lead foreign companies to slow down their operations, developing a fear of investing in the country.

Despite disagreements between the government and foreign partners over the price of gas, the reform was necessary to attract foreign investments as soaring costs of drilling and production installations has left little profit margin for the investors.

The government is committed to the terms of the current agreements. To take any further steps, a new pricing equation should be set that aligns the country's goals with the international gas markets' prices in order to encourage investments.

Several factors affect gas prices in Egypt such as the size of the country's gas reserves, investments required for the development and production processes and the duration of projects.

International Gas Markets

A government official, who wishes to remain anonymous, said the problem lies in that the purchase price of gas from the foreign partner is very low compared to the costs of exploration and production, considering international markets prices. International markets gas prices vary widely ranging between $12-$16 per million Btu.

Gas prices are mostly determined by three markets:

- The U.S. market, where the price per million Btu is $4 to $5 due to the presence of a strong infrastructure for the American national gas network, the availability of modern technology, which reduces the amount of time to extract gas, as well as the presence of large reserves.
- European markets, where prices range per million Btu between $10-$12.
- The Asian market, where price ranges per million Btu between $15-$16

Offshore deep water and ulra-deep water drilling expenses are higher however; thus the price for gas extracted from these areas would have to be higher than gas extracted from onshore concessions or easier formations.

Foreign Companies and Industry Officials Weigh In

Foreign oil companies operating in Egypt have demanded that the government increases the gas price from five new fields to about $4 per million Btu, in order to start with the development of current wells to keep up with increasing demand for gas in the country. Egypt pays foreign companies from marine fields between $2-$3 per million Btu.

Jeroen Regtien, former managing director of Shell Egypt, stressed the government's need to offer their foreign partners an incentive by increasing gas prices to $6 for a million Btu, especially since current gas wells are hard to reach and several are located in deep water, making it a tough economic choice for investors.

"I realize the challenge the government is facing in regards to the gas pricing," Regtien added,"but the cost should be the criterion with the international companies assisting the government in providing its gas needs."

The Government's Point of View

A senior official in EGAS had said previously, "Government officials are reluctant about passing the gas pricing amendments, as that may lead to legal accountability; despite being convinced of the importance of raising the price." However, the government has changed its approach, opening the door for fruitful dialogue with international gas operators.

Former Petroleum Minister Abdallah Ghorab said that changes should be applied to the gas prices to reflect the high cost of exploration and production in deep water or some other high production-cost areas. He added that changing the price will provide an incentive for new investments and will provide Egypt with cheaper gas than importing highly priced gas.

EGAS has reached a new preliminary agreement with several companies including the German RWE to amend certain terms of the petroleum agreement in the Delta Region for newly discovered gas. The agreement is pending ratification. EGAS has also been in negotiations for new gas pricing for existing developmental wells with numerous other international operators.

The petroleum minister said his ministry is looking into adjusting the terms of agreement with foreign partners in terms of prices for gas produced locally. Sherif Ismail said earlier in 2014, "A committee will be a formed by the ministry to adjust the prices."

Ismail explained that these amendments come in the framework of the ministry's policy to achieve balanced economies with foreign partners. He pointed out that the amendments reached would be applied to the newly discovered gas and added to the contractual amounts to which old prices apply. It will also lead to an increase in gas production in the Delta region to 100-120 mcf.

Making Headway: Debt Repayment

Egypt has paid $1.5 billion in September of international companies' dues in the framework of a program for repayment that seeks to revive confidence in the economy after years of turmoil. According to a senior official in the Ministry of Petroleum, the government intends to pay its foreign partners the full amount of their debt – $5.5 billion as of the end of November – within the next six months, reported Daily News Egypt.

In addition to repaying debt to encourage domestic production, Egypt is also expecting new gas imports to ease domestic demand. The Algerian state-owned company Sonatrach has agreed to supply five shipments of liquefied natural gas (LNG) to Egypt, each 145,000 cubic meters. Meanwhile, EGAS has issued new tenders for the import of at least 48 LNG cargoes. EGAS has launched a new tender recently for the import of another LNG floating terminal and further LNG shipments.

The Ministry of Petroleum expects to increase the country's production of gas to 5.4 bcf/d while increasing gas consumption to 5.57 bcf/d in the fiscal year 2014 / 2015.

