Ministry of Petroleum
and Mineral Resources

Egypt Oil and Gas

Modernization Project

June, 2017

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- Oil & Gas Modernization Project.
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- Potential cooperation with EU.

Oil & Gas Sector (2011 till 2017)

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2011-2012	2013-2014	2015-2016
Instability	**Reset**	**Re-Energizing**
• Lack of political stability and security • No new petroleum agreements. • Accumulation of international partners arrears until reached 6.3 billion $. • Decreased investments in exploration. • Natural decline of Oil and Gas production. • Gap between gas supply and demand. • Continual power supply Outage.	• Restore political and security stability. • Implementing some reform policies. • Announcing number of bid rounds and signing a number of agreements. • Reducing partners arrears by half. • Started the first step of energy subsidies reform in 2014.	• importing liquefied gas to bridge the gap between supply and demand. • Acceleration of gas development projects. • Discovery of Zohr and started development in a record time. • First steps of liberalization of the gas market.

Although Several Success achieved through the last several years, yet still we face several challenges …… Require a comprehensive reform, therefore we launched _

The Oil and Gas Sector Modernization Project

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EGYPT'S OIL AND GAS SECTOR

MODERNIZATION STRATEGY AND ROADMAP

THE OIL & GAS SECTOR MODERNIZATION

Objective Of Modernization Project

Design and implement an integrated transformative program for Egypt's Oil & Gas sector to enhance its contribution as an engine of economic growth & to reinforce its role as a model for other sectors

Modernization consists of 2 phases:

Phase 1:

Diagnostic and goal setting

Phase 2:

Detailed plans & Implementation

DIAGNOSTIC PHASE

Analysis and diagnosis of the oil & gas sector

Data collection and interviews with different stakeholders to identify the main challenges & leverage points

The Top 50 Leaders In The Oil & Gas Sector Were Invited

Leaders from across the sector gathered for a day-long workshop to chart the path forward for the sector

Clear Vision For The Sector Was Developed Collectively

61 improvements synthesized into 11 actionable initiatives and consolidated into 6 programs to modernize the sector

follow-up workshop arranged with mid-level management to cascade the message

Progress of the modernization program shared with future leaders from across the sector for awareness and buy-in

Vision

"A vision shared collectively was a direct result of the efforts of sector leadership during the visioning workshop

By 2021, continuously unlock the sector's full value chain potential as a growth and a sustainable development engine for Egypt

- **Achieve financial sustainability.**
- **Become a leading regional Oil and Gas hub.**
- **Role model for the future of modernized Egypt .**"

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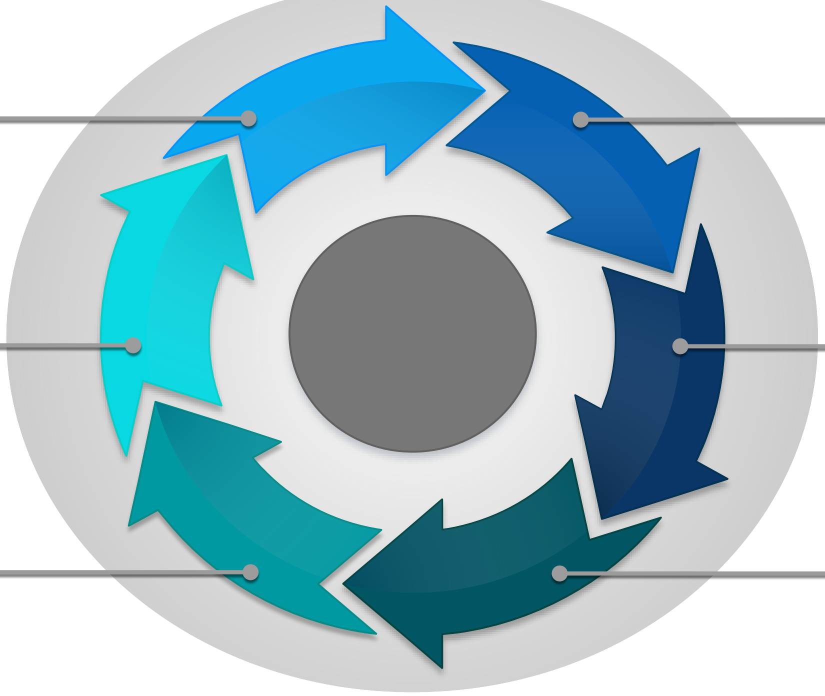
1 Investment Attraction

2 Sector Structure Reform

3 People



4 Downstream Performance

5 Upstream Performance

6 Hub Strategy

7 Decision Support and data flow

REALIZATION OFFICE

Action plan for 2 years till Dec. 2018 with identified Millstones and Quick wins

Implementation Structure

Steering committee

- Decides on priorities, help support and allocate resources
- Approve key decisions related to the various programs
- Approve policies and plans of the modernization
- Acts as main interface and leads inter-ministerial discussions

Realization office

Integrator & Implementation Engine

Program teams

- End to End ownership of programs (Detailed next)

THE OIL AND GAS SECTOR MODERNIZATION

EGYPT'S OIL AND GAS MODERNIZATION
DREAM CHANGE ACHIEVE

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Program One
Investment Attraction

- Further build an attractive environment for foreign investment by ensuring the right conditions, including arrears repayment, streamline of bid round processes, and new fiscal model development as needed.

