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Energy: Oil & Gas 2023

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Egypt: Law & Practice

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EGYPT



Law and Practice

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Matouk Bassiouny & Hennawy was established in 2005 and has since developed into a premier full-service business law firm in Egypt and the MENA region, with offices in Algeria, Sudan and the UAE, and with a country desk covering Libya. Its over 180 lawyers are trained locally and internationally in common and civil law systems and are fully conversant in Eng-

lish, Arabic and French. The firm's finance and projects group – headed by regional managing partner and group head of finance and projects Mahmoud S Bassiouny – represents numerous clients in the energy sector, focusing on areas such as renewable energy, oil and gas, power (including nuclear power), gas pipelines, and transmission and distribution assets.

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1. General Structure of Hydrocarbon Ownership and Regulation

1.1 System of Hydrocarbon Ownership

Pursuant to the Egyptian Constitution of 2014, and as part of the State's natural resources, hydrocarbons (ie, oil and gas resources) are under the control and ownership of the State. In this regard, Article 32.1 of the Constitution provides that the State's natural resources are owned by the population, and the State shall preserve, improve and avoid the draining of such resources as well as consider the rights of future generations in relation thereto.

Accordingly, the Egyptian government – through the Ministry of Petroleum (MoP) – may grant rights for the exploration and exploitation of oil and gas resources, provided that such rights are granted in the form of concession agreements issued by virtue of a law adopted by the Egyptian Parliament; this includes the terms of the relevant concession agreement, and authorises the Minister of Petroleum and Mineral Resources (the “Minister of Petroleum”) to enter into said concession agreement with the relevant contractor and one of the State-owned public entities responsible for regulating and overseeing

oil and gas activities in Egypt (eg, the Egyptian General Petroleum Corporation (EGPC)).

1.2 Regulatory Bodies

Typically, concession agreements (see **1.1 System of Hydrocarbon Ownership**) are concluded with the MoP (representing the Egyptian government) and one of the State-owned public entities responsible for regulating and overseeing oil and gas activities in Egypt. These entities are as follows.

- The Egyptian General Petroleum Corporation (EGPC): established by virtue of Law No 20 of 1976 (the “EGPC Law”). The EGPC is a public authority enjoying an independent juristic personality, affiliated with the Minister of Petroleum, and focused on the development of petroleum resources. Article 9 of the EGPC Law lists the powers of the EGPC's board of directors, including determination of the State portion regarding dividends of petroleum companies in whose capital the EGPC participates with a foreign partner, as well as incorporation of joint stock companies by itself or through partnerships.
- The Egyptian Natural Gas Holding Company (EGAS): established by virtue of Prime Ministerial Decree No 1009 of 2001 (the “EGAS

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Decree”). EGAS is a private law personality, subject to Public Sector Companies Law No 203 of 1991, Companies Law No 159 of 1981 (the “Companies Law”), and Capital Market Law No 95 of 1992. Pursuant to Article 4 of the EGAS Decree, the purpose of EGAS is (among others) the performance of industrial and liquefaction of natural gas projects.

- Ganope El Wadi Petroleum Holding Company (GANOPE): established by virtue of Prime Ministerial Decree No 1755 of 2022 (the “GANOPE Decree”). Similar to EGAS, GANOPE enjoys a private law personality. According to Article 3 of the GANOPE Decree, the purpose of the company is the undertaking of all petroleum activities within the South Valley region.

The EGPC, EGAS and GANOPE are hereinafter collectively referred to as “Public Entities”.

It is worth noting that Gas Market Activities Law No 196 of 2017 (the “Gas Market Activities Law”) establishes an entity called the Gas Market Activities Regulatory Authority (GRA) as regulator of the gas market, granting it broad regulatory powers regarding the gas market generally, and regarding the licensing regime in particular.

1.3 National Companies

The EGPC, EGAS and GANOPE are the main national oil and gas companies in Egypt.

1.4 Principal Hydrocarbon Law(s) and Regulations

The main laws governing hydrocarbon activities in Egypt are as follows.

- The Egyptian Constitution deals with the time limit in relation to concession agreements. Article 32.3 of the Constitution provides that granting exploitation rights for natural

resources, or public utilities concessions, shall be made through the issuance of a law, and for a period not exceeding 30 years.

