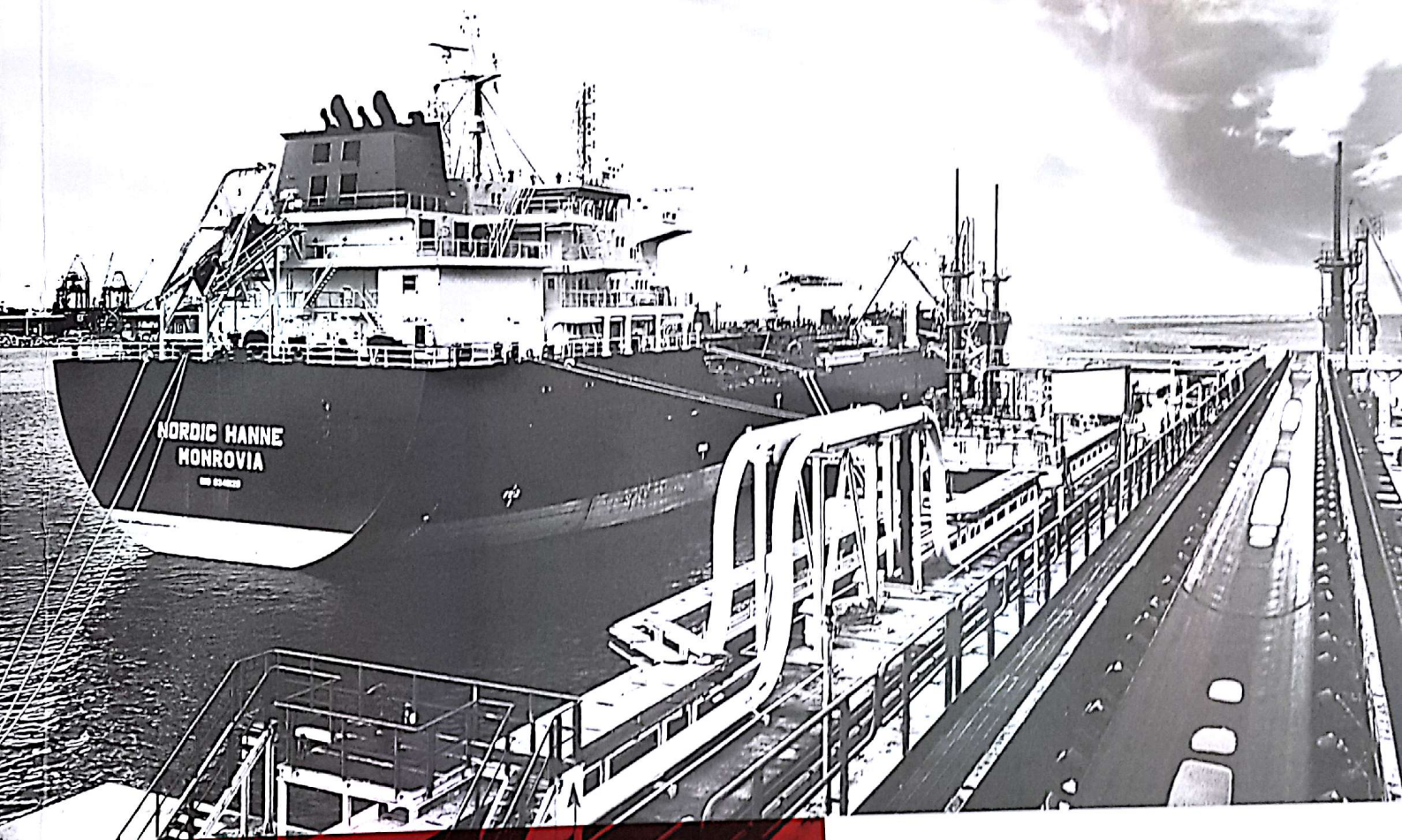


# EGYPT 2016



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# Changes for the better

**TOGY talks to** Mohammed Saad El Din, chairman of the Saad El Din Group, about how reforms are affecting the oil and gas industry and the rise of Egypt's demand for LPG. Saad El Din Group is an industrial operator with facilities in Egypt ranging from gas processing plants, LPG container manufacturing facilities and gas storage terminals.



## Where does demand for LPG cylinders come from?

LPG cylinders are used for everything in the villages and cities: heating, cooking and water consumption. But in Egypt, there is no LPG used for transportation at all. They use petrol or LNG, not LPG.

The population is increasing, adding two million new consumers every year. Some will try to put natural gas in their homes, but often there is insufficient infrastructure. They cannot put natural gas into a village if it does not have the pipelines and everything is safe.

Authorities want to cover all of Egypt with access to natural gas, but this will take at least 50 years and will cost a lot of money. It is okay in cities such as Cairo, but the village streets are not ready for pipelines. The houses are very close to each other,

and the building materials are not safe. So, they continue to use LPG.

Authorities have a target to convert 700,000 to 1 million homes to having natural gas access every year, but they are continually short. Ten years ago, LPG consumption was at 3.2 million tonnes per year, and now it is 4.2 million tonnes. We supply 50% of this from inside Egypt and import the remaining half from outside.

## What do you see as the major growth area of the oil and gas value chain in Egypt?

Egypt needs power plants and electricity, but we are not negatively affected by low oil prices here. Oil production in Egypt is subsidised by the government, so any fall in the price decreases the total subsidy paid and not the end price for consumers or businesses using oil or fuel as an input. The

subsidy for two years was EGP 100.5 billion (USD 12.8 billion) per year. However, last year it came in at EGP 70 billion (USD 8.93 billion), and this year it will be further reduced to EGP 55 billion (USD 7.02 billion).

**The government has been acting quite pragmatically with the new electricity holding group and gas market deregulation. Do you see any of that going more downstream towards LPG?**

I think they will do it, but it will take time. We have tried to advise them to put in programme for five years. When we have interviews in newspapers or on TV, we always give advice to the government not to interfere with the subsidy. They put themselves in the middle, and that creates problems. The price inside Egypt is low, and outside it is high. So people take it from here and sell it

