

A positive start for Lebanon's Petroleum Administration

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Executive Magazine, a Lebanese business magazine, has prepared a special report on “Lebanon’s oil and gas” to shed light on the country’s progress in its quest to exploit its hydrocarbon resources and help provoke awareness about different aspects of its emerging oil and gas sector.

Mona Sukkarieh, from Middle East Strategic Perspectives, contributed to the report by writing [an article on Lebanon’s Petroleum Administration](#).

A positive start for Lebanon’s Petroleum Administration

Lebanon’s Petroleum Administration (PA) will play a fundamental role in the country’s oil and gas sector in the coming years as it is tasked with setting the regulation and framework of licensing rounds and negotiating a good deal with international petroleum companies.

It was expected to be established in the first quarter of 2012, but was finally formed in November, with political bickering and a lack of consensus among government parties and factions the main reasons for the delay. But, despite the political meddling that accompanied the formation of the PA and negative predictions of many, initial indications are that it is proving to be a professional and productive body.

Shaky start

After months of delay, the formation of the PA occurred at a time when the legitimacy of Prime Minister Najib Mikati’s government was under pressure following the assassination of Intelligence chief Wissam al-Hassan in Beirut in October. Calls for speeding up the formation of the Administration coincided with demands for a cabinet reshuffle and were supported by an intensive media strategy.

At the beginning of November 2012, Lebanese media started reporting extensively on the vast potential for oil and gas reserves in Lebanon. On November 3, 2012, [Lebanese daily Assafir](#) quoted Parliament Speaker Nabih Berri as saying Lebanese reserves exceeded previous expectations and surpassed those of other countries in the region, including Israel. On the same day, Energy and Water Minister Gebran Bassil declared roughly the same on [LBC’s evening news](#) but was careful to add that it was impossible to confirm the quantity of oil and gas before drilling. On November 5, 2012, Assafir published three separate news items [quoting Prime Minister Mikati](#), [Sayyed Hashem Safieddin](#), head of Hezbollah’s executive council, and former minister and current Amal Movement MP [Yassine Jaber](#), all calling for a rapid formation of the Petroleum Administration. And two days later, the government approved the nomination of the regulatory body’s members. The appointment was not on the cabinet meeting’s agenda that day

but was hastily introduced by Bassil during the meeting, without providing fellow cabinet members with the bios and CVs of the six candidates.

The sudden interest in and the rapid formation of the board contrasted with months of unexplained postponement. This suggests that the government was keen on wrapping up the issue ahead of a potential cabinet reshuffle. Lebanese politicians are aware that, in order to get a share of the pie, they must be in office and previous experiences with lucrative sectors – telecommunications for example – serve as reminders that large-scale foreign investments require local facilitators in government who are subsequently well rewarded, both financially and politically.

Moreover the composition of the Petroleum Administration's board reflects, to a large extent, the composition of the government that appointed it, including the regrettable absence of women. The six members were selected on a confessional basis and, although downplayed by the government and the Energy Minister, on the basis of their political affiliations. Regardless of their backgrounds, which seem relevant to the positions they have obtained, and regardless of their skills, which remain to be demonstrated, they represent the political factions that proposed, backed and approved their nomination. Therefore, the criteria that tipped the balance in their favor was unfair to other candidates who may have had the suitable skills but not the required sect nor the correct political backing.

Having said that, in a country that has long been run on a sectarian basis, the fact that this criteria was taken into account when selecting the six members may give them additional legitimacy in the eyes of their fellow citizens. It has, so far, shielded them from the usual attacks that haunt public servants who do not enjoy a "sectarian legitimacy," allowing them to focus on their mission.

Positive signs

Since the appointment of the PA's board members, the Ministry of Energy and Water has more or less been able to meet the self-imposed deadlines, particularly in preparation of the country's first licensing round. The pre-qualification round was launched on February 15, 2013, and the Petroleum Administration chose to impose an intelligent set of legal, financial, technical, and environmental requirements that will attract, as operators, the most experienced companies.

To their credit, the board members have so far shown a commendable discipline, not only in their relations with the media, but on a broader level. Lebanese public institutions that fail normally do so due to personal ambitions and narrow political considerations. We have yet to see inapt behavior – such as unnecessary media exposure or irrelevant side meetings with political or religious leaders – from any of the board members. This bodes well as these kinds of actions are usually seen as inevitable steps for those seeking personal promotions. Internal cohesion, and a certain commitment to their mission have so far prevailed. This may be a modest measure of success but the Petroleum Administration is only five months old, and not transparent enough yet to allow an exact evaluation.

Ways forward

As such the regulatory body would benefit from a more transparent process. The first step in that regard would be to set up an official website to present (i) the Petroleum Administration (including all related regulations, publications and activities); (ii) the Petroleum Administration board and employees (including bios and salaries); (iii) the Lebanese petroleum sector (including all related regulations, updates on licensing rounds, ongoing seismic studies, maps etc.). In addition, the absence of women among the board members could be compensated for by building a more inclusive team around them.

The appointment of the Petroleum Administration's board was highly significant: It was the first major milestone since the adoption of the hydrocarbon resources law. While the lack of transparency and political maneuvering that characterized the selection process did not augur well for the country's oil and gas sector, the little we have seen so far suggests that our initial pessimism may have been misplaced.

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