- The Gas Market Activities Law aims to regulate gas market activities, including freight, transportation, storage, supply, marketing and any commerce of any sort related to any gas activities (“Gas Market Activities”).
- Fuel Law No 66 of 1953 (the “Fuel Law”) regulates matters that are not included in the relevant concession agreement.
- The EGPC Law provides for (among others):
 - (a) the powers of the EGPC’s board of directors;
 - (b) the EGPC’s resources; and
 - (c) certain tax exemptions in respect of the EGPC, including customs tax and other taxes and fees concerning the machinery, devices, equipment and materials imported by the EGPC and required for its projects.

2. Private Investment in Hydrocarbons: Upstream

2.1 Forms of Private Investment: Upstream

As previously discussed, rights for the exploration and exploitation of oil and gas resources are granted by virtue of concession agreements entered into between a Public Entity, the MoP and the contractor.

Regarding the nature of the rights granted to the contractor, concession agreements typically grant the contractor an initial exploration period of three years – this period may be extended for another period (commonly three years) upon application of the contractor in accordance with the terms of the relevant concession agreement.

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Such application is required to be made 30 days prior to the end of the initial exploration period.

For the relevant Public Entity to approve entry into the second exploration period, the contractor's obligations under the initial exploration period must have been fulfilled. Once a concession is awarded to a foreign investor, the latter must incorporate a branch in order to perform the obligations of the contractor under the concession.

2.2 Issuing Upstream Licences/Obtaining Hydrocarbon Rights

An upstream licence is granted to a contractor by virtue of a concession agreement following the launch of a bid round by the relevant national oil company to specialised oil and gas companies. After conclusion of the concession agreement, and subject to successful commercial discovery, a development lease may be entered into with the contractor.

The GRA is responsible for the regulation, licensing and monitoring of Gas Market Activities. It is worth noting that while the Gas Market Activities Law aims to regulate Gas Market Activities, it explicitly excludes from its scope of application petroleum concessions issued by virtue of a law (ie, concessions for exploration and production of hydrocarbons).

2.3 Typical Fiscal Terms: Upstream

Typically, concession agreements cover royalties, bonuses and cost recovery in favour of the contractor, as follows.

Royalties

The government shall usually be entitled to a royalty, in cash or in kind, of 10% of the total quantity of the oil or gas produced and saved from the area covered by the concession agreement, during the development period. This roy-

alty is paid by the relevant Public Entity on behalf of the contractor from its share of petroleum, as specified under the relevant concession agreement.

Bonuses

Concession agreements usually provide for payments of various bonuses payable by the contractor to the relevant Public Entity, such as:

- a signature bonus upon the issuance of the relevant law enacting the concession agreement;
- a development lease bonus for the issuance of each development area;
- a development lease extension bonus;
- a production bonus; and
- an assignment bonus.

The concession agreement usually states that such bonuses are not cost-recoverable.

Cost Recovery

Typically, a percentage determined by each concession agreement of the petroleum produced and saved from the development lease(s) is used for recovering all the costs, expenses and expenditures in respect of all exploration and development operations under the concession agreement. The rest is distributed between the contractor and the Public Entity in accordance with portions determined by each concession agreement.

The contractor will recover all costs of exploration out of a certain percentage of the petroleum (including but not limited to crude oil, gas and liquified petroleum gas (LPG)) recovered from the concession area. The value of the oil shall reflect the prevailing market price for crude oil, while the value of the gas shall be determined according to a formula set out in the concession

agreement, which may vary from one concession to another.

To the extent that recoverable costs exceed the value of petroleum from which costs may be recovered, the excess shall be carried forward until fully recovered. Where the value of all cost-recovery petroleum exceeds actual recoverable costs, including any carry-forward, the value of such excess cost-recovery petroleum shall be split between the relevant Public Entity and the contractor in accordance with percentages set forth under the concession agreement.

2.4 Income or Profits Tax Regime: Upstream

For concession agreements, contractors are subject to Egyptian income tax laws. According to Income Tax Law No 91 of 2005, as amended, profits of oil and gas exploration companies are subject to tax at a rate of 40.55%.

2.5 Federal or State Companies

Concession agreements typically provide for a right of requisition in favour of the government in the event of national emergency and/or in limited cases such as war, in which case the government may, inter alia, requisition all or part of the hydrocarbon production or the oil and/or gas field itself, if necessary.