After extensive delays, Egypt also finalized the contract with the Norwegian gas company Hoegh to rent a floating natural gas storage terminal early in November, and state media reported in December that the government is to launch a tender for second LNG import terminal.

Solutions Proposed

- Effectively working with the new pricing equation in accordance with international markets' prices and the interest of the state, based on the nature of the area in which they are drilling (onshore, deep waters, or shallow water). The EGPC is to evaluate the true cost in agreement with the foreign partner in order to encourage investment in the sector and to reach self-sufficiency to reduce the budget deficit, reduce costs and provide cash reserves of foreign currency, and resolve the energy crisis in Egypt
- Setting new laws and amending the existing ones to help the Ministry of Petroleum modify prices with the foreign partners, without fear of legal liability.
- The Petroleum Authority shall be the only body mandated to actively research and explore. They would also be responsible for development and exploration agreements, production, follow up and maintaining flexibility in the terms of research and exploration. This is in order to be balanced, fair and consistent, besides attracting big oil companies and the huge investments required for the gas discoveries and development of large depths in the Mediterranean Sea.
- Forming a Higher Council for the oil and gas industry to develop strategies for the future of the energy sector.
- LNG imports through floating facilities leased temporarily, for storage for a period of at least three years until the future situation becomes clear; making new gas discoveries in the Mediterranean or continuing to import gas through pipelines.
- Negotiating with international oil companies discovering gas in the Mediterranean Sea, east and north of the borders of Egypt, as the price is estimated at 50% of the price of imported LNG. The pipelines, which were built previously for the export of Egyptian gas to the east, would provide an opportunity for those companies producing gas to export its liquid gas units located in the currently in-operational Damietta and Edco. This will maximize the use of Egypt's geographical location to become a hub and a transit country for gas trade globally through the Suez Canal and Sumid pipeline.
- Making swift payments of debts to foreign partners for gas and crude oil purchased, with amendments to the gas agreements for research and new exploration. The increase of the purchasing price from the partner's share of gas will lead to balanced new agreements that are fair to both parties (the government and the foreign partner) and make research and exploration in the deep waters (high-risk with high development costs) attractive for oil companies.
- Stimulating the private sector to invest more in production projects, renewable energy, and other systems with the removal of all obstacles and challenges.

DEEPWATER NATURAL GAS EXPLORATION TECHNOLOGIES

By Alexander Rifaat

While Egypt has received positive news recently regarding onshore gas projects in the Nile Delta and Western Desert, 80% of its gas reserves reside in the Mediterranean Sea. However, since most of the gas is located in deep-water fields, extraction has proved difficult. Everything from high exploration costs to uncertain environmental impacts can make deep-water gas drilling an arduous venture. Despite the fact that numerous technological advances have made deep-water operations more viable, the cost-effectiveness of such projects remains a stumbling block to developing the fields. Irrespective of these issues, as the global demand for energy increases, especially in Egypt, deep-water extraction processes will only become more attractive.

So what exactly makes deep-water gas exploration such a difficult process? Firstly, the environment for drilling can present extraordinary technical challenges. Near freezing temperatures, pitch-black waters, crushing pressure per square inch, and unexpected weather conditions all make drilling in deep waters a logistical headache. Secondly, once the seabed is reached, oil and gas is extracted through more than 10 kilometres of hard rock, where temperatures can rise to 300 degrees Fahrenheit (148 degrees Celsius) and pressure rises to 20,000 pounds per square inch (psi). Production requires highly specialized equipment in order to conduct the drilling as well as transport the oil and gas extracted to onshore transport, storage and refining facilities. Therefore, a company's investment will run into the billions of dollars even before the first hydrocarbons are produced.

In order to make sure that there are no surprises during the production process, energy firms conduct a rigorous examination of potential sites. Geologists must gain a solid understanding of the geomechanical properties, stream regimes, down-hole pressures and environmental hazards in deep-water and ultra deep-water projects. Engineers and other contractors in turn must design and construct the platforms and equipment necessary to combat the marine and environmental challenges and extract the gas as safely and as efficiently as possible. Highly specialized training is essential to ensure that all facilities are operated properly.

