

Egypt pays USD 2 billion in gas debts

Egypt has paid USD 2.1 billion in funds owed to foreign gas suppliers, government reports confirm. But the north African state still carries over USD 3 billion of unresolved debt related to its gas system.

The money transferred in late last month follows payments in October [1] and December 2013, both of roughly USD 1.5 billion, after the government cut exports to help meet growing domestic demand.

Despite having paid out various sums in recent years, the country still owes some USD 3.1 billion to international firms for gas supplied in the wake of Egyptian revolts in 2011, after which supplies earmarked for export were diverted to meet growing domestic demand.

Egypt has released only partial details of the last payment round – including outgoings of roughly USD 400 million to BG and Dana – but the government still owes those firms a combined total of over USD 1 billion.

Other companies owed money by Cairo include BP, Eni and Petroceltic.

BP declined to comment on payments from foreign governments and Eni was not available for immediate comment. But Gas Matters Today understands that BP and Petroceltic received sums from Egypt.

Future plans

Egypt is keen to improve its investment reputation and promised last year to clear all of its debt to IOCs by May 2015 and has taken out loans designed specifically to do so.

BG called force majeure on operations at its Egyptian LNG export plant at Idku in January 2014, citing diversions into the domestic market beyond previously-agreed volumes. The company later said diversions had contributed to its lower profits in 2013.

It remains unclear whether the recent payment will hasten the resumption of operations at Idku, but a source called the move "a step in the right direction".

Egypt is looking to LNG imports in order to avoid diverting exportable gas. November saw the country receive an FSRU from Hoegh LNG, which is expected to come online in the current quarter.

Cairo agreed in December to purchase six LNG cargoes from Algeria's Sonatrach. Under the terms of the contract, shipments of 750,000 cm of LNG will cover the summer period from April to September.

In addition to LNG imports, Egypt is also aiming to bolster domestic gas production, having awarded several exploration blocks in the last six months.

BP, one of the largest gas producers in Egypt, secured some of these exploration blocks after winning two exploration blocks [2] in the 2013 bidding round.

The company is reportedly planning to double Egyptian gas production [3] in a five-year scheme valued at USD 12 billion.

BG Group is also in negotiations for supply from Israel's Leviathan field and is reportedly looking for further supplies from BP's North Alexandria development, as well as from Cyprus via Cyprus Hydrocarbons. – ET/JM

For more on Egypt's supply alternatives and recent upstream reforms, see the November issue of Gas Matters: The Gas Strategies Interview with Justin Dargin. [4]



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