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Middle East and Africa Gas Boom

Gas Competence Seminar

Regional Coordinator Khaled Abubakr: Gas Discoveries and the Opportunities for the Middle East and Africa
Major gas discoveries in East Africa will have a huge impact on the continent’s economy. Flourishing offshore East Mediterranean gas findings are also reshaping the regional energy and geopolitical map. Russia, the Caspian and LNG receiving terminals in the Gulf and the Red Sea are boosting gas trading. Large E&P exploration and production contracts are being signed in Africa, Saudi Arabia and Egypt. IGU will fully engage in sharing its expertise, support and helping shape this boom.

These are transformative times in the gas industry and Khaled Abubakr, chair, TAQA Arabia and IGU regional coordinator for the Middle East and Africa shares his insights to these recent developments.

Q. How significant are the recent discoveries?

From a regional perspective, these discoveries are very significant. The reserves in Cyprus, Egypt and Israel exceed 60 TCF. This is a large volume far beyond the regional demand. Excess volumes will turn this region to a significant export hub for the global market.

Q. What is the expected development timeline and what are some of the options being considered in terms of how to move the gas to market?

Currently, there are three fields that are under development; the Aphrodite in Cypriot waters, the Zohr in Egyptian waters and the Leviathan in Israeli waters. Commercial production has recently started in the Israeli TAMAR, and the Egyptian Nile Delta has been producing for the last 25 years, whereas the Leviathan, Aphrodite and Zohr fields are still in their early exploration stages. It may take up to 10 years before we see full commercial production from all of the fields.

There are several attractive alternatives including the use of the Idku and Damietta LNG terminals in Egypt which are currently underutilized, the existing Arab Pipeline to Jordan and the transmission gas grids in Israel and Egypt, reaching the Red Sea.
Additional options include potentially sea pipelines from these fields to the LNG terminals. Such an integrated infrastructure will allow to dispatch constant gas volumes to the Asian market as well as to cover any shortage in supply to Europe.

Q. How do you see the geopolitical issues and implications to the region given these discoveries?

We live in a region that has had a long history of geopolitical tensions, and now the Mediterranean has a golden opportunity for a safer, more stable and prosperous future. These discoveries have the opportunity and hold the promise to create a basis for cooperation and collaboration within the region. Gas can truly be a means to enhancing the quality of life in the region by being an instrument towards more stability, safety and prosperity.

Q. What do you see as the greatest risk to realizing the true potential of these resources?

Although the technological developments in the gas industry have limited to almost nil the technical and operational risks, the political and instability risks are still the major threat to such potential developments. Government's instabilities, confrontations, and terrorist acts are issues that need to be addressed and eliminated. Banking and financial structures are another challenge to confront but are less vulnerable than political risks.
Gas Competence Seminar in Mozambique

Natural gas can raise the living standard in many developing countries. In the Sub-Saharan Africa region where the need for energy is high, natural gas has tremendous potential. In this region, only 32 percent of the population today has access to electricity. At the same time, the region is rich in natural gas resources, offering unique opportunities for improved living standards. However, the need for energy-related investments is enormous in the region.

On 22-23 September 2015, a Gas Competence Seminar was held in the city of Maputo, Mozambique. This provided the opportunity for high-level government representatives, and industry leaders to share knowledge, raise awareness and discuss strategic options that natural gas offers for sustainable access to energy, social and economic development. The seminar was co-organized by IGU and the World Bank as part of the new strategic partnership and supported by the SE4ALL initiative and the Government of Mozambique.

The seminar proved to be of great interest, gathering more than 100 delegates. Expert speakers from the energy industry: local and global companies; governmental officers; international organisations such as SE4ALL, UNESCO, the African Development Bank; as well as other invited experts shared their views and perspectives. The themes on the agenda were regulatory and institutional frameworks, large-scale industrial development, gas and power development, project financing and structuring, gas market development, sustainable energy and social development, and long-term competence building.

The consensus was strong and pointed to the tremendous opportunities but also challenges that exist.

Opportunities

- Gas for the production of electricity
- Industrial development with gas as a feedstock to local industries such as fertilizers
- Improvement in the environment of cities in the region

Challenges

- Growing concern over lack of competence as it relates to developing the gas industry
- Lack of training and educational institutions that focus on gas industry aspects
- Need to establish solid long-term business models for both competence and infrastructure development

How quickly the frameworks, regulations and business models are being developed was raised as a concern. While some think the implementation is going far too slow, others are warning that implementation is too rapid. It is, therefore, important to ensure that great care is taken and respect shown to the regional particularities.

The global economic climate is also of concern. Massive investments are needed, and they will be challenging to finance. Recommendations were given to look for new unconventional funding models and possibilities of funding in smaller increments.

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