Another major obstacle in the process is the pipe needed to successfully extract the gas. Low temperatures coupled with high pressure can cause blockage in the pipes. To cope, firms such as Shell have developed a glycol-based liquid that they inject into the pipes to alter the temperature and pressure, thus allowing gas to flow more efficiently. In addition to pipes clogging, high pressure can also cause the well to burst, as was the case with the Deepwater Horizon accident in the Gulf of Mexico in 2010. In its aftermath, BP developed the High Integrity Pressure Protection System (HIPPS), which isolates any well that has lost control and prevents it from causing any catastrophic damage. Additionally, the platforms and systems needed to extract and process the deep-water gas are much larger than conventional platforms. For example, BP's Thunder Horse Platform in the Gulf of Mexico is the size of three football fields.

Another daunting aspect of deep-water drilling is the climate conditions at the extraction sites. For instance, Shell's Gumusut-Kakap platform off the coast of Malaysia is located in an area with frequent tropical storms. In order to combat this extreme weather, Shell engineers developed a remote-controlled robot that can anchor the platform securely by attaching it to four mooring lines, each weighing 150 tons. The lines can secure the platform from waves as high as 25 feet and winds as strong as 100 km per hour. Another platform, Perdido Spar, off the coast of Finland –twice the size of the Statue of Liberty and as heavy as 10,000 cars– is designed to float upright if it disconnects from the mooring lines. The maximum it will tilt is 14 degrees, even in the heaviest of storms.

Other technologies, which are being developed but have not been implemented yet, offer an exciting glimpse into the future. BP is currently developing "Project 20K™", which they hope will make it possible to drill up to 20,000 psi. One of the core aspects of the project is building sub-sea production facilities underwater as opposed to above sea level, which significantly increases the amount of hydrocarbons that can be extracted from a field. BP estimates that if Project 20K™ achieves its objectives, as much as 20 billion barrels could be recovered over the next 20 years.

While the technological advances are promising, the costs for developing and constructing these systems are well into the tens of billions of dollars. Therefore, there is hesitation by firms when it comes to exploring and producing deep-water gas sites. In order to cut costs, many energy firms participate in joint ventures when drilling exploratory wells. Even then, the high operating costs of the wells have made many potential projects go south, as recently occurred with Shell Egypt deciding not to pursue deep-water sites in the Mediterranean after millions of dollars in initial investment.

The main issue for most firms is how to reconcile the high capital exploration costs with the huge potential that deep-water gas extraction provides. After conducting exploratory drilling, Shell Egypt did not locate sufficient quantities of hydrocarbons to achieve an acceptable return on investment to cover research and exploration operations. As a result, Shell Egypt, after eleven years, decided to focus on onshore exploration, and relinquished its offshore concession to the Egyptian Government.

In spite of the disappointing Shell experience in its concession, Egypt offers unique future opportunities for proponents of deep-water exploration in many other locations offshore. With an abundance of potential reserves in the Mediterranean, the appetite for energy needed to make extraction attractive, a ready-made market at home and in the region, Egypt's deep-water gas prospects can become a potentially lucrative aspect of the country's energy portfolio.

Numerous firms have bid on sites along the coast and drilling in some sites is already underway. The major stumbling block for firms operating in the Mediterranean is the actual price of fuel in the local market. With the current price of standard 90-octanepetrolaround EGP 2.60 per litre, the cost-effectiveness of deep-water drilling appears dismal. Most industry experts believe the price needs to be around EGP 5-6/litre in order for deep-water oil and gas exploration to be economically viable.

With a plethora of economic, technical and logistical challenges related to deep-water drilling, the technologies being developed could prove to be the long-term solution to the feasibility issues associated with the extraction process. Advances are being made to combat environmental and safety hazards as well the design of facilities that will make a more cost-effective operation. These improvements can be seen in Egypt, where BG Group has successfully drilled 16 consecutive deep-water wells in the West Delta Deep Marine concession.

In addition to technological advances, growing cooperation between the government and energy firms is creating a more attractive environment for investment and development. In recent weeks, the Egyptian government has issued numerous gas exploration licenses in areas not only in the Mediterranean, but the Western Desert and Nile Delta. The Egyptian Government is reassessing its oil and gas investment policies and regulations in order to make the huge investments required for development. These recent developments indicate a mutual interest on the part of the government and energy firms to satisfy increasing local energy demand, as well as a recognition that deep-water exploration and production is an increasingly viable option in Egypt's energy future.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$400 billion Loss for American Shale Due to Oil Price Deterioration

By Abdel Moneim Abu Shady, PH.D - Well/Mud Logging &Cementing Integrated Services Director, SinoTharwa

It's a chess game in every sense for the Organization of Petroleum Exporting Countries (OPEC) and American companies producing shale oil – where a nascent revolution faces its first real test since it emerged five years ago.

