Egypt's Gas Sector Transformation: Upstream Investments Driving Regional Competitiveness

Executive Summary

Egypt's upstream gas sector is midway through a deliberate, capital-intensive recovery. After output fell roughly 29% between 2023 and 2025 as mature Nile Delta and Mediterranean fields declined faster than new volumes could replace them, the government has combined arrears repayment, fiscal reform and an aggressive drilling programme to rebuild and restore investor confidence and attract renewed commitments from major international oil companies including Eni, BP, ExxonMobil, Chevron, Shell, Harbour Energy, Apache, and Dana Gas.

Exploration momentum is concentrated in the Mediterranean and Nile Delta, where Eni's optimisation of the Zohr field, the Nour and Narges tie-backs, and Shell/KUFPEC's fast-tracked West Mina development (first gas targeted for late 2026) illustrate how existing infrastructure is being leveraged to bring new volumes online quickly. A parallel five-year plan targets 480 exploration wells and $5.7bn of investment, with 101 wells slated for 2026 alone across the Western Desert, Gulf of Suez, Mediterranean and Nile Delta.

The strategic logic of importing to preserve domestic supply while keeping Idku and Damietta liquefaction infrastructure warm underscores Egypt's continued ambition to function as a two-way Mediterranean gas hub rather than a pure exporter. The Cyprus-Egypt gas corridor, anchored by the Cronos and Aphrodite fields, adds a further pillar to that ambition, with first gas to Europe via Egyptian infrastructure targeted for 2028.

For upstream investors, the update points to a widening set of opportunities in Mediterranean exploration, brownfield redevelopment in the Western Desert, and midstream/LNG-adjacent infrastructure, set against risks from continued field decline, fiscal/payment discipline, and regional geopolitical exposure.

Upstream Investment Highlights

Egypt's upstream programme has accelerated sharply since mid-2025, driven by three coincident factors: full settlement of IOC arrears (completed 10 June 2026, down from a $6.1bn peak), a more competitive fiscal framework including R-Factor production-sharing terms in frontier acreage, and a five-year, $5.7bn drilling plan targeting 480 wells. EGAS alone plans 17 exploratory wells and 51 new production wells in FY2026/27, alongside a new Western Mediterranean bid round.

Key developments include:

- Expansion of Mediterranean offshore drilling campaigns.

- New licensing rounds offering exploration acreage in the Mediterranean, Gulf of Suez, Nile Delta, and Western Desert.
- Increased capital expenditure by international operators to restore production.
- Faster approval processes under the Ministry of Petroleum and Mineral Resources.
- Government efforts to settle outstanding payments owed to international operators.
- New appraisal programme targeting discoveries near existing infrastructure to accelerate commercialisation.

Recent and Ongoing Upstream Projects

Project/Field	Operator	Status	Estimated Investment	Expected Impact
Zohr optimisation (Shorouk)	Eni / Petrobel	Producing; infill drilling (Zohr-6, -9, -13)	$360m (2026 programme	~1 Tcf incremental gas
Nour / Narges tie-back	Eni, bp, Chevron, Mubadala, Tharwa	Development; first gas mid-2026	~$230m (two wells)	100 mmcf/d via Zohr infrastructure
West Mina (WDDM)	Shell / KUFPEC	Development; first gas December 2026	Undisclosed (tie-back)	160 mmcf/d, 3-year discovery-to-production
Western Zohr concession	ExxonMobil	Exploration drilling from 2026	$150m (well) / $240m (2 wells)	Tests deepwater Mediterranean play west of Zohr
South Kalabsha (Western Desert)	Apache / EGPC	New discovery; appraisal	$150m (2026 drilling, 34 wells)	~26 mmcf/d gas, 2,700 bbl/d condensate initial test
Badr El Din concession	Cheiron Energy / Capricorn	Fast-track development	$208m	44 new wells; merges 8