It is worth noting that Egypt's governance structure is a unified system exercised through one government based in Cairo. That said, differentiation between the rights granted at the federal or state level does not apply in Egypt.

2.6 Local Content Requirements: Upstream

Typically, concession agreements provide for local procurement obligations whereby the contractor, or the joint venture company (JVC) (as

the case may be) and their contractors, shall give priority to:

- local manufactured materials, equipment, machinery and consumable goods to the extent their quality and delivery time are the same as the internationally available material, equipment, machinery and consumables, provided that the local price of the aforementioned is not higher than the price of the imported ones by more than 10%, without including customs duties; and
- local contractors or subcontractors to the extent their performance is the same as international performance and the prices of their services are not higher than the prices of foreign contractors and subcontractors by more than 10%.

2.7 Development and Production Requirements

The concession agreement automatically terminates at the end of the exploration period, unless a commercial discovery of oil or gas occurs. To the extent that one (or more) commercial discovery has been made, a development lease will be issued. The issuance of a development lease signifies the end of the exploration period and marks the start of the development/exploitation period for the blocks converted into a development area. At the end of the exploration period, to the extent that development leases have been not issued in respect of any concession areas, such areas shall be relinquished by the contractor in accordance with the terms of the relevant concession agreement.

Typically, once a commercial discovery is made, the contractor is awarded a development lease for a duration of between 20 and 30 years from the date of the commercial discovery. Development leases are usually granted for a term

of 20 years, with a five-year extension. Such extension(s) may be subject to the approval of the relevant Public Entity and the Minister of Petroleum.

Upon execution of the development lease, the contractor and the relevant Public Entity will incorporate a JVC in Egypt, which will undertake the exploitation activities. The shares of the JVC shall be divided between the relevant Public Entity and the contractor(s), typically, with each owning 50% of the JVC's shares.

The statutes of the JVC (ie, its constitutional documents) are annexed to the concession agreement. Concession agreements provide that the JVC shall automatically come into existence 30 days or three months after the date of the commercial discovery or the approval of the first development lease, depending on the terms of the relevant concession agreement, without the need for any further legal procedures.

2.8 Other Key Terms: Upstream

Regarding extensions to exploration and development periods, domestic supply requirements and termination, key terms of concession agreements include the following.

Minimum Work Programme and Financial Commitments

Typically, concession agreements determine the minimum number of wells required to be drilled in each phase of the exploration period, and the minimum spending requirements applicable to the contractor for each phase during the exploration period, in accordance with the work programme and budget indicated under the relevant concession agreement.

Relinquishment

Typically, concession agreements include mandatory relinquishment of any part of the concession area that is not capable of commercial discovery/production, and voluntary relinquishment, where the contractor may voluntarily relinquish all or any part of the concession area at any time, provided that it has complied with its expenditure obligations during the relevant exploration phase.

Export Rights

Exportation of hydrocarbons is subject to the provisions of the concession agreement. The concession agreement may impose a restriction on certain kinds of products (crude oil may not be subject to any exportation restriction, while gas and LPG may require the approval of the relevant Public Entity or the government, as the case may be).

In all cases, priority shall be given to meeting the requirements of the domestic market from the portion of the contractor, and the relevant Public Entity enjoys a preferential right to purchase such at the price determined pursuant to the concession agreement.

Abandonment Rights

While the older-model concession agreements do not explicitly provide statutory provisions or standards in relation to the contractor's obligations for the decommissioning of assets/facilities, Article 33 of the Fuel ER provides that the contractor must comply with the applicable procedures when abandoning wells, whether or not such wells are dry or depleted. The abandonment must be in accordance with the programme that was approved, in writing, by the relevant Public Entity.

Pursuant to Article 34 of the Fuel ER, a producing well may not be abandoned or decommissioned, in whole or in part, unless it is proven from a technical and operational perspective that production therefrom is not economical and the relevant Public Entity approves this accordingly. Subject to approval by the relevant Public Entity, the contractor may commence the abandonment process as per the proposed/approved decommissioning programme.

It is worth noting that the latest-model concession agreements may include an obligation for the contractor to restore the concession area to its original state.

