

I. Transfers to EDL in 2011

► In June 2011, treasury transfers to EDL reached LL 85 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 81 billion
- ⇒ Debt service LL 3.9 billion

► In H1 2011, treasury transfers to EDL reached LL 1,031 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 934.2 billion
- ⇒ Payments to EGAS LL 54.9 billion
- ⇒ Debt service LL 42.3 billion

Table 1: Monthly transfers to EDL in 2011

(LL billion)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
EDL of which:	95	255	154	248	195	85							1,031
Debt service, of which:	2.0	14.3	0.5	19.9	1.7	3.9							42.3
• C-Loans and Eurobonds, of which:	2.0	14.3	0.5	1.0	1.7	3.9							23.3
– Principal payments	1.3	11.6	0.3	0.9	1.3	3.6							19.0
– Interest payments	0.7	2.7	0.2	0.1	0.3	0.3							4.2
• BDL Guaranteed Loan payments	0.0	0.0	0.0	19.0	0.0	0.0							19.0
Reimbursement for purchase of gas and fuel	92.5	240.6	153.6	228.5	192.9	81.0							989.1
• KPC & SPC	92.5	240.6	153.6	215.2	151.4	81.0							934.2
• EGAS	-	-	-	13.4	41.5	-							54.9

Source: Ministry of Finance

II. Transfers to EDL in 2011 in comparison with 2010

► Transfers to EDL in 2011 were LL 183 billion higher than the 2010 level

At almost the same level in the first quarter of 2011 compared to the same period of 2010, transfers in the first half of 2011 registered an amount LL 183 billion higher than that of 2010, which stood at LL 849 billion. This is due to an increase in payments by LL 127 billion for fuel and gas oil purchases and a LL 55 billion payment for natural gas provided by EGAS. Additionally, payments to cover for debt service increased by LL 1 billion over this period.

Table 2: Transfers to EDL

(LL billion)	June 2010	June 2011	2010	2011	Change	% Change
EDL, of which:	43	85	849	1031	183	22%
Debt Service, of which:	8	4	41	42	1	2%
• C-Loans and Eurobonds, of which:	8	4	31	23	(8)	-25%
– Principal Repayments	8	4	27	19	(8)	-28%
– Interest Payments	1	0	5	4	(0)	-9%
• BDL-Guaranteed Loan Payments	0	0	10	19	9	89%
Reimbursement for purchase of gas and fuel	35	81	807	989	182	23%
• KPC & SPC	35	81	807	934	127	16%
• EGAS	0	0	0	55	55	-

Source: Ministry of Finance

► Payments to the two oil suppliers in 2011 were LL 127 billion higher than their 2010 level

The component “Reimbursement of KPC and Sonatrach Agreements” reached LL 934 billion in 2011. The 16 percent increase in payments primarily pertains to two reasons: (a) higher

international oil prices associated with the 2011 payments and (b) higher volumes of fuel oil over the period under consideration.

- From a price perspective, the average oil price according to which the 2011 payments were made is 14 percent higher than that pertaining to 2010. In fact, the 2010 payments reflect consumption over the period May 2009 – January 2010, when the international crude oil price averaged US\$ 71 per barrel. The January-June 2011 payments reflect consumption over the period May - December 2010, when crude oil price averaged US\$ 81/barrel.
- From a quantity perspective, payments to the two oil suppliers in 2011 reflect around 10 percent higher quantities of fuel oil and 11 percent lower quantities¹ of gas oil. Payments for fuel oil in January-June 2011 pertain to quantities consumed between July-December 2010. The associated 10 percent increase is due to the fact that all power plants were operational during that period but were operating at lower efficiency. The efficiency of power plants has been declining over time. Whereas the lower consumed quantities of gas oil are due to the flow of Egypt's natural gas in the summer of 2010, which substitutes for gas. In fact, the January-June 2011 payments to KPC, reflect gas oil consumed between June-December 2010, at the time when Lebanon was still receiving natural gas from EGAS. The provision of natural gas stopped in November 2010.

► *Payments to EGAS for provision of natural gas*

Treasury payments to cover for the provision of natural gas amounted to LL 42 billion in May 2011, which constituted the payment of the last bills sent to the Ministry of Finance by the Ministry of Energy and Water. In sum, the treasury has paid LL 97 billion for natural gas provided by Egypt over the period September 2009-November 2010.

III. Contribution of EDL out of the total oil bill

► *EDL contributed to 8 percent of the total oil bill in 2011*

With a total oil bill of LL 1,074 billion paid in 2011, of which a treasury payment of LL 989 billion for "Reimbursement of KPC, Sonatrach and EGAS", EDL contributed 8 percent to this bill compared to 11 percent contribution in 2010 out of a smaller oil bill of LL 906 billion. The 2010 and 2011 contributions, however, are higher than those of 2009 and 2008, which represented 5.3 percent and 4.9 percent, respectively.

¹ Quantity figures are calculated based on Letters of Credit (LCs) sent by EDL to the Ministry of Finance.

IV. Share of “Transfers to EDL” out of Expenditures

- *Transfers to EDL constituted 19 percent of primary expenditures in H1 2011*

With primary expenditures at LL 5,480 billion in H1 2011, the share of spending on EDL reached 18.8 percent. The share was lower in H1 2010, at 17.3 percent of primary expenditures, due to lower transfers to EDL.

Figure 1: Transfers to EDL out of primary expenditures in 2010 and 2011