OPEC opted at its last meeting to non-interference in the market and oil prices, it left the oil prices to the forces of supply and demand. The move is seen by analysts that OPEC, led by Saudi Arabia and the Gulf States, is trying to "break the backbone" of U.S. oil companies. In this conflict, Gulf oil producers are willing to bear some losses in the short term, in order to restore their dominance once again on the world oil market in the long term.

U.S. companies have produced shale oil rather quickly in recent years, threatening major oil states such as Saudi Arabia and other Gulf countries, in their market share of the world oil supply. Production of shale oil in America has reached about four million barrels per day in 2008, turning the US into a major oil producer, competing with Russia and Saudi Arabia for top production within only a few years

US oil production amounted to about 8.6 million barrels per day in August, thanks to hydraulic fracturing and horizontal directional drilling technology. From this standpoint, OPEC chose to battle shale oil producers in an open capital arena. They explained that the real responsibility of flooding the oil market falls not on OPEC but on shale producers. If OPEC reduced its share to support oil prices, Shale oil's share would be dominant.

This logic has left OPEC choosing to allow market supply and demand equations determine who has the strength to survive. For shale in the oil markets, the question is, who has the strength and ability to survive the prices deterioration, and what is the price at which the shale oil will be able to withstand this open conflict? In Saudi Arabia and the Gulf States, the battle has been set in advance and losses were calculated.

In addition to these preparations, the cost of oil extraction does not exceed $25 a barrel for OPEC countries. In major oil fields, the cost does not exceed $2-$6 a barrel. From this perspective, there is no loss in terms of the feasibility of extracting oil, even if oil prices fell to $30 a barrel. However, it seems that the weak link in this conflict is shale oil, where production costs range from $60 to $80 per barrel. Few shale oil fields produce at the cost of $40.

Oil Companies' Loss As OPEC Maintains Production

The losses of oil companies continued – especially shale oil companies. Given the performance of oil companies in the Standard & Poor's 500 index, the oil sector's stocks were among the worst sectors, where the shares lost 8.8% of its value last November. Over only two days in December, two oil companies lost nearly $75 billion. Shale oil companies' losses exceeded $400 billion from June to December. Experts confirm that much of the shale oil in the United States and Canada has begun to lose its economic viability, leaving only the options of halting production or bearing the operating loss.

Oil analyst Philip K Verleger said, "The US will see a major drop in shale oil activity." He expects shale oil production to decrease from one million barrels per day to about 400,000 or 300,000 barrels.

The main issue for shale oil extraction companies is funding, as most of these companies activities are financed through borrowing direct loans from banks or bonds issuance.

Shale oil companies' debts have reached nearly $1.7 trillion. Barclays Capital oil market analyst Miswin Mahesh agrees that funding would be the real dilemma for the continuity of shale oil, especially with the continuing decline in oil prices. Mahesh also expects that some shale oil companies would go bankrupt over the next year due to the decline in the market value of their shares on Wall Street. He said, "The influence on shale oil companies will come from the lending market. Banks will refuse to finance their operations because of the high risks."

For Shale oil to undergo a real test of its viability, oil prices would have to remain within a certain range for three months at least, and then experts can judge the shale oil's resistance to prices decline. A company's resistance varies according to different production costs, as the profit margin of shale oil is relatively low.

London based IHS Harold noted that the return on the capital invested in shale oil and Canadian sand oil does not exceed 4.0%, while the return on the capital in Middle East oil is 23.0% even in high-risk areas such as Iraq and Libya. Nick Cashion, director of consulting at IHS Harold says, "the reason behind the low return for investors in shale oil is because these companies make their profits from the stock market and not from production. Cashion noted that Canadian companies that extract sand oil did not make more than $6 a barrel during the past years while oil prices have been above $100 per barrel. What will be the case when oil prices fall below $50 per barrel? Peter Howard, head of the Canadian petroleum studies institute, thinks that the American shale oil reserves will face a real challenge if the fall of oil prices continues.

MOC 2014: Egypt Is Back on Track

The 2014 Mediterranean Oil Conference (MOC) was held in Alexandria under the theme of "Unlocking the Potentials of Mediterranean Oil and Gas." The three-day conference opened with a speech by Eng. Tarek El-Molla, Chairman of EGPC and Chairman of the 7th annual MOC.