Second program
Restructuring

- Demarcate the roles of policy-making, regulatory oversight and operational responsibilities to be assigned to independent entities.
- Empower operating companies, streamline business processes, and introduce best practice governance to help state-owned enterprises (SOEs) drive value.

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DREAM CHANGE ACHIEVE

Third program
Human Capital Development

- Standardize and efficiently rolled out to increase employee satisfaction and productivity.
- Create a high performance culture, able to compete globally.
- Develop a comprehensive set of changes to succession planning, recruitment and career development frameworks.

Fourth Program
Downstream Performance & Energy Efficiency

- Focus on optimizing the use of assets.
- Improve the operating conditions and increasing Energy Efficiency across the value chain.

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DREAM CHANGE ACHIEVE

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Program Five
Upstream Performance

- Boost production, reduce cost, focus on lean operations – through adopting new agreement models, harnessing new technologies, drilling new wells and reducing energy consumption

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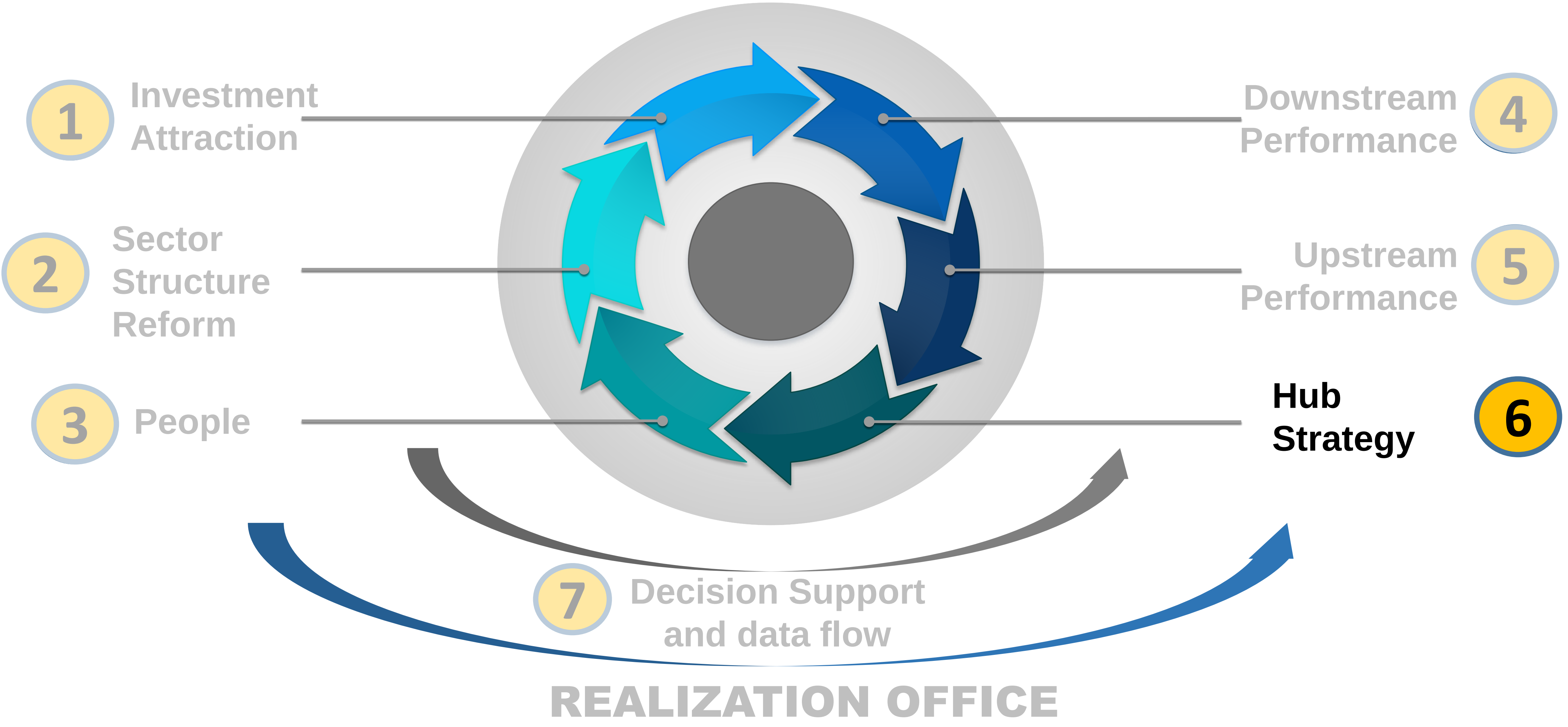