	Energy			producing fields
Nile Delta portfolio	Dana Gas	Drilling programme	$100m	Q1 2026 output +4% y-o-y; first growth since 2017
Cronos tie-in (Cyprus)	Eni / TotalEnergies (via Egypt infrastructure)	Pre-FID; HGA initialled	FID targeted 1H 2026	Gas to Europe via Zohr/Damietta from 2028

Egypt's Natural Gas Resource Base

Egypt's proven natural gas reserves are estimated at approximately 75.5 trillion cubic feet (tcf) as of FY 2022/23. This figure is actively increasing, bolstered by the April 2026 Denise W discovery, which has added an estimated 2 tcf to the national resource base and further extended the productive fairway in the Nile Delta. The resource base is concentrated in three basins:

- The Mediterranean offshore (Nile Delta and Shorouk/Zohr trend)
- The mature onshore Nile Delta
- The Western Desert, which remains Egypt's most active oil- and liquids-weighted basin but increasingly hosts marginal gas developments as fiscal incentives improve their economics.

The Shorouk concession's Zohr field remains the cornerstone of the reserve base, with original estimated reserves of 30 tcf and current output still contributing roughly 23% of national gas production, even after optimisation work to arrest natural decline. Adjacent discoveries, Nour (2019, ~0.5 tcf potential) and the Chevron-led Narges find (announced January 2023, ~3.5 tcf) extend the productive fairway further into deepwater Mediterranean acreage.

Beyond producing basins, Egypt's frontier exploration opportunity set includes the Western Mediterranean (subject of a new 2026 EGAS bid round), the Red Sea (four offshore blocks offered for international bidding from October 2025), and continued Western Desert marginal-field redevelopment supported by the R-Factor fiscal model.

