

1. Eni

An Eldorado, there is no other way to describe what Egypt represents for Eni. The Arab republic is home to more than 20% of the Six-legged Dog's gas reserves³, contained in fields that dot the Western Desert and those in the depths of the Mediterranean Sea.

Annual production is around 15 billion cubic metres of gas, which is about 30% of Eni's global production, and 60% of Egypt's. The exploitation of these deposits has enabled the Italian company to generate enormous revenues. As much as EUR 5.2 billion in net profits over the last five years, accounting for about one third (31%) of the total profits the Exploration and Production (E&P) division of the group⁴. An income that shows no sign of running out,



Abdel Fattah al-Sisi, photo RogDel, Public domain, via Wikimedia Commons

according to the company, which expects future cash receipts of EUR 31 billion from the North African country⁵.

Marking a turning point in Eni's business in Egypt is the discovery of the now famous Zohr field, to date the largest gas reserve in the Mediterranean. It is August 2015, and at the head of Palazzo Chigi is Matteo Renzi, the great

metres (Annual Report 2021)

3 117,547 mln cubic metres out of a total of 506,310 mln cubic

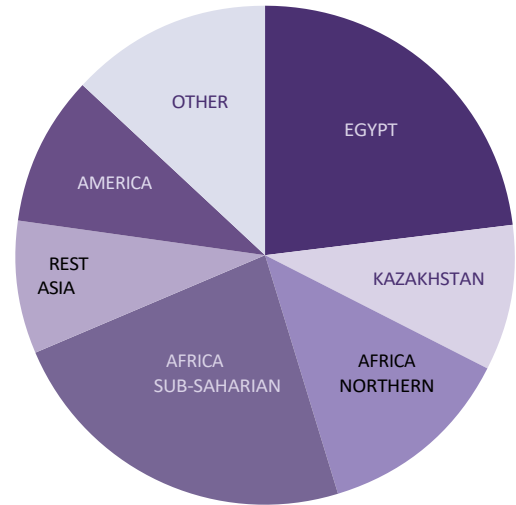
4 The figure used is the net result of the activities of

exploration and production of the Group's consolidated companies, in the years 2017 to 2021 (Eni Annual Reports).

5 These are the revenues that can be obtained from the production of certain reserves (Annual Report 2021)

GRAPH 1 Certain gas reserves held by Eni, by geographical area

Country	Gas Reserves (Millions of cubic metres)	%
Egypt	117.547	23
Kazakhstan	48.296	10
North Africa	64.628	13
Sub-Saharan Africa	117.547	23
Rest Asia	43.101	9
America	49.101	10
More	66.090	13
Total reserves	506.310	100



Data source: Eni Report - Processing: ReCommon

friend⁶ of the coup general al-Sisi, who has ruled Egypt with an iron fist since 2013.

After an exploration campaign lasting two years, Eni announces that it has made a maxi gas discovery within the Shorouk⁷ concession in the Egyptian *offshore*. Estimates speak of 850 billion cubic metres of gas, in a hydrocarbon column four kilometres deep, making Zohr one of the largest discoveries ever made worldwide.

"This is a very important day for Eni [...] This discovery takes on even greater value because it was made in Egypt, a strategic country for our company," comments CEO Claudio Descalzi, who is echoed by the then

Prime Minister Renzi, emphasising how the result 'fits within the framework of relations between Italy and Egypt, in a strategic economic partnership.'⁸

Ambiguity in the Regeni case

The festive statements came to an abrupt end a few months later, on 3 February 2016, when the tortured body of Giulio Regeni, an Italian researcher who was in Cairo to complete a thesis on Egyptian trade unions, was found⁽⁹⁾.

