

# Not too Slow, Not too Fast... Let's Keep the Hopes!

By Lebanon Gas and Oil

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It is true that the launching whistle of the Lebanese Oil & Gas industry has not been released yet. It is also true that the month of January of the New Year 2015 will soon end without any major update other than the continuous discussions concerning the adoption of the decrees in the last two Governmental meetings.

Samer Abbas Khalaf wrote last week in Daily Star about some external reasons that keep Oil and Gas exploration in the funnel: "Over the past year, crude oil prices have dropped by 55 percent while natural gas prices dropped approximately 30 percent. Analysts expect the slide to continue and the downturn to remain for several years to allow for the re-adjustment of supply and demand. This leaves margins squeezed for offshore production projects.

At the same time, Cypriot offshore prospectives are turning gloomy. Italian major ENI failed to find hydrocarbons after drilling a well in Block 9. This is especially discouraging, since Block 9 was the most sought after block during Cyprus' second bid round. It is adjacent to Lebanon's maritime borders and lies in the same basin. More bad news for Cyprus emerged a few days ago when its energy minister, George Lakkotrypīs, announced that Total, the French major and operator for Blocks 10 and 11, had failed to find any geological structure worth drilling and was contemplating pulling out of Cyprus.

Even more significantly, Israel, which is the only producer of offshore gas in the region, has realized that East Med Gas is more of a regional than international player. It has begun to secure the regional export market by negotiating long-term agreements with Jordan and Egypt to supply them with gas from the Leviathan field. This would mean that in the event that Lebanon becomes a producer, it would need to find other markets to export its gas. At the same time, Israel has reached out to Cyprus to work on a unified gas strategy and is in discussions with Greece and the EU for a possible pipeline to Europe.

The combination of these recent events, along with ongoing political instability has, at the least, wiped out any enthusiasm that may have been evident during the prequalification stage..."

Nevertheless, and despite all this, we still feel some enormous work that is being done for the good of the sector. As our website mentioned earlier last week, the Minister of Foreign Affairs and Emigrants Gebran Bassil, the Minister of Energy and Water Arthur Nazarian and the Norwegian State Secretary Bård Glad Pederson of the Royal Norwegian Ministry of Foreign Affairs signed an Agreement on January 27th between the Ministry of Foreign Affairs of the Republic of

Lebanon and the Norwegian Agency for Development Cooperation (Norad) regarding development cooperation within the framework of the Oil for Development (OfD) Program (Phase 2). In addition, and as previously mentioned in our December news Articles concerning an agreement among political parties, an important meeting was held on Tuesday between Speaker Nabih Berri reached an understanding with Foreign Minister Gebran Bassil to resolve two controversial files that had been a point of contention between him and Free Patriotic Movement leader MP Michel Aoun. Berri and Bassil held talks in Ain el-Tineh for more than 90 minutes and discussed solutions to the controversy on oil exploration and the Lebanese nationality for expatriates.

Berri and Bassil had common viewpoints on the demarcation of the southern territorial waters and the designation of blocks to start oil exploration. The speaker has been spearheading a campaign since late last year to revive the exploration file after accusing Israel of “stealing” Lebanon's offshore gas.

According to Assafir's sources, Berri and Bassil reached an understanding to “avoid procrastination and not to waste more opportunities so that to preserve Lebanon's oil resources from Israeli greed.” They also agreed that oil exploration would have a positive impact on all of the country's factions, said the sources.

Moreover, exclusive sources told our website that February 2015 will be the month of approval of the 2 decrees and will end a two years freezing period in the Lebanese Oil and Gas industry. Sources added that the Speaker of the Parliament Nabih Berri has informed all the political and economical parties about his decision to move forward with the two decrees very soon, and to avoid any further delay that may affect the future of the sector.

It is obvious that the efforts to kick-off the sector are ongoing, not as fast as we want, but not slow as we imagine. Despite all, let's keep the Hopes!