2.9 Transfers of Interest: Upstream Licences and Assets

Subject to an assignment bonus, if applicable (see 2.3 Typical Fiscal Terms: Upstream), concession agreements usually allow for the assignment/transfer of a participating interest to any party, subject to obtaining prior written approval from the MoP. In this regard, the assignor must submit to the relevant Public Entity the required documents evidencing the assignee's financial and technical competence.

It is worth noting that concession agreements usually grant the relevant Public Entity a pre-emption right in relation to the assignment/transfer of the participating interest being assigned, in addition to permission of assignment in relation to affiliates (as defined thereunder).

2.10 Restrictions on Production Rates

While Egypt is not a member of OPEC, a concession agreement typically provides for restrictions on production rates.

Production Increase

In the case of national emergency due to war, imminent expectation of war or internal causes, the government may requisition all or part of the production from the area covered by the relevant concession agreement, and require an increase of the production to the utmost possible maximum.

Production Decrease

The government has the right to prevent any operation on any well when it might reasonably expect that such operation would result in loss or damage to the well or oil/gas field. However, the authors are not aware of any instances where the government has exercised such right.

3. Private Investment in Hydrocarbons: Midstream/Downstream

3.1 Forms of Private Investment: Midstream/Downstream

Private investment in midstream operations (ie, the processing, storage, transportation and marketing of oil and gas) and in downstream operations entailing operations from the production phase to the sale of oil/gas may be undertaken under the umbrella of concession agreements.

As discussed in 2.1 Forms of Private Investment: Upstream, rights for the exploration and exploitation of oil and gas resources are granted by virtue of concession agreements entered into between a Public Entity, the MoP and the contractor. Concession agreements or other commercial agreements may be entered into in relation to pipelines.

The Gas Market Activities Law excludes from its scope of application petroleum concessions

issued by virtue of a law; however, it allows for the granting of licences by the GRA for gas transportation and storage in favour of one or more legal entities, in accordance with the licensing requirements.

3.2 Downstream Operations Run by a National Monopoly: Rights and Terms of Access

Downstream activities may be regulated by virtue of a gas or oil sale agreement entered into between the Public Entity and the contractor as seller and buyer. Typically, a gas sale agreement provides for the formula of gas prices in compliance with the concession agreement, and covers other issues including the quantities and commercial availability of gas, and the quality and delivery conditions of gas.

3.3 Issuing Midstream/Downstream Licences

Midstream and downstream licences may be granted by virtue of a concession agreement or separate commercial agreement.

3.4 Fiscal Terms and Commercial Arrangements: Midstream/Downstream

As previously discussed, gas prices are subject to the relevant gas sale agreement and concession agreement. While there is no specific form of commercial arrangement between the infrastructure owner/marketer and its customers regarding downstream and upstream stages, the authors note that undertaking of Gas Market Activities (including, without limitation, transportation, storage, supply, marketing and any commerce of any sort related to any gas activities) is subject to obtaining a licence from the GRA.

3.5 Income or Profits Tax Regime: Midstream/Downstream

Similar to exploration companies, profits of petroleum production companies are also subject to tax at a rate of 40.55%.

3.6 Special Rights for National Companies

While Egyptian law does not explicitly provide specific rights or profits in favour of national oil and gas companies, gas distribution (ie, the post-transportation delivery of gas to the consumer through the gas distribution system) is subject to obtaining a licence from the GRA.

3.7 Local Content Requirements: Midstream/Downstream

While concession agreements typically provide for local procurement obligations in relation to the upstream stage, there are no explicit legal provisions requiring minimum local content for the midstream/downstream stages, save for purchase and project agreements involving the State administrative entities (ie, ministries and authorities enjoying private budgets), municipal entities, and service and economic public authorities subject to Egyptian Products Preference Law No 5 of 2015 (the “EPP Law”). Said law excludes from its scope of application partnership contracts with the private sector.

3.8 Other Key Terms: Midstream/Downstream

As discussed previously, gas distribution is subject to obtaining a licence from the GRA.

Separately, the consent of the EGPC must be obtained for the purpose of establishing a “petrol station”, whereby the EGPC will inspect the proposed site to ensure its compliance with EGPC standards, including a minimum area requirement of 1,000 square metres.

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3.9 Condemnation/Eminent Domain Rights

Article 35 of the Constitution provides that expropriation may not be undertaken except for public use, and is subject to fair and equitable compensation paid in advance in accordance with the law. Such right of expropriation is limited to the government and is not available to private investors.