6 <https://www.aljazeera.com/features/2015/7/12/qa-with-italian-pm-i-think-sisi-is-a-great-leader>

7 <https://www.eni.com/en-IT/media/press-release/2015/08/eni-discovers-a-supergiant-gas-field-in-the-egyptian-offshore-the-largest-ever-found-in-the-mediterranean-sea.html>

8 https://www.ansa.it/mare/notizie/rubriche/uominiemare/2015/08/30/eni-scopre-maggior-giacimento-gas-del-mediterraneo_30f46469-9ae3-4b7c-b53d-f5147c286242.html

9 <https://www.ilfattoquotidiano.it/2016/02/05/egitto-il-corpo-di-giulio-regeni-in-indicible-conditions-for-torture-and-being-taken-police/2434804/>

The brutal murder of the Italian researcher risks complicating the Zohr deal. Civil society's appeals to the six-legged dog are becoming more and more insistent, and at first Descalzi shows some firmness: 'We have made it clear that we are for human rights, so we demand absolute clarity. We want it as Italians and as Eni,' says the CEO in an interview¹⁰ with the daily newspaper *Il Messaggero*.

Yet despite the declarations on the face of it, business between Eni and the Egyptian regime seems to proceed undisturbed. On 21 February, Eni was awarded the *Zohr Development Lease*, thus sanctioning the start of the field's development activities¹¹. The following month, the company announced that it had carried out the first test of production and to have started work on the construction of the gas treatment plant. During 2016, the company's investments in Egypt will rise to EUR 2.2 billion¹².

Within the Financial Report of that year, there is a paragraph on risks related to projects in Egypt, in which, however, the company makes no mention of the Regeni affair, and states instead that "the situation [in the country, ed.] is evolving towards a certain stability¹³". A few months earlier, an Amnesty International report estimated more than 60,000 political prisoners locked up in Egyptian jails, and an average of more than three forced disappearances per day¹⁴.

10 https://www.agi.it/politica/regeni_descalzi_e_interesse_government_egypt_doing_crisis-585413/news/2016-03-06/

11 <https://www.eni.com/it-IT/media/comunicati-press/2016/02/eni-completed-liter-authorisation-for-the-development-of-the-gas-field-of-zohr.html>

12 Company answers to questions posed by ReCommon before the 2022 Shareholders' Meeting

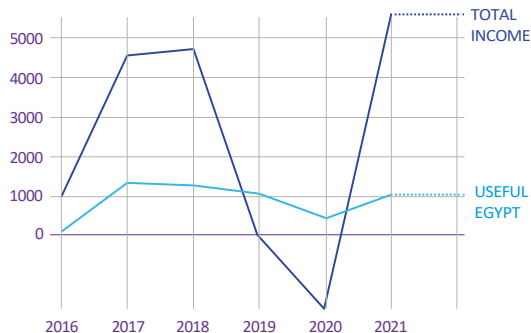
13 https://www.eni.com/assets/documents/governance/Annual_Financial_Report-2016.pdf

14 <https://www.amnesty.org/en/documents/mde12/4368/2016/en/>

From Eni's point of view, the Regeni case already seems to be relegated to the past. Business in Egypt booming, and the company continues to invest heavily in the country. By 2021, total investments will reach EUR 11 billion¹⁵. To these are added another 2.4 billion, which end up in the scheme's coffers in the form of taxes, *royalties*, and bonuses¹⁶.

A boon for al-Sisi, who undertakes a series of pharaonic projects, including the construction of the new administrative capital, which is expected to cost \$50 billion. The General also triples the country's military expenditure, making it the third largest importer of arms in the world¹⁷, many of which come from Italian companies¹⁸.

GRAPH 2 Egypt's weight on Eni's profits (millions of euros)



Data source: Eni Report - Processing: ReCommon

15 Company answers to questions posed by ReCommon before the 2022 Shareholders' Meeting

16 Country by Country Reports (2016-2021)

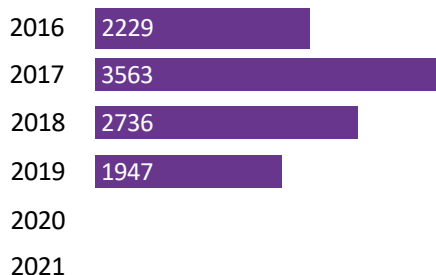
17 https://www.sipri.org/sites/default/files/2019-03/fs_1903_at_2018_0.pdf

18 <https://espresso.repubblica.it/attualita/2021/03/25/news/>

[italy_sells_weapons_from_war_egypt-293803351/](#)

GRAPH 3

Eni's investments in Egypt 2016 - 2021 (millions of euros)



€11.6 billion

Data source: Eni, Answers to AGM 2022 questions

against foreign oil companies, amounting to a total of EUR 6 billion²⁰. The objective of the regime is to convince multinationals to continue investing in the country²¹, offering them more advantageous business conditions in return.

