

Second Pillar: Energy

Overview of Current Situation

The energy sector is mainly responsible for providing for the energy needs for all economic sectors as well as families, in addition to increasing the sector's contribution to GDP. In order to achieve sustainable development, the energy sector has to take into account national and global environmental considerations and standards, besides reaching the 7th goal of SDGs, “affordable and clean energy.”

The energy sector in Egypt is mainly dependent on fossil fuels (oil and natural gas), particularly natural gas due to the expansion of explorations for new gas fields in the Western Desert and offshore, as well as relatively stagnant oil production. Egypt's oil and natural gas production rates have decreased in the last few years due to the general political and economic unrest, also because of the unsigned concession and exchange agreements during the years 2010-2012. As for electricity, most is produced via thermal power plants, whose main operational capacity depends on steam turbines. One-third of the production facilities have been in service for more than 20 years.¹ The energy sector contributes nearly 20% to GDP, especially through direct foreign investment. Notwithstanding that, it's been noticeable lately that there has been decreasing investment during the period from 2009-2013 by 6% especially in the exploration and development fields.²

Energy subsidization represents a burden on the Egyptian economy. The state general budget for the fiscal year 2012-2013 included subsidies of LE 120 billion for petroleum products, whereas it reached LE 126.2 billion for the fiscal year 2013-2014; however, due to the government's approach towards phasing out subsidies in the 2014-2015 budget, it was reduced to LE 100.3 billion.³

Egypt is earnestly trying to increase energy production: 36 new concession agreements were signed during the fiscal year 2013-2014 in addition to 20 other agreements currently being drafted.⁴ Also, the state is seeking new variations in its energy mix through relying on renewable energy sources, especially wind and solar power. Egypt exploits almost all of its hydroelectric energy and nearly 5% of Egypt's electricity generation depends on it.⁵

The Egyptian government has launched several initiatives to reform the energy sector institutionally and legislatively to encourage the private sector's participation, especially for building wind and solar power farms, in addition to encouraging technological solutions and applications for rationalizing energy consumption and optimizing exploitation of available energy

¹ Egypt Economic Recovery Plan, unpublished report

² Ibid

³ Ministry of Finance, the financial monthly report, September 2015

⁴ Egypt Economic Recovery Plan, unpublished report, and the American Chamber of Commerce's report on energy in Egypt, 2015.

⁵ Ibid