ECOFIN AGENCY · EGYPT · UPSTREAM

Egypt blocks Ratio Petroleum's Pharos Energy takeover bid

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Egypt's government has declined to approve Ratio Petroleum's proposed acquisition of Pharos Energy, citing concerns about the Israeli company's financial and technical capabilities to operate concessions in the country. The decision represents a significant regulatory obstacle to a deal that had already been agreed between the two companies at the corporate level.

Pharos Energy holds upstream oil and gas concessions in Egypt, and the proposed takeover by Ratio Petroleum would have transferred operatorship and equity interests to the acquiring party. Egyptian authorities, whose approval is required for any change of control over upstream concession interests, have withheld consent for now, raising questions about Ratio's capacity to meet the technical and financial obligations attached to those licences.

In an attempt to address the regulators' concerns, Ratio Petroleum has proposed retaining Pharos Energy's existing local workforce and operational team in Egypt, arguing that continuity of personnel would preserve the technical competence currently in place. Ratio has also indicated it is open to bringing in an additional partner to participate in its Egyptian concessions, a move that could strengthen the financial and technical profile of the entity seeking approval.

The acquisition remains subject to multiple layers of approval beyond the Egyptian regulatory process. UK court approval is also required, reflecting Pharos Energy's listing and corporate domicile. The combination of Egyptian state consent and UK

judicial sanction means the transaction faces a prolonged and uncertain path to completion, with no timeline confirmed for resolution of the outstanding issues.

The case highlights the scrutiny that Egyptian upstream regulators apply to transfers of concession interests, particularly where the incoming party is a smaller or less established operator. Egypt's upstream sector has seen sustained interest from international companies drawn by the country's producing assets in the Western Desert and Mediterranean, but the government has consistently exercised its rights to vet counterparties before permitting change-of-control transactions. For Ratio, securing either a credible co-investor or demonstrating sufficient standalone financial capacity will likely be the determining factor in whether the Egyptian authorities reverse their initial position.

Why this matters to partners and clients of Saga

This story is at an early, unresolved regulatory stage — no contract or FID is imminent. Norwegian service companies with existing relationships in Egypt's upstream sector should monitor the outcome, as a change of operator or the entry of a new co-investor could eventually trigger a review of existing service agreements on Pharos-operated concessions. Relationship-building with both Ratio Petroleum and any prospective co-investor would be appropriate preparation.

PARTNER ANGLES

- **Drilling:** A new operator or co-investor on Pharos concessions may reassess drilling programmes and service contracts once regulatory approval is resolved.
- **Well Services:** Continuity of Pharos's local team reduces near-term disruption risk, but an incoming partner could introduce new well services preferences worth tracking.
- **Subsea/FPSO:** If Pharos's Mediterranean interests are included in the transaction scope, any new operator review could affect subsea asset management decisions.
- **Service:** Monitor the co-investor search process; a financially stronger incoming partner may have existing relationships with Norwegian service providers.

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