After a two-year hiatus due to recent political instability, the MOC made a successful return to Egypt, attracting thousands of delegates and presenting 72 papers. "It proves the industry is ready again to face new challenges and contribute to the improvement and enhancement of the world's energy resources," said El-Molla.

"Many people say the oil and gas era is over," continued El-Molla, "We are seeking to secure our oil and gas needs, but we still believe the resources in the current reservoirs are much less than the actual potential," adding that regional players should, "encourage exploration efforts in deep and ultra-deep water in the Mediterranean Sea, as well as Aqaba Gulf, the Red Sea and the Western Desert."

This year's MOC played a vital role in assuring investors that Egypt has regained stability. Some of the challenges facing the industry include aging infrastructure, sluggish foreign investment, an increase in energy consumption, and difficulties in meeting the rising energy demand. Minister of Petroleum and Mineral Resources Eng. Sherif Ismail sent a clear message to all attendees that Egypt is committed to overcoming the current limitations and invited all to join in the efforts.

The Offshore Mediterranean Conference (OMC) chairman also touched upon issues of affordability and availability. "Experts expect demand for fossil fuels to increase," said OMC Chairman Innocenzo Titone, with natural gas projected to see the highest growth. For this reason, collaboration between key players in the Mediterranean region is necessary. "Egypt's strategic location in the region allows it to play a key role in the region's energy industry," Titone concluded.

Eng. Sherif Ismail expounded the government's initiatives to tackle the energy crisis. "Today's conference aims at strengthening the exchange and cooperation among Mediterranean countries," said Ismail in his opening statement. At the moment, Egypt is undergoing a crucial transition to fulfill the needs and expectations of the Egyptian people, including a journey towards a modern democratic state, a higher standard of living and greater job opportunities.

"Achieving these aspirations requires strong government commitment, huge investments, solid action plans, and different energy resources," continued Ismail.

The minister explained Egypt's strategy to overcome the energy crisis, citing "ensuring energy security, satisfying domestic energy demand, and maximizing added value of Egypt's natural resources" as its focus.

"Our energy mix is uneconomical, highly unreliable and definitely unsustainable," stressed Ismail referring to the gap between energy supply and demand. Egypt relies on oil and gas for 91% of power generation, as compared to the 61% of global reliance of hydrocarbons for power generation. In the upcoming years, Egypt's reliance is expected to increase to 94%. "We must diversify our energy mix, " he concluded.

Ismail urged key oil players to take action against growing consumption and in guaranteeing an adequate playing field for the industry to flourish. Finally, Ismail called upon all international operators to invest in Egypt to create an energy hub of great potential, ready to face new challenges. Egypt has signed 56 concession agreements in the last two years – 36 of which have been ratified and 20 are new agreements – with a total investment of $12 billion, to drill 250 new exploration wells.

Government officials have implemented a five-year plan to revitalize the oil and gas industry. "I trust that we in Egypt have great potential in the Mediterranean, great potential in the Western Desert and the Nile Delta… We trust we will be able to bridge this gap within three to five years," said Ismail.

Part of the minister's goal of increasing production consists of the endeavours in shale gas exploration. The EIA estimated that Egypt has 536 tcf of technically recoverable shale gas. The minister has made it a government priority to recover these reserves by employing the latest technologies. Finally, the government has recently opened four basins in the Western Desert for shale gas explorations, according to the plan to unlock Egypt's potential. The minister also stated that LNG imports, due to arrive in March, are expected to exceed the 500 mscf in the next five years.

Major international and local industry professionals strolled around the 55 partitions of the exhibition. Key players such as Baker Hughes, Edison, EGPC, EGAS, Eni, among others, created an ideal platform for discussion. Moreover, detailed technical sessions covered topics ranging from offshore/deep water technologies, reservoir characterization, subsurface imaging and modeling, to production management and 3D seismic applications.

Tarek El-Molla – Chairman, EGPC

"The MOC 2014 reinstates that Egypt is back, and that our oil and gas industry is back to its position. Egypt is committed to its investors and partners with full commitment of necessary reforms to meet the required investments environment."

"The aim of the conference is to strive, incentivize and motivate the partners to work with us to optimize the current stranded oil and gas in Egypt that we can possibly get out of our land. Through innovative ways and high technologies, coming from our partners, key players will help us see some of the potential that we do not currently see."