Eni is among the companies most exposed to the Egyptian crisis, with overdue receivables of around EUR 1 billion. After a phase of very intense negotiations, in March 2015, the Italian company managed to reach an agreement with the Egyptian state²².

The agreement provides for new investments by Eni amounting to USD 5 billion, in exchange for far more favourable contractual terms, including the doubling the price at which Egypt buys gas from the six-legged dog²³. Eni is also hoarding new concessions on Egyptian territory. The economic bonuses owed by Eni to Egypt upon signing the various concessions were in fact scaled up for thus reducing the volume of overdue receivables²⁴

¹⁹ <https://www.theguardian.com/world/2013/may/16/egypt-worst-economic-crisis-1930s>

The burden of Egypt's debts

There has been much discussion in recent years as to why, despite its apparent strong position vis-à-vis the Egyptian regime, Eni has not taken a harder line on the Giulio Regeni case. To paint a more accurate picture of relations between the company and al-Sisi's government, it is necessary to take a step back and dwell on an aspect of this affair that has so far remained at the margins of the reconstructions put forward time.

Once he seized power by force in July 2013, al-Sisi found himself ruling a collapsed Egypt¹⁹. Investor confidence is at an all-time low, but the General wants at all costs to stem the flight of capital and get the country moving again. the energy sector, which is in deep crisis. The central issue concerns the debts accumulated by energy companies

Shortly thereafter, the company will realise the maxi discovery of Zohr and within a few years, the debts incurred by the Egyptian state will be reduced to zero. Not there is little doubt that, from a business point of view, Eni has won its bet, while accepting to bind itself to the Egyptian regime in such a tight knot that it will not loosen even when faced with the murder of an Italian citizen.

20 <https://www.egyptindependent.com/egypt-s-debts-foreign-oil-companies-reach-us62-billion-minister/>

21 <https://english.ahram.org.eg/NewsContent/3/0/81718/Business/0/Egypt-hopes-to-tie-oil-payments-to-production-incr.aspx>

22 <https://www.eni.com/en-IT/media/press-release/2015/03/eni-signs-a-framework-agreement-for-the-development-of-egypts-oil-and-gas-resources.html>

23 <https://www.reuters.com/article/egypt-gas-idUSL8N0ZL0BR20150705>

24 <https://www.reuters.com/article/egypt-eni-idUSL5N0YN13120150601>



Gas flaring at an ENI plant in Sinai. Photo Bruce Wills/Alamy

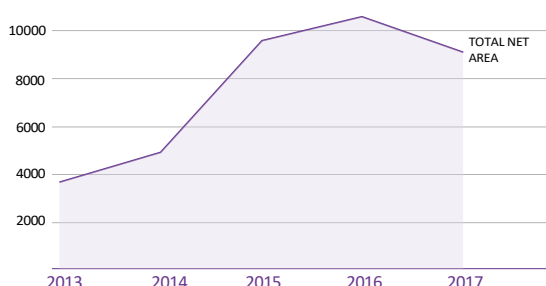
Egypt, the new gas power

Thanks mainly to the projects carried out by Eni, the al-Sisi regime managed to gain a leading role in the regional and European energy chessboard. Egyptian gas exports have increased considerably in recent years (USD 8 billion in 2021/22²⁵).

and are set to grow further, driven by the European chancelleries' desperate search for new supplies. In the Zohr field, which remains the most productive, are

The Russian company Rosneft (30%), the British BP (10%) and the Emirati Mubadala Petroleum also entered.

GRAPH 4
Area covered by Eni concessions in Egypt (in Km²)



Data source: Eni Report - Processing: ReCommon

²⁵ <https://www.reuters.com/business/energy/egypts-202122-natural-gas-Ing-export-revenue-hits-8-blncabinet-2022-09-25/>