

Egypt electricity safety

The summer of 2023 served a cruel reality check to Egyptians. After almost a decade of reliable electricity supply, thanks to significant--and costly--investments in the nation's power network, the government introduced rolling blackouts to cut costs. Officials assured the population the measures were temporary, a result of severe heat waves. After all, ending the electricity crisis was one of President Abdel Fattah El Sisi's most celebrated accomplishments.

The halt of gas flow from Israel during the first weeks of the war exposed the vulnerability of Egypt's energy security and impacted citizens' daily lives even more. It came at a time when Egypt's economy is in disarray, as authorities prioritize making good on more than \$25 billion in debt service payments in 2024, while wrestling with a hard currency crunch. To make matters worse, the Houthis' attacks in Bab El Mandeb since November 2023 have pushed Egypt's Suez Canal revenues down by 40 percent. All of this raises energy inequalities among Egypt's population.

This article sheds light on the war's impact on Egypt's energy balance and the social and behavioral changes it resulted as blackouts expanded. It also proposes some energy diversification options for the country in the medium to long term.

Egypt's economy had been already struggling under compounded crises even before the war on Gaza: a double-digit inflation, a depreciating local currency, and a mounting external debt, risking a default. Authorities turned again to the International Monetary Fund to increase its rescue program.

On the energy front, the war on Gaza has had a significant impact as Egypt has been dependent on increasing imports of Israeli gas since 2020. Only around 10 percent of Israeli gas imported are used domestically, while the remaining 90 percent are exported to Europe. On October 9, just two days after the war started, Israel decided to temporarily shut down the production from the Tamar offshore natural gas field operated by US giant Chevron. This was not the first time the platform shuts down--it was the case in May 2021 during the 11-day Israeli war on Gaza that followed the tensions surrounding the Sheikh Jarrah neighborhood in Jerusalem.

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This latest closure exacerbated the electricity sector's challenges in Egypt, as it reduced the gas flowing from Israel to minimal quantities, before being halted totally on October 29.

The Egyptian government had already announced in July 2023 a power rationing program to limit consumption during an extreme summer heatwave as output from the Zohr field--Egypt's largest gas

field--alarmingly declined. It also halted the gas it exports to Europe in the form of Liquefied Natural Gas (LNG) for the whole summer of 2023 period. After the production at the Tamar gas field, Egypt found itself obliged to double the country's daily power cuts to two hours while importing its first LNG cargo to cover the deficit.

In mid-November, Israeli flows to Egypt started to rise again as Chevron resumed the Tamar field production. Egypt was planning to restart LNG exports to Europe in October after the ease of high temperatures, but this was delayed to November. Back in 2022, these LNG exports generated \$8.4 billion of revenues to Cairo.

Despite becoming a net exporter of LNG in 2019, Egypt's imports of Israeli gas have also grown since 2020. This gas was then liquefied before getting exported to Europe. When Tamar flows stopped completely on October 29, the Egyptian government said its natural gas imports dropped to zero from 800 million cubic feet per day. The Russia-Ukraine war helped boost such imports as the European Union, Israel, and Egypt signed a deal in June 2022 to increase Eastern-Mediterranean gas exports to Europe--this was a first in allowing significant exports of Israeli gas to the continent. The deal complements the Israeli Energy Ministry's announcement in February 2022 that a new route to export natural gas to Egypt via Jordan was approved.

In addition, in August 2023, the Israeli Ministry of Energy and Infrastructure approved a permit for additional natural gas exports to Egypt from the Tamar reservoir to bolster diplomatic ties between Tel Aviv and Cairo.

Egypt had years-long ambitions to become a regional gas hub in the Eastern Mediterranean, but it seems to have fallen into the trap of dependence on Israeli gas imports pushing the country to import LNG rather than exporting it, depleting its much-needed foreign reserves.

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