"We [the government] are sending a message loudly in MOC 2014 that we are here and ready for the bid rounds."

"Egypt is becoming a net importer, we need to optimize and maximize our local production to reduce the imports. Of course, with the decline of the crude prices now, this will definitely change the economics of the industry."

"Collaboration with foreign investors will be possible with our support, we as the Egyptian oil and gas industry, and the electricity and power authority. "

Innocenzo Titone – Chaiman, OMC

"The last MOCs have been very fruitful and this one is a good sign that Egypt is stable from an energy sector's point of view."

"The new discoveries of substantial oil and gas reserves in the Levant Basin show the potential of becoming important suppliers to satisfy Europe's demand for hydrocarbons."

"Egypt has got the infrastructure and the adequate lines to meet the current challenges it's facing. There is potential."

Jean-Pascal Clemencon - Managing Director, Total E&P Egypt

"In such times, with all that is affecting the oil and gas industry in Egypt, it is a good sign to see many industry professionals this year at the MOC. It says everyone is interested."

"At the launch conference, Eng. Sherif Ismail gave a very factual presentation; it was detailed and showed good analysis. He showed that the government knows where the problems lie as well as their solutions. These solutions are not easy to achieve, but they are feasible."

John Evans, Managing Director, Fugro

"The MOC this year is very good. The turnout came as a pleasant surprise. The exhibition has been very busy and we have had many visitors in our partition. It is a great opportunity to make contact with potential customers and to engage in discussions with other players in the field. The organizers have also done a great job with the layout. It is practical and highly functional."

"The government is showing more lenience. That will help improve the current situation and create a more investment-friendly environment."

Ahmed Shoukry - Country Manager, Weatherford

"The venue this year is great and the organization is much better than the last years. We appreciate the minister's efforts and transparency, it's a giant step on the right path."

Maximilian Fellner - General Manager, RWE Dea

"It's a good occasion to meet our partners, to meet the service companies providing us services and products. It was about time to have another MOC in Egypt again."


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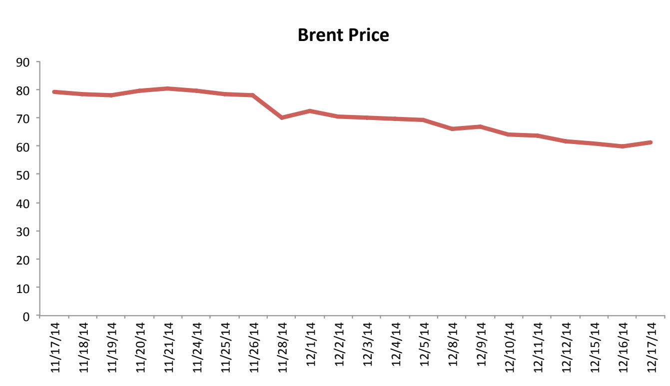
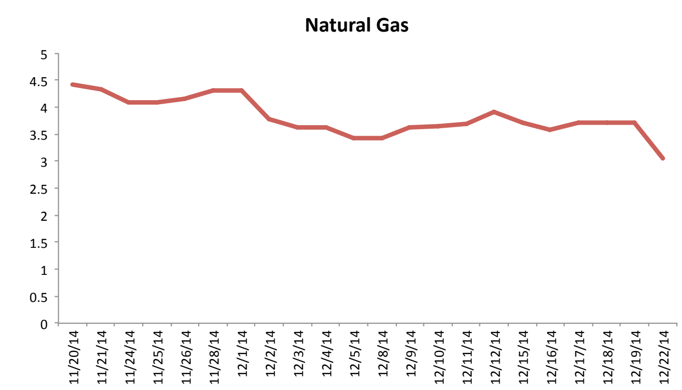
Egypt Statistics

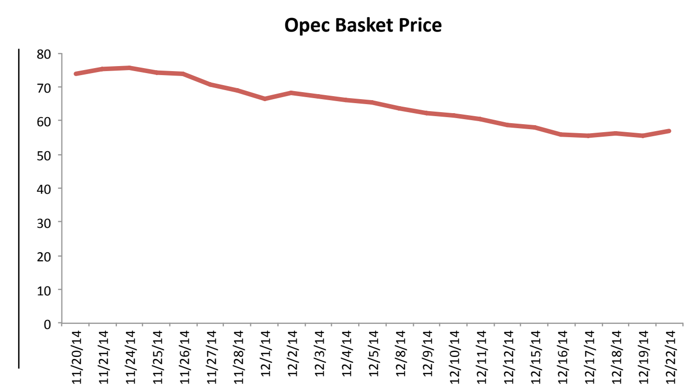
Egypt Rig Count per Area – December 2014

