

Egypt to receive first Israeli gas in March



Egypt will begin importing natural gas from Israel under a \$15 billion deal as early as March if an undersea pipeline connecting the Mediterranean neighbors is found to be in good condition, moving the country closer to its goal of becoming an energy-exporting hub.

Mohammad Shoeib, chief executive officer of East Gas Co., a major Egyptian partner in the pipeline, said supplies would begin at 100 million standard cubic feet of gas per day in the first quarter of 2019 and gradually rise to a maximum of 700 million scf a day.

“We expect the pipeline is in good condition,” he told Bloomberg in an interview. “We aim to reach the pipeline’s maximum flow rate within three years.”

East Gas and the companies developing Israel’s largest natural gas fields agreed last month to buy 39 percent of the East Mediterranean Gas Co., which owns the pipeline connecting

southern Israel to Egypt's Sinai peninsula, clearing the main legal obstacle to the 10-year export contract signed in February. East Gas separately made a deal to buy a further 9 percent from MGPC.

The EMG pipeline was built to export Egyptian gas to Israel, but has been idle for about six years.

The partners expect to begin testing the pipeline soon before modifying facilities to reverse the flow, Shoeib said in his first public comments since the deal was announced, adding that the procedures were expected to take up to four months. Once the gas has been flowing for 30 days, the deal will close, he said.

Egypt halted supplies to Israel in 2012 due to a domestic gas shortage and repeated attacks by Islamist militants on a connecting overland stretch of pipeline in the Sinai. It was because of those stoppages that Egypt was embroiled in arbitration cases with some of EMG's owners, which had threatened to delay export plans.

Delek, Noble and Egypt Said to Put Final Touches on Gas Deal Those issues have been all but resolved because East Gas and its partners bought out the litigants, but northern Sinai remains unstable. The army embarked on a months-long campaign this year to root out militants who killed more than 300 people at a mosque in November.

"We are not worried about the security issue," said Shoeib, who headed Egypt's state gas company EGAS when the country decided to halt its exports. "We're confident that the army and police have secured the area well."

Shoeib, whose East Gas Co. also owns and operates a separate pipeline through Jordan, said that link could be used as a backup in case of problems with the EMG infrastructure or to pump additional quantities if needed.

Egypt announced at the end of last month it had once more become self-sufficient in gas due to a six-fold increase in production at its own giant Zohr gas field. Egypt also has idle liquefaction plants that allow it to export any of its own surplus gas or re-export gas piped in from Israel or elsewhere in the region. For Israel, using existing infrastructure to export via Egypt saves it the cost of building its own facilities.

“It’s a win-win situation,” Shoeib said. “It also sends the message to international investors that Egypt is able to settle disputes and create a good investment climate.”