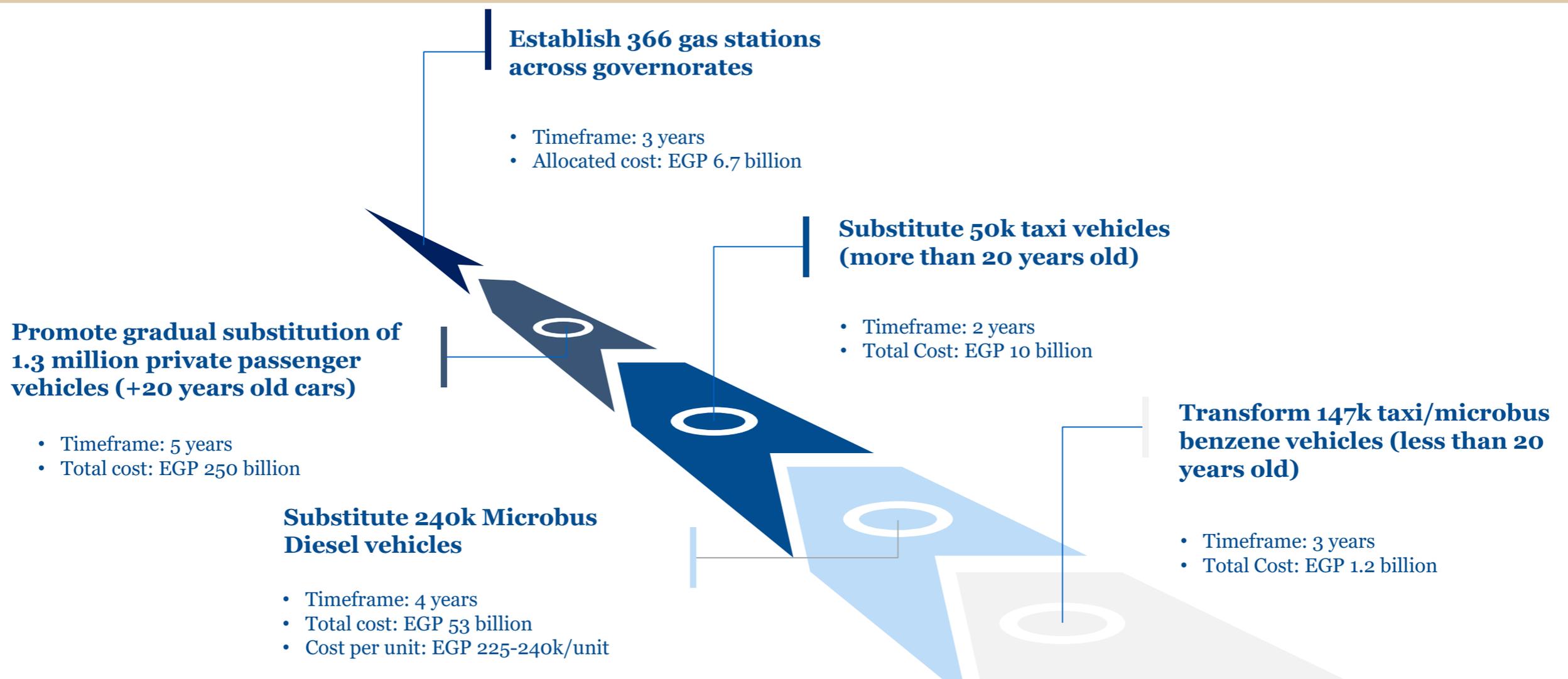


FRAMEWORK



- On July 12, 2020, the Minister of Trade and Industry announced Egypt's *Aging Vehicles Substitution Plan*. Under this plan, which is expected to be an important component of Egypt's emerging automotive strategy, the Government of Egypt (GoE) will support citizens and the local industry in the transformation towards enhanced dependence on vehicles running on natural gas by scrapping aged vehicles, installing dual-fuel engines in new vehicles and providing the relevant infrastructure requirements .
- The plan's **objectives** include: (1) limit polluting emissions and enhance quality of life; (2) benefit from the surplus in natural gas production and imports as Egypt transforms into a regional gas hub; (3) decrease oil imports and pressure on the national budget, (4) Decrease the financial burden on citizens as fuel subsidies are gradually lifted within a few years, (5) maximize benefit from Egypt's enhanced transportation network.
- The GoE's plan is expected to be implemented in gradual phases over 2-5 years, depending on Egypt's ability to complete the necessary infrastructure requirements, including building adequate number of gas stations across the country to meet the expected rise in local demand on natural gas.

The **main highlight** of the announcement was the President's signal on the GoE's intention to introduce a new policy that would require citizens to outfit any new cars they purchase with a dual-fuel natural gas/ gasoline system as a condition for licensing their vehicles. No specific timeframe was announced for this shift.

INCENTIVES TO CITIZENS

- Citizens will be permitted to submit their aged vehicles to the local authorities (for scrapping) in return for a facilitated loan to purchase a locally- produced hybrid vehicle.
- The market price of the aged vehicles will be considered as a down-payment for the newly purchased vehicle.
- While citizens will be expected to carry the financial burden of the switch to hybrid vehicles (approximately EGP 8000-12000), the consumer is expected to save money on the medium and long term in light of the lower cost of natural gas compared to oil.
- Tax cuts and financing facilities with discounted interest rates will be made available to citizens to participate in this initiative.
- The GoE has hinted towards a possible 0% interest rate approach.
- The GoE will introduce facilitated measures to participate in this program, including minimizing bureaucratic obstacles. For example, documentation required will be limited to submitting a valid vehicle license, copy of the citizen's national ID, and a valid professional drivers license.
- Citizens will enjoy an improved public transportation system and less polluted environment.

BENEFITS TO INDUSTRY

The Automotive Industry

- Increased demand on locally produced hybrid vehicles with specific local component requirements
- GoE- backed incentives for local manufacturers, including on customs (to be determined)
- GoE- backed incentives for citizens to purchase locally produced vehicles

The Gas Sector

- Enhanced demand on natural gas exploration, production and imports
- Increased investments in Egypt's natural gas infrastructure, including for the processing, manufacturing, liquefaction stages
- Enhanced natural gas distribution stations and centers

MAIN STAKEHOLDERS

The President of the Republic

The Prime Minister

Central Bank of Egypt

Ministry of Interior

Ministry of Trade and Industry

Ministry of Petroleum

Ministry of Finance

Ministry of Planning

MSMEs Authority

CarGas

Ministry of Local Development

Ministry of Transport

GasTec

Ministry of Environment

Arab Organization for
Industrialization