Area	Total	Percentage of Total Rigs
Gulf of Suez	11	9 %
Mediterranean Sea	6	5 %
Western Desert	83	67 %
Sinai	12	10 %
Eastern Desert	9	7 %
Delta	2	2 %
Ganoub El Wadi	0	0 %
Total	123	100%

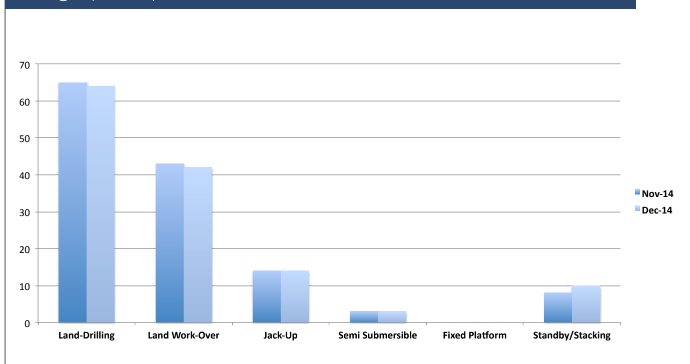
	Oil			Equivalent Gas			Condensate			Liquefied Gas		
	Barrel			Barrel			Barrel			Barrel		
	November-12	November-13	November-14	November-12	November-13	November-14	November-12	November-13	November-14	November-12	November-13	November-14
Med. Sea				21708929	18473214	15257321	1221595	1020050	852066	370311	387864	346088
E.D.	2238556	2362781	2185903		61250	35714		3214	2601		7804	5146
W.D.	8745839	9060056	9540191	6661429	6963929	7191071	1412081	1368944	1441896	679507	786525	697103
GOS	4379301	3912466	4460997	311071	256429	480714	67551	54531	83333	204964	206695	254167
Delta	79870	65125	42155	1647500	1906071	2232679	140884	168588	175394	94652	131614	106265
Sinai	2139566	2091950	2047326	3929	15357	9286	29621	31894	20989	64154	86908	48599
Upper Egypt	18777	11847	9257									
Total	17601909	17504225	18285829	30332858	27676250	25206785	2871732	2647221	2576279	1413588	1607410	1457368



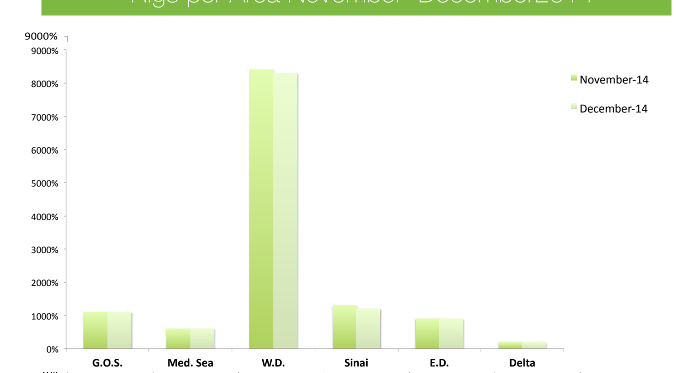




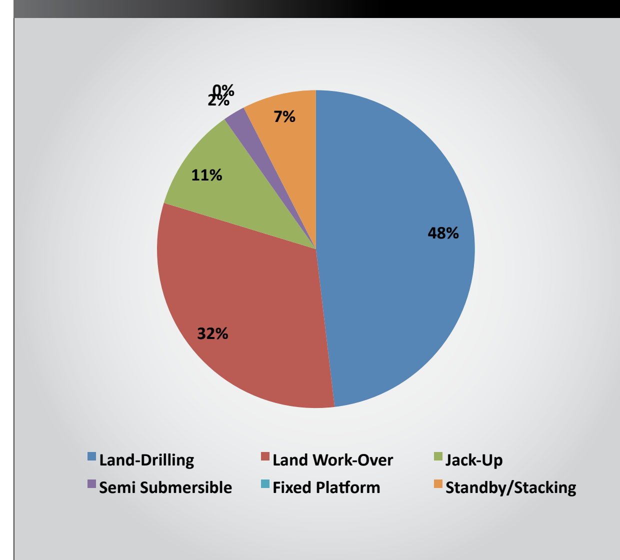
Rigs per Specification November - December 2014



