ECOFIN AGENCY · EGYPT · PIPELINE

Egypt and Libya accelerate pipeline, refining and electricity energy cooperation

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Egypt has moved beyond initial diplomatic soundings with Libya, now actively seeking to accelerate a package of cross-border energy projects that spans natural gas pipeline connections, crude oil refining cooperation, and electricity infrastructure. The broadening of the agenda to include power sector links marks a meaningful expansion from earlier talks that had focused primarily on gas supply and refinery feedstock arrangements.

Cairo's urgency is driven by declining domestic gas production that has left Egypt increasingly exposed to international LNG markets at elevated import costs. By pursuing pipeline connections with Libya, Cairo aims to source gas regionally at more competitive terms and potentially route additional volumes through its established LNG export infrastructure at Idku and Damietta. Egypt already operates the Arab Gas Pipeline network and has positioned itself as a regional gas aggregator, making Libyan supply a strategically attractive addition to that hub model.

The refining strand of the cooperation remains a central element. Libya's processing infrastructure is ageing and operates well below capacity relative to the country's crude output, with a significant share of Libyan production exported unprocessed. Egyptian refining facilities carry spare capacity that could upgrade Libyan crude into value-added petroleum products for both markets, giving Libya access to processing services without requiring large near-term domestic capital outlays. The addition of electricity interconnection to the negotiating agenda suggests both sides are now

contemplating a more integrated bilateral energy relationship rather than a narrowly transactional pipeline or tolling arrangement.

Despite the apparent acceleration in pace, no pipeline route specifications, refining volumes, power interconnection capacities, contract structures, or binding project timelines have been publicly disclosed. No memoranda of understanding or signed agreements have been announced, and the engagement remains at a diplomatic rather than commercial stage. The current push follows a pattern of intermittent Egypt-Libya energy dialogue in which previous rounds of discussion stalled before reaching formal agreement, a history that tempers expectations around near-term project sanction.

Libya's ability to deliver reliable cross-border volumes has historically been constrained by political instability and the condition of upstream and midstream assets — factors that any pipeline or electricity interconnection project would need to address through robust contractual and technical arrangements. Egypt, for its part, faces fiscal pressure from LNG import costs that simultaneously creates the motivation for regional cooperation and complicates its capacity to finance new cross-border infrastructure. The inclusion of electricity in the current talks nonetheless signals that both governments see value in a broader integration framework, raising the eventual project scope and, with it, the scale of technical services and engineering work that could materialise if negotiations advance to implementation.

Why this matters to partners and clients of Saga

The broadened agenda — now covering gas pipelines, refinery cooperation, and power interconnection — widens the range of Norwegian service company capabilities that could become relevant, including subsea and onshore pipeline engineering, refinery process technology, and power infrastructure expertise. Talks remain pre-commercial with no signed instruments, so this remains a relationship-building phase with Egyptian and Libyan national oil companies and energy ministries. Norwegian companies that establish contact and demonstrate relevant track records now will be better positioned if any of the three workstreams reaches MoU or project sanction.

PARTNER ANGLES

- **Pipeline engineering and integrity firms:** Cross-border gas pipeline design, corrosion management, and integrity monitoring services will be central if the pipeline workstream advances; early technical engagement with EGPC and NOC builds credibility.
- **Refinery technology and process providers:** Egyptian refineries processing Libyan crude will require feedstock flexibility upgrades and potentially hydroprocessing capacity; Norwegian process technology licensors and EPC partners can position around feasibility studies.
- **Power infrastructure and interconnection specialists:** The newly disclosed electricity interconnection strand opens an avenue for firms with HVDC or grid interconnection experience to engage with Egyptian and Libyan power authorities at an early planning stage.

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