

Lebanon could begin offshore gas drilling by 2015



Osama Habib| The Daily Star

BEIRUT: International energy companies will be able to start drilling for gas off the Lebanese coast at the end of 2015 if the August auction date is met, a source familiar with the tender process said Wednesday.

“If the ministers approve the decrees that set the number of blocks [areas designated for drilling] and explain the mechanism of revenue sharing this month or early next month, then the companies will have ample time to make their bidding on Aug. 14. If everything goes according to plan, international oil companies can start the actual drilling at the end of 2015 or at the beginning of 2016 at the latest,” the source told The Daily Star.

He also stressed the role of the Petroleum Administration in the bidding process.

“The Petroleum Administration will need to send the offers and recommendations to the concerned minister and Cabinet to award the contract and approve the commercial aspect,” the source said.

Energy and Water Minister Arthur Nazarian postponed the original April 10 auction date to Aug. 14 to give the companies more time to prepare their offers.

Speaking to reporters after the first meeting of the Cabinet gas committee Wednesday, Nazarian said he was confident about the prospects of the bidding process.

“I am certain that this Cabinet will issue the decrees because all parties have the intention and good will [and] because this is in the interest of Lebanon.

“There is lot of work ahead of us,” he added.

The next meeting, which is scheduled for April 23, will focus on the blocks that are being tendered, as well as contracts with foreign companies, Nazarian said.

“Each minister has been given the chance to prepare his questions to the members of the Petroleum Administration,” he said.

The source familiar the tender process said the contract would cover a 25-year period.

“If everything goes smoothly, Lebanon can start extracting gas in five years after the actual drilling starts in 2015. Even before 2015, the oil companies will open offices in the country and carry out technical work at the sea,” he said.

The source said that no foreign firm had told the Lebanese authorities that the postponement of the auction date had discouraged them from submitting a bid.

“We have frustration but we don’t have withdrawal. [The companies] are waiting for a signal from Lebanon concerning the auction date,” he said.

The source admitted that many oil companies that prequalified in the first round have transferred their investments to other countries.

The CEO of an oil company that is involved in the negotiations told The Daily Star that some of the international oil companies have moved investments to Croatia, Greece and Montenegro, noting that these countries have opened their entire coastlines for tendering.

Former Energy and Water Minister Gebran Bassil said 96 trillion cubic feet of gas could be harvested from the 45 percent of Lebanese waters surveyed by the companies.

However, experts insist that the true size of the gas reserves could only be established when drilling begins.