
ENERGY BRIEF

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SUEZ CANAL REMAINS OPEN WHILE CHAOS RAGES IN EGYPTIAN CITIES

Days of massive protests and rioting in Cairo and Egypt's other key cities have yet to result in a disruption of traffic through the Suez Canal. Reports from agencies monitoring the passage of vessels through the strategic 200 kilometer waterway say the Egyptian army has taken positions to guard the canal should protesters make an attempt to prevent ships from passing through.

So far that appears unlikely as citizens calling for President Husni Mubarak to abandon his 30-year rule and leave the country seem to be primarily focused on bringing about political and social change within Egypt.

Furthermore, closing the canal would only result in more hardship for the country as tariffs for passage earn Egypt some \$5 billion annually.

The canal appears to be under "no real threat," Fatih Birol, chief economist of the Paris-based International Energy Agency (IEA) told the media on February 3.

Concerns over the events in Egypt and the safety of the canal have contributed to the rising price of crude oil. Brent topped \$100/B on January 31, the highest it has been since October 2008.

A report issued by the IEA on 31 January said Egyptian oil and gas production facilities do not appear to be at risk as they are far from population centers when the demonstrations are taking place. While several foreign operators have stopped their activities and sent their staff home, for the most part, production operations continue.

Some 2 million barrels of crude oil and products pass every day through the canal along with 30 million tons of LNG annually. Disruption to the flow of traffic through the canal could impact crude oil prices further as it would take more tanker days to sail around the Cape of Good Hope at Africa's southern tip.

"While disruption to the Suez passage through the canal and [the SUMED] pipeline could have an important impact on oil and gas markets, it does not currently appear likely," a statement released by the IEA said. "If such a disruption did occur, a closure of the canal or pipeline could add considerably to the time needed to ship oil from the Middle East to markets in Europe and further westward, but would not

remove the oil from the market. Commercial stocks are ample, including in Europe, where most of these volumes are destined,” the agency added.

To avoid incident, shipping companies are instructing their ships not to change crews in Egypt.

Egypt produces about 740,000 bpd of crude oil and consumes about 700,000 bpd domestically, therefore it is not a large net exporter. During 2010, the country exported some 98,000 bpd of crude and 61,000 bpd of products. The country produces some 64 billion cubic meters/year of natural gas and consumes 45 bcm/y.

Egypt has a capacity to process 16 bcm/y into LNG and exported the equivalent of 14 bcm of LNG during 2009. The country exports about 5 bcm/y of natural gas, most is shipped through the Arab Gas Pipeline to Jordan, Syria and Lebanon, while the Arish-Ashkelon subsea pipeline delivers gas to Israel.

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