Where We Are

Single Buyer Model (SBM)

- Natural Monopoly
- Exclusive Access Right to the public supplier (EGAS/EGPC) –No access for oil & gas markets
- Discriminatory end-user prices independently determined (Administrate prices).

Financial burdens on government

- Subsidy for gas & oil products : ongoing plan for subsidy reform.
- Out standings for upstream partners: ongoing recovery plan.

Lack of fuel diversity in primary energy mix

- Full dependency on fossil fuels (90+%).
- Future plans for introduction of renewables & nuclear energy.

- **Short Term gas supply deficiency expected to be backfilled by future new discoveries.**
- **Available liquefaction capacity & potential regasification capacity.**
- **Proven steps in regulating the gas market.**

Egypt's opportunities as a potential hub

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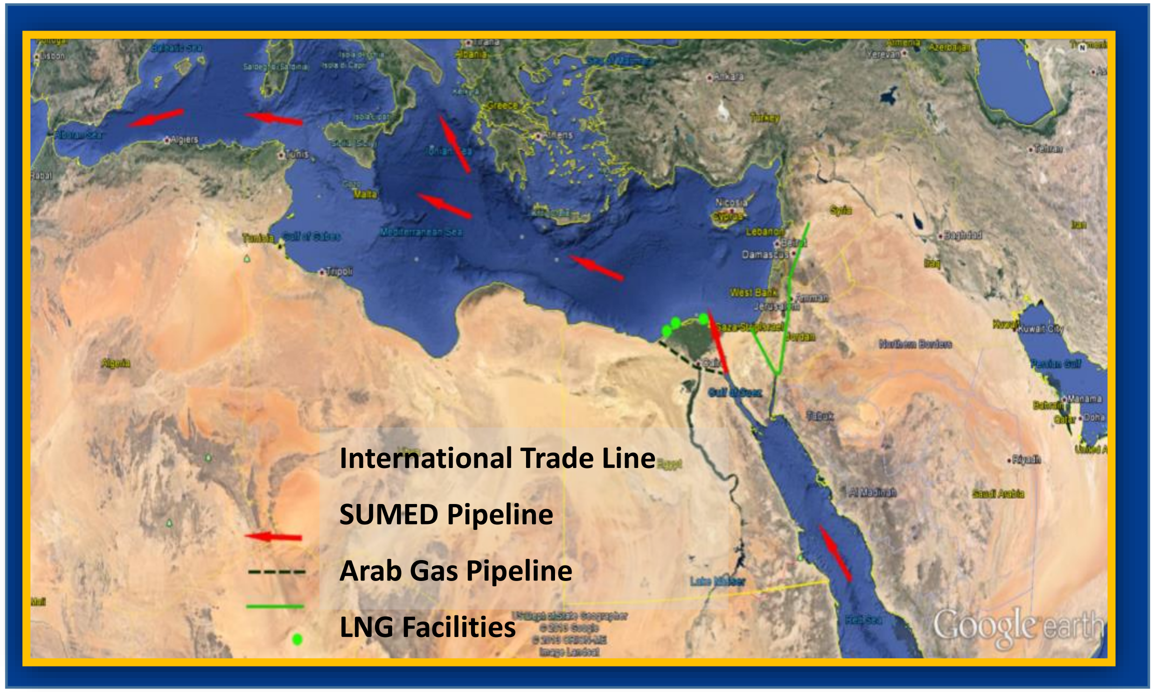
Ser.	International practice for hub development	Presence in Egypt
1	Strategic Geographical Position	✓✓✓
2	High demand / mature industry	✓✓✓
3	Multiple buyers and sellers	✓
4	Infrastructure (storage, refineries, pipelines, ports)	✓✓
5	Open third-party access to infrastructure	X
6	Export points	✓✓
7	Import points	✓✓
8	Trading	X
9	Low level of political involvement in energy sector	X