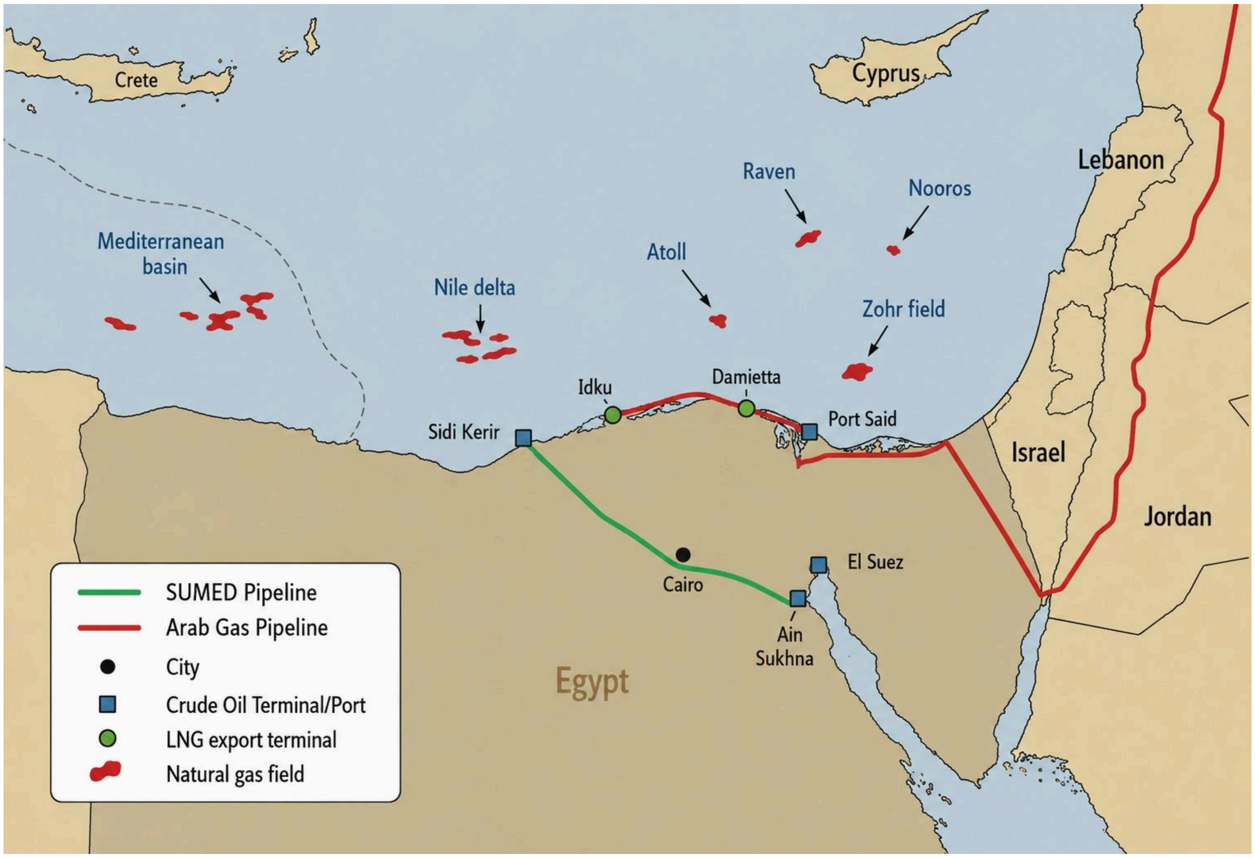

Figure 1 Map showing Egypt Producing Provinces

Key Upstream Operators

A broad base of national and international operators underpins Egypt's upstream sector, with more than 50 international companies currently holding exploration or production acreage across the Mediterranean, Western Desert, Gulf of Suez and Nile Delta.

Company	Major Asset(s)	Current Activity	Strategic Focus
EGAS	National gas aggregation, LNG JV interests	New Western Mediterranean bid round (2026), 17 exploration wells planned FY26/27	Domestic supply security, hub infrastructure stewardship
EGPC	Onshore concessions; Egypt Upstream Gateway	Awarding EUG blocks (Cheiron, Apache, Pharos, IPR)	Attracting new E&P investment, oil-weighted acreage

Eni	Zohr, Nour, Narges, Nile Delta, Cronos tie-in	$360m 2026 Zohr programme, pledged $7.7–8bn over 4–5 years	Mediterranean deepwater leadership, East Med hub integration
bp	Nour (25%), West Nile Delta legacy assets	$3.5–5bn multi-year commitment	Deepwater gas
Shell	WDDM (Phases 10–11), West Mina, Idku LNG JV	Fast-tracking West Mina (Q4 2026 first gas); reported investment expansion	Mediterranean tie-backs
ExxonMobil	Cairo & Masry concessions, Western Zohr	$240m (2 wells) from Q1 2026, QatarEnergy farm-in partner	Eastern Mediterranean deepwater exploration
Chevron	Narges (45%), Aphrodite (Cyprus consortium)	Narges tie-back to Zohr infrastructure	Regional East Med gas integration
Harbour Energy	Western Desert / Mediterranean interests	Portfolio participation in bid rounds	Selective exploration and production growth
Apache (APA Corp.)	Western Desert (South Kalabsha, West Kanayis)	34 wells / $150m planned 2026; new discovery announced	Brownfield and near-field exploration
Dana Gas	Nile Delta concessions (Consolidated Concession Agreement)	$100m investment programme, Q1 2026 production +4% y-o-y	Return-to-growth after arrears settlement

Infrastructure Supporting Gas monetisation

Egypt's gas monetisation model rests on integrated offshore production, a national gas grid, and two LNG liquefaction complexes (Idku (two trains, 3.6 mtpa each) and Damietta (~5.2 mtpa nameplate)). During the current import-dependent phase, Egypt has kept Idku's liquefaction trains active with occasional export cargoes (including shipments to Canada and Türkiye in January 2026), preserving optionality for when domestic production recovers.