3.10 Laws and Regulations Governing Transportation

A licence may be granted by the GRA to one or more transportation system operators, for transporting gas in accordance with the conditions determined by the licence. The licence covers the obligations of the operator, including the safe and effective management, operation, maintenance and development of the gas transportation system, as well as the transportation of gas subject to the tariff for gas transportation system use approved by the GRA.

3.11 Third-Party Access to Infrastructure

Pursuant to Article 25 of the Gas Market Activities Law, transportation system owners and operators are required to allow third-party access to the transportation system on a non-discriminatory basis, in accordance with the transportation system usage code ratified by the GRA. Generally, the Gas Market Activities Law allows third-party access to the transportation system, the distribution system, regasification facilities and storage facilities separately and on a non-discriminatory basis, in consideration of a tariff approved by the GRA.

Further, the Gas Market Activities Law grants gas market parties the right to use gas networks and facilities. However, where there is no excess capacity of the relevant networks and facilities, or where the usage leads to technical and eco-

nomic difficulties that affect the networks' and facilities' operators, the latter may prohibit the third parties' usage, subject to serving a notice in writing to the relevant party and the GRA clarifying the grounds for such rejection.

3.12 Restrictions on Product Sales: Local Market

While there are no general restrictions on sales of products in the Egyptian local market, concession agreements typically provide that priority shall be given to meeting the requirements of the domestic market from the portion of the contractor, and the relevant Public Entity enjoys a preferential right to purchase such at the price determined pursuant to the concession agreement.

While there are no explicit legal provisions applying ownership restrictions, the authors note that, pursuant to Article 19 of the Gas Market Activities Law, the GRA has the right to cancel a licence in the case of any change of capital of the licensed entity due to the sale, purchase or transfer of shares, capital or assets or any other disposal resulting in the change in control of the licensed entity without obtaining the GRA's prior approval. It is worth noting that the relevant Public Entity may contractually impose restrictions on the ownership of the counterparty.

3.13 Laws and Regulations: Imports and Exports

Exportation of oil and/or gas is subject to the provisions of the concession agreement (see 2.8 Other Key Terms: Upstream).

3.14 Transfers of Interest: Midstream/Downstream Licences and Assets

Subject to the nature of the operations, transfers of midstream and downstream operations are regulated under contract, and in certain

instances require the prior approval of competent authorities.

4. Foreign Investment

4.1 Foreign Investment Rules Applicable to Domestic Investments in Hydrocarbons

The following include some of the rules applicable to foreign investments in hydrocarbon.

General Overview

Egyptian legislation allows foreign investors to invest in Egypt either through establishing a company or a branch, both of which are regulated by the Companies Law and Investment Law No 72 of 2017 (the “Investment Law”). The Egyptian government adopts a policy of encouraging foreign investors and international oil companies to invest in hydrocarbon projects.

General and Special Incentives

Pursuant to Article 3 of the Investment Law, below are some of the guarantees awarded to projects that fall within the scope of the Investment Law (not those established under the free zones regime as per Article 34 of the Investment Law):

- fair and equitable treatment to any investor in Egypt, whether a foreign or national investor;
- all investment funds shall not be subject to any abusive procedures or discriminatory decisions;
- investors have the right to fund their projects from abroad without being subject to foreign currency restrictions, to repatriate their profits and, in the case of liquidation, to repatriate some or all of the liquidation proceeds; and
- investment projects are entitled to import their raw materials and equipment without being

registered in the Importers Register, whether by themselves or through another entity.

Expropriation

Article 4 of the Investment Law provides that, except in the case of public interest, investment projects may not be nationalised or expropriated. Additionally, funds of investment projects, which are not subject to foreign currency restrictions, may not be seized, confiscated or frozen without a judicial order, except for tax debts and social insurance subscriptions that can be collected by the State through any of the seizure models.

Stabilisation

Typically, concession agreements provide for a standard stabilisation clause enabling the contractor to request modifications to the concession agreement in the event of changes to existing legislation or regulations that significantly affect the contractor’s economic interests, with the purpose of restoring the contractors to an economic position similar to that existing on the effective date of the concession agreement. While it is unlikely to provide any remedy in the context of direct expropriation, the stabilisation clause may provide a limited remedy for indirect or creeping expropriation in the form of changes to legislation or regulations.