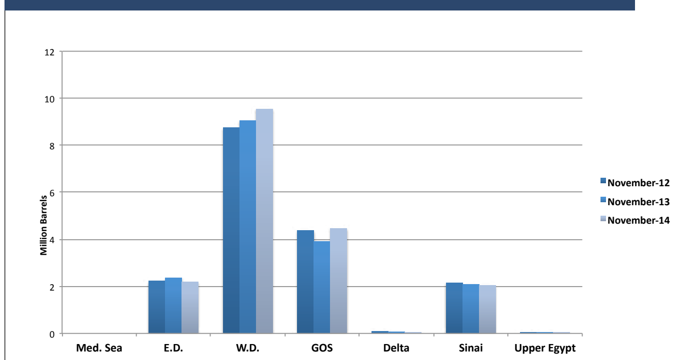
Rigs per Area November- December2014



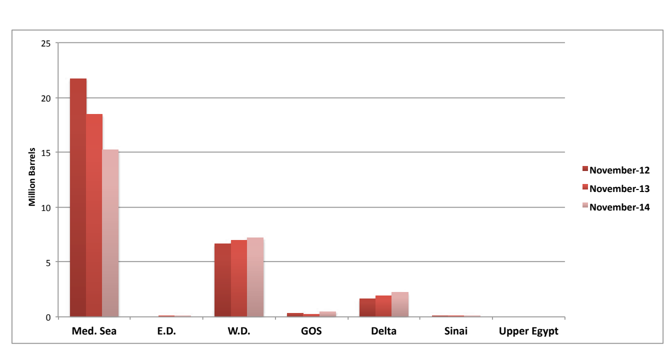
Rigs per Specification December 2014



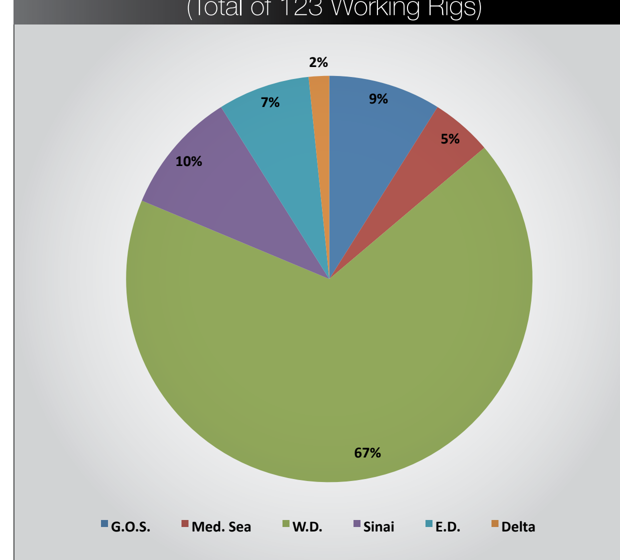
Oil Production November 2014 - 2012



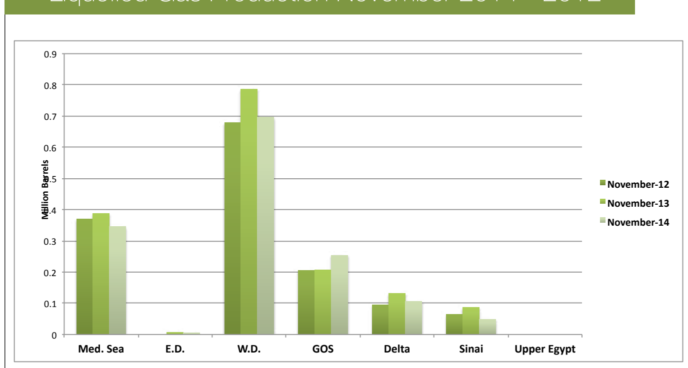
Equivalent Gas Production November 2014 - 2012



Rigs per Area December 2014 (Total of 123 Working Rigs)



Liquefied Gas Production November 2014 - 2012



Condensates Production November 2014 - 2012