The West Delta Deep Marine hub continues to anchor Mediterranean gas processing, with new discoveries such as West Mina designed as subsea tie-backs into existing infrastructure rather than standalone facilities, a deliberate strategy to compress the discovery-to-production timeline, as demonstrated by West Mina's roughly three-year cycle from 2023 discovery to Q4 2026 first gas.

On the import side, Egypt has built out floating storage regasification unit (FSRU) capacity at Ain Sokhna and Damietta, with four FSRUs deployed (Höegh Galleon, Energos Eskimo, Energos Power and Energos Winter) and a further replacement unit (Höegh Gandria) scheduled for late 2026. Regional pipeline connections extend this infrastructure into a broader network: the Arab Gas Pipeline links Egypt to Jordan (and onward toward Syria/Lebanon), and the Cyprus-Egypt framework agreements now under negotiation would route Cronos and Aphrodite gas to Zohr-linked infrastructure and Damietta for liquefaction and re-export to Europe. While LNG imports surged significantly (up 131% YoY in Q1 2026), pipeline gas imports actually saw a decline (down 34% YoY) during the same period, illustrating the shift in Egypt's import strategy. Figure 2 below shows Egypt's oil and gas infrastructure

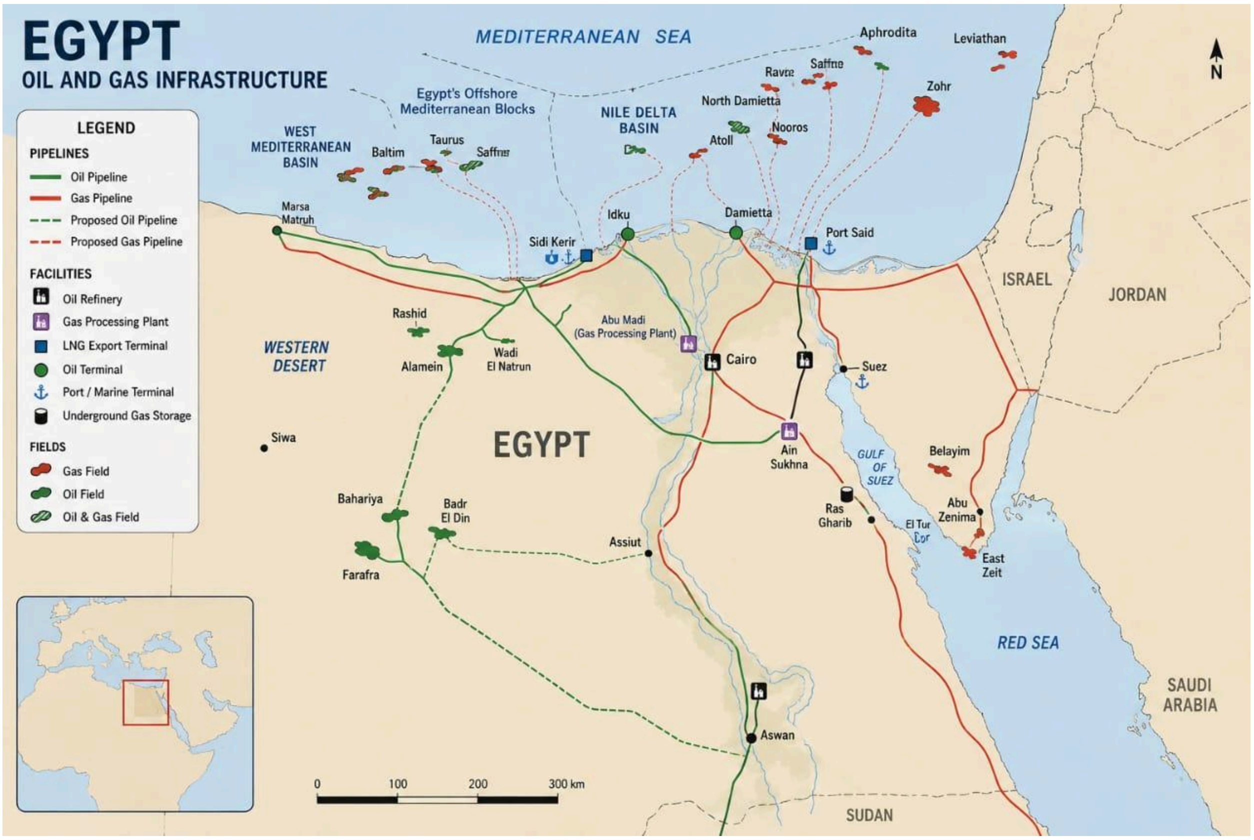

Figure 2 Map showing Egypt Oil and Gas Infrastructure

Demand and Supply Dynamics

Egypt's gas balance has deteriorated sharply even as upstream investment has accelerated. Domestic production fell from approximately 59 bcm in 2023 to 42 bcm in 2025, a 29% decline driven by natural field depletion (particularly at Zohr), delayed investment during the arrears crisis, and slower development activity. First-quarter production fell from 15.55 bcm (1Q23) to 9.85 bcm (1Q26), a compound annual decline of roughly 14%.

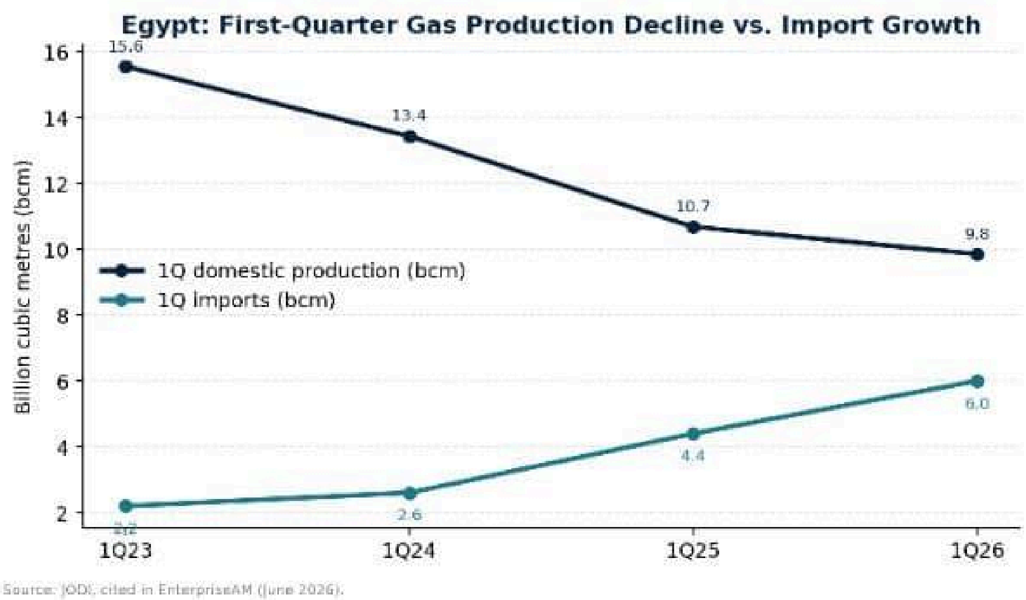

Figure 3 First-quarter Domestic Production Decline Against Rising Import Volumes, 2023–2026.

Imports have risen correspondingly, from 8.5 bcm in 2023 to 22.2 bcm in 2025 (a 159% cumulative increase), pushing the natural gas import bill to an estimated $10.7bn for the next fiscal year, a 26% year-on-year increase. Gas accounted for 45% of Egypt's fuel import bill in 1Q 2026 alone. Domestic demand growth is driven principally by power generation and industrial consumption, with residential connections also expanding under the government's 'Decent Life' (Hayah Karima) rural gasification initiative, which had connected 675 of a targeted 841 villages as of mid-2026.