Dispute Resolution

Typically, concession agreements provide for the settlement of any dispute arising between the contractor and the relevant Public Entity through arbitration.

4.2 Sanctions

The authors are not aware of any current sanctions imposed on certain foreign investors or governments with respect to investing in oil and

gas assets or conducting business in the oil and gas sector in Egypt.

5. Environmental, Health and Safety (EHS)

5.1 Environmental Laws and Environmental Regulator(s)

Concession agreements typically require the contractors and the JVC to comply with the provisions of Environmental Law No 4 of 1994 (the “Environmental Law”).

The Environmental Law

Environmental matters in Egypt are primarily governed by the Environmental Law, as amended, and its executive regulations issued by virtue of Prime Ministerial Decree No 338 of 1995 (the “Environmental ER”). Generally, the Environmental Law prohibits the discharge of any pollutants and hazardous waste into Egyptian territorial water or economic zones. Further, entities that produce or dispose of hazardous substances are required to maintain an environmental register for any hazardous waste, as well as to obtain and maintain a licence from the competent authority. Pursuant to Article 43 of the Environmental ER, all entities undertaking exploration, drilling, extraction, refining and industry of crude oil must abide by the principles of the global petroleum industries as provided by the competent administrative body.

The Competent Regulatory Authority

The competent regulatory authority is the Egyptian Environmental Affairs Agency (EEAA). As per Article 5 of the Environmental Law, the EEAA is responsible for, inter alia, formulating the necessary general policy for preserving the environment, and setting the criteria and conditions that apply to project owners and establishments

prior to construction and during operation. For midstream and downstream operations, certain environmental approvals are obtained from the EGPC.

5.2 Environmental Obligations for a Major Hydrocarbon Project

Environmental Impact Assessment

Pursuant to Article 19 of the Environmental Law, an Environmental Impact Assessment (EIA) must be submitted, prior to the implementation of any project, to the competent administrative or licensing authority in accordance with the items, designs, specifications, basis and loads set out by the EEAA in co-ordination with the competent administrative entities. The authors note that, pursuant to Annex 2 of the Environmental ER, establishments working in the fields of petroleum exploration, extraction, refining, storage and transportation are subject to the provisions of the EIA.

Procedure for Submission

According to Article 20 of the Environmental Law, upon receipt of the EIA, the competent authority shall send the assessment to the EEAA for its opinion, which it shall deliver within a maximum of 30 days after receiving the assessment – otherwise, it shall be deemed to have approved the EIA. The project owner shall be notified of the assessment results of the EEAA by a letter with registered mail. Where the assessment is not in favour of the project owner, they may submit a written objection to a committee formed by the Minister of Environmental Affairs within 30 days of receiving the assessment results.

5.3 Offshore Environmental, Health and Safety (EHS) Requirements

Environmental Record

Project owners must keep and maintain a written record of the environmental impact of their

establishment's activities in accordance with Article 22 of the Environmental Law. In addition, Article 33 of the Environmental Law stipulates that such record must include information on the methods of waste disposal and the names of contracting parties who receive such waste. The EEAA is competent to examine such record to ensure that the recorded data reflects reality.

Emission Limitations

Pursuant to Article 34 of the Environmental Law, the project site must be appropriate for the relevant activities for the purpose of not exceeding permissible air pollution, and for the emissions released from the establishments to comply with the permissible and maximum limits as specified in Annex 6 of the Environmental ER.

Trading of Hydrocarbon

Pursuant to Article 40 bis of the Environmental Law, it is prohibited to import, trade or use petroleum without the approval of the EEAA.

5.4 Decommissioning Requirements Abandonment Rights

Please refer to 2.8 Other Key Terms: Upstream for more information on abandonment rights. Further, note that generally the requirements of the relevant Public Entity regarding abandonment depend on the performance of the relevant concession area and the status of the concession in relation to assets.

Plugging Requirement

Pursuant to Article 28 of the Environmental ER, the transportation of hazardous waste must be made through transportation vehicles of those entities licensed to manage hazardous waste.

5.5 Climate Change Laws International Conventions

By virtue of Presidential Decrees No 386 of 1994 and No 227 of 2003, Egypt has ratified the United Nations Framework Convention on Climate Change of 1992 and the Kyoto Protocols regarding climate change.

