Natural gas crisis in egypt

History, Middle East

Supply cuts to factories and frequent electrical outages. One of the most important inputs in Egypt’s power infrastructure in Natural Gas. According to the IAEA, natural gas was more than half of the total energy supplied in Egypt in 2013. For a long time, Egypt was producing a surplus. According to the 2015 BP Statistical Review of World Energy, domestic production of natural gas peaked at 6. 06 billion cubic feet (bcf) of gas per day in 2009, when consumption averaged only 4. 11 bcf per day. However, by 2014, domestic gas production had fallen by 22. 3 percent to 4. 71 bcf per day. The problem was the rapid growth of population, leading to more usage of electronics and air conditioning. It was not helped by the dip in the production of natural gas, with the government also putting a stop to any exploration contracts. This leads to the nullification of natural gas surplus and of Egypt’s stature as a net gas exporter.

Currently, the demand is growing by 1. 77 bcf per day, while the supply is falling by 1. 2 bcf per day. So the case here is of the demand increasing and the supply falling at different rates. However, three important developments can turn this around, which will be discussed in the next case. Certain steps needed to be taken to tackle the crisis, and so the effect of the changes on the demand and supply of natural gas form this case.

To begin with, Egypt started getting shipments of LNG from different oil and gas players, like Shell and PetroChina through two FSRUs. With these FSRUs, they are able get more gas into the circuit. In addition to this, Egypt has also agreed to allow factories to import some of their natural gas needs through the FSRUs, paying for half of their gas consumption at the government contract rate and the rest at global market rates. While this may increase

consumption of natural gas overall, it will reduce the pressure put on Egypt’s already limited supplies of domestically produced gas.

Second, in August 2015, the Italian energy company Eni discovered Zohr, “ super giant” gas field in the Mediterranean Sea. Drilling began on December 26, and the first gas from the Zohr fields is likely to come out soon.

Third, significant progress has been made toward an agreement between Egypt, Israel, and a number of private energy firms for the export of gas from Israel’s Leviathan field through an existing pipeline to Egypt. The agreement could supply the Dolphinus Holdings with 4 billion cubic meters of natural gas per year, or 0. 387 bcf per day. These developments have led to an increase in the supply of natural gas, although demand is still increasing with more intensity.