Despite the import dependence, Egypt has maintained a deliberate export presence: 1Q 2026 exports rebounded fourfold to 377 mcm from a low of 90 mcm in 1Q 2025. The Ministry's official target is to lift production to 6.6 bcf/d by 2027, from approximately 4.1 bcf/d currently, with Fitch Solutions projecting an 8% production increase in 2026 to around 46.6 bcm. Achieving this trajectory depends on the pace of Zohr stabilisation, new-well tie-ins (West Burullus, Khalda), and continued IOC capital deployment.

Technologies Driving Gas monetisation

- **Offshore production and subsea tie-back technology**

West Mina and the Nour/Narges developments are being connected to existing Zohr and WDDM infrastructure via subsea tie-backs, materially compressing discovery-to-production timelines versus standalone facilities.

- **Advanced seismic imaging and digital geoscience**

Eni's original Zohr discovery relied on 3D reservoir modelling via supercomputing, EGAS's planned Eastern Mediterranean seismic survey (H2 2026) extends this approach to new frontier acreage.

- **Digital field and asset management**

EPROM's 2026 MoUs with Cenosco, Weatherford and Orcan Energy AG target digital asset management, thermal solutions and Organic Rankine Cycle (ORC) power-recovery technology across existing gas stations.

- **LNG processing and regasification**

expansion of FSRU capacity at Ain Sokhna and Damietta, alongside a proposed new fixed regasification unit near Damietta (under negotiation with Eni, ~$190m), reflects continued investment in flexible import/export infrastructure.

- **Emissions reduction and flare-gas utilisation**

Over 22 completed flare-gas utilisation projects have cut more than 1.2 million tonnes of CO_2 annually; the Ministry is developing a methane roadmap with US technology partners for advanced methane detection.

- **R-Factor production-sharing terms**

While fiscal rather than technical, the R-Factor model is being used as an economic tool to unlock deepwater and high-cost plays that would otherwise be uneconomic under legacy terms.

Investment Opportunities

Category	Description
Frontier exploration	Western Mediterranean and Red Sea acreage opening via new 2026 bid rounds
deepwater Appraisal	Extension of the Zohr/Nour/Narges play fairway into adjacent blocks
Brownfield redevelopment	Marginal Western Desert fields made economic by R-Factor terms and incentives
LNG-adjacent infrastructure	Regasification and liquefaction capacity expansion
Midstream tie-back services	Subsea tie-back engineering and fast-track

	field connections
Digital & emissions technologies	Reservoir management, methane detection, flare-gas utilisation
Regional gas monetisation	Cross-border transport, tariff and liquefaction service agreements

Risk

- Continued mature-field decline outpacing new supply
- Domestic demand growth exceeding production recovery
- Global LNG price volatility raising import costs
- Regional geopolitical disruption (East Med / wider Middle East)
- Execution delay on Cyprus corridor (FID, HGA finalisation)
- Financing and regulatory complexity for frontier/deepwater plays
- infrastructure transit security

Conclusion

Egypt's upstream gas sector is in the midst of a genuine, capital-backed recovery effort rather than merely an aspirational hub strategy. The combination of full arrears settlement, an expanded and more competitive fiscal regime, and over $17bn in cumulative IOC commitments through 2030 has restored investor engagement across legacy majors (Eni, bp, Shell, Chevron, ExxonMobil) and independents (Apache, Dana Gas, Harbour Energy) alike.

The near-term production picture remains challenging. Domestic output has fallen nearly 30% since 2023, and Egypt will likely remain a net importer through at least 2027, but the infrastructure base (Idku, Damietta, the national gas grid) and an expanding regional partnership network, most notably with Cyprus, position Egypt to convert renewed upstream investment into durable regional gas leadership as production stabilises. For upstream stakeholders, the opportunity set spans frontier exploration, brownfield redevelopment, and midstream monetisation infrastructure, balanced against execution risk on field decline, demand growth and regional stability