National Legislation

Prime Ministerial Decree No 1912 of 2015 establishes the National Council for Climate Change as the competent authority to create general policies regarding climate change and the supervision thereof. Additionally, pursuant to Prime Ministerial Decree No 1860 of 2022, the State adopted the 2050 National Climate Change Strategy, which aims to, inter alia, achieve an economic development using low emissions in the various sectors.

Climate Change Report

Pursuant to the Ministry of Environment report dated 8 June 2022, "Egypt's First Updated Nationally Determined Contributions", Egypt aims to implement energy-efficient and low-carbon technologies. According to the report, this may be achieved through, inter alia, the following methods:

- utilisation of the associated gases from crude oil fields to gas-processing facilities for producing LPG, natural gas and condensates; and
- low-investment energy-efficient measures in petroleum companies to reduce 5% of energy consumption.

5.6 Local Government Limits on Development

Pursuant to Article 32 of the Egyptian Constitution, only the State can grant rights for the exploration and exploitation of oil and gas resources,

for a period not exceeding 30 years. In this regard, the Egyptian government may limit the development of oil and gas if it deems it necessary, given that it is the sole authority competent to issue approvals for their development.

6. Additional Information

6.1 Unconventional Interests: Upstream

There are no special laws that explicitly regulate unconventional upstream interests. Instead, the processes of extraction of hydrocarbon are assessed by the EEAA as per the submitted EIA. Therefore, this is generally determined on a case-by-case basis. In the authors' view, there is no clear regulatory limitation on the utilisation of hydraulic fracturing. Under the relevant concession agreements, the parties agree to the method undertaken by the contractor for the extraction of the corresponding hydrocarbon.

6.2 Liquefied Natural Gas (LNG)

There is no legislation specifically tailored for the regulation of liquefied natural gas (LNG). Instead, LNG is regulated under the Gas Market Activities Law.

6.3 Energy Transition Considerations Energy Transition Considerations for Oil and Gas Developments

The Egyptian government has adopted a diversified strategy of energy development to include renewable energy development sources. Nonetheless, such vision does not preclude the further development of the oil and gas sector, as evidenced by the MoP's Hub Strategy, which aims to establish a clear oil and gas strategy (see www.petroileum.gov.eg/en/update-project/programs/Pages/program6.aspx). This has been realised through the implementation of several

projects relating to the trading and storage of crude oil and petroleum products.

Emission Limitations

Please refer to 5.3 Offshore Environmental, Health and Safety (EHS) Requirements for the regulations regarding emissions limitations under the Environmental Law. In addition, Article 15 of the Investment Law also stresses the concept of environmental protection, stipulating that the investor must undertake all necessary precautions for the protection of the environment.

Renewable Energy Incentive Programmes

Pursuant to Article 11 of the Investment Law, projects that rely on, or produce, new and renewable energy shall receive an investment incentive in the form of:

- a 50% discount off taxable net profits, to the extent the project is established within sector (A) for those geographic areas most requiring development in respect of the data and statistics issued by the Central Agency for Public Mobilisation and Statistics; and
- a 30% discount for sector (B) covering the remaining geographical areas within Egypt.

Further, the authors are aware that a new draft law is being prepared regarding the issuance of specific incentives related to green hydrogen projects in Egypt. Additionally, Egypt has adopted Encouragement of Production of Electricity from Renewable Energy Resources Law No 2013 of 2014, to encourage the private sector to invest in renewable energy.

6.4 Unique or Interesting Aspects of the Hydrocarbon Industry

Egypt has an abundance of oil and gas resources stretching from the Eastern and Western Desert to the Mediterranean and Delta Sea, making it

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one of the leading and most promising hosts of the hydrocarbon industry. According to the official website of the General Authority for Investment and Free Zones, Egypt:

- is the largest non-OPEC oil producer in Africa;
- is the second largest gas producer;
- is the fifth largest oil producer; and
- has the largest crude oil refining capacity in Africa.

Additionally, the hydrocarbon industry is the largest single industrial activity in Egypt.

The geographic location of Egypt is the primary aspect that attracts foreign investors, as it is situated on the strategic crossroads of international trade of oil and gas through the Suez Canal.

6.5 Material Changes in Law or Regulation

There have been no material changes in Egyptian oil and gas law or regulation over the past year.

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