

Lebanon Oil and gas Offshore Exploration Mired in Risk

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Estimates show that Lebanon has significant offshore energy reserves, including more than 120 trillion cubic feet of natural gas. International firms have lined up to begin exploration into these energy fields, but political deadlock continues to stymie progress.

Initial 3-D seismic surveys off the coast of Lebanon suggest a high probability that there are vast natural fields of oil and gas supplies. These resources could gross over \$100 billion in revenues over the next 20 years for the country.

International companies have lined up and are waiting to explore the underwater energy reserves, but they continue to wait with frustration as Lebanese lawmakers are slow to set the necessary licensing regulation needed to begin exploration.

To boost an already stagnating economy, lawmakers have an opportunity here to diversify the country's energy sector.

Exploration rights in offshore reserves

Lebanon relies heavily on energy imports to meet domestic demand. In 2010, for instance, the country imported 120,000 barrels per day (bbl/d) of refined oil products which accounted for over 90% of total primary energy demand in the country.

The discovery of indigenous energy reserves could transform Lebanon from being so highly dependent on energy imports and allow the nation to be a potential regional exporter of gas.

Samer Abbas Khalaf, an energy expert with GPB Neftegaz Services, a gas consultancy, emphasizes the significance of allowing international companies to explore these underwater energy fields: "They prequalified, formed a consortium and began PR work in a clear sign that they intended to participate in the Lebanese bid round. This in itself would have given Lebanon a much needed economic boost with foreign direct investment and employment, and provided it with its best chance to efficiently explore for hydrocarbons. None of Lebanon's neighbors had received the same interest from oil majors."

Political disagreements and lack of urgency amongst Lebanese lawmakers, however, is inhibiting proper exploration of these potential oil reserves. International oil companies have waited in frustration for more than a decade for the Lebanese government to issue licenses to drill for oil and gas.

The hold-up is due to the fact that the cabinet committee headed by Prime Minister Tammam Salam says it is "still reviewing" the details of the decrees with the National Petroleum Administration. Government officials also disagree on the final date for the decrees to be approved, causing further delay.

Energy and Water Minister Arthur Nazarian has said: "Once the decrees are passed, I will invite the companies to bid for the offshore gas five to six months from the date of approval. But frankly, I don't have a clue when these decrees will be passed."

Regional **obstacles**

In addition to internal political challenges, there are also bigger regional obstacles Lebanon would need to overcome to compete as an energy-exporting nation.

Israel, for example, has already begun to secure the regional export market for natural gas, negotiating long-term agreements with Jordan and Egypt for its East Med Gas company to supply them with gas from the Leviathan field. Israel is also working with Cyprus on establishing a unified gas strategy, and is also in discussions with Greece and the EU for a possible pipeline to Europe.

In the event that Lebanon is able to extract and produce natural gas, it would need to find alternative markets for its exports.

Additionally, Lebanon and Israel would need to work together to solve the current dispute over territorial rights to natural gas reserves that stretch across both waters. Strong tensions between the two nations only complicate the supply issue even further.

Reasons **optimism**

Despite the internal and external challenges regarding Lebanon's offshore energy supplies, there are reasons to be optimistic that these obstacles could one day be overcome.

On January 27, officials from Norway and Lebanon signed a three-year agreement to cooperate in further developing Lebanon's oil and gas sector. Norwegian officials have said they will offer technical support to the Lebanese Petroleum Administration and pertinent ministries, including the Energy, Environment and Finance ministries.

The United States has also offered its assistance in helping Israel and Lebanon solve their natural gas dispute. In December 2014, US Ambassador to Lebanon David Hale told Speaker Nabih Berri that the "United States remains committed to supporting Lebanon's efforts to make the transformation to an oil and gas producing country."

The Lebanese themselves are also raising greater awareness towards advancing the nation's energy sector. The 5th International Trade Exhibition for Power, Electrical Engineering, Alternative Energy, Lighting, HVAC, Water and Environmental Technologies to be held in Beirut in June this summer is currently set to host 473 exhibitors offering new technological insights into energy development.

These positive developments will at least continue to push the offshore oil and gas agenda in front of lawmakers in the coming months. Government officials should seize this opportunity to advance Lebanon's energy sector and open the way for greater foreign direct investment.

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