Regional Integration Opportunities

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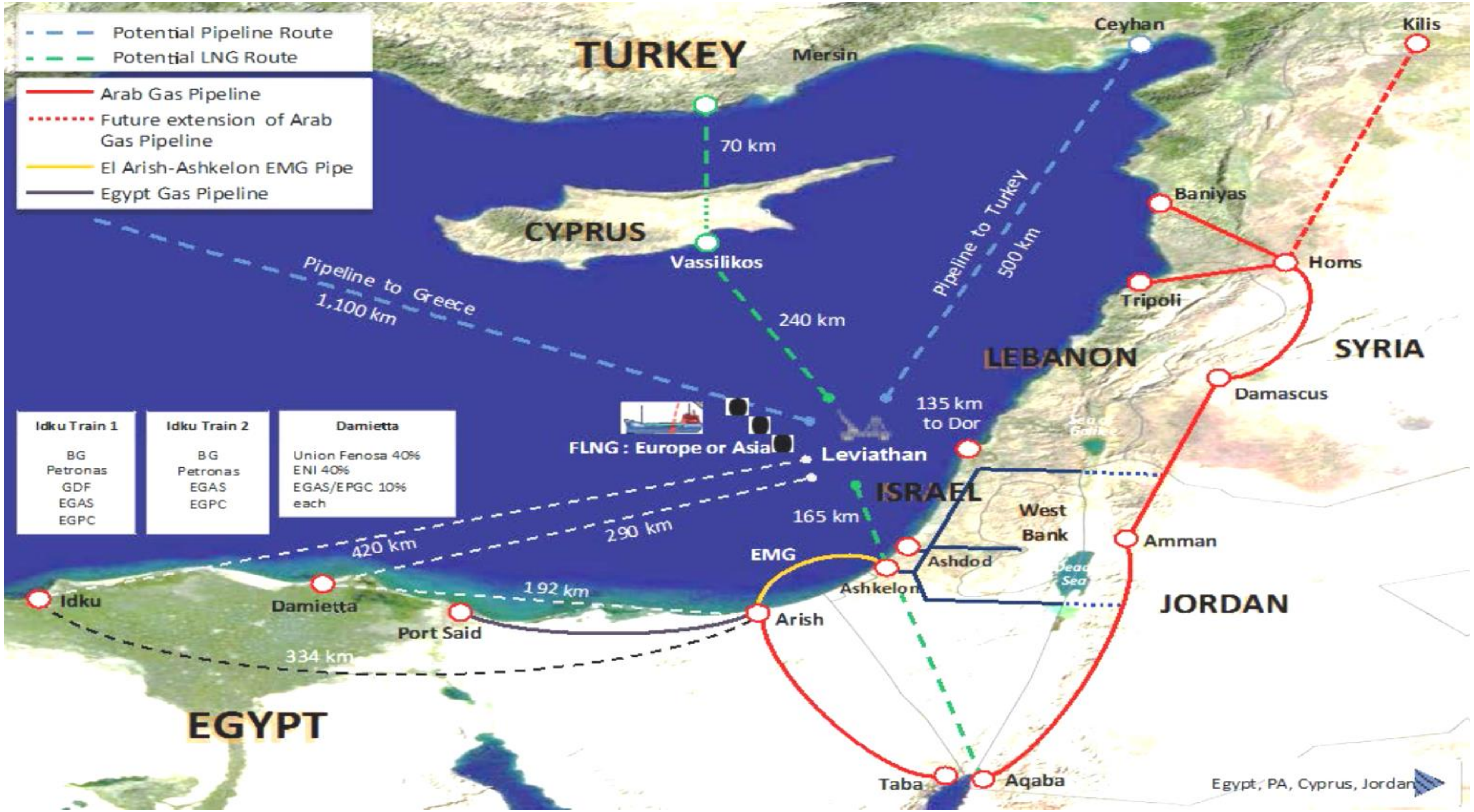

Requested Immediate Actions

- Preparatory work for regulation of liquid products.
- Underground Gas Storage for balancing the gas transmission Network
- Verify need of LNG Storage for balancing the gas transmission Network (onshore , offshore)
- Price & Subsidy reform.
- Defining the eligibility criteria inline with market opening phases.

Potential Cooperation with EU

Investment Opportunities

- Attract European Investments for both Upstream and Downstream Oil & Gas activities.
- To assist in the development of the future pipeline from Cyprus /Israel EEZ to Egyptian LNG facilities as a project of common interest.

Technical Assistance

- Sharing the European Experience in Energy Efficiency, starting from Refineries, Upstream activities until the final user.
- Technical Assistance for Upgrading and Expanding the Oil & Gas Infrastructure in Egypt.
- Incentivize reforms in economic & regulatory framework for energy matters
- Institutional support in creating the new market and developing an oil & gas hub
- Technical support in specific areas (e.g. logistics, pricing indexation, ...)

THANK YOU