

New survey shows potential for oil and gas exploration in Lebanon

2012-10-04 By Ayoub Khaddaj in Beirut

A three-dimensional seismic survey recently revealed a large number of oil and gas fields in Lebanon's southern region -- a potential source of genuine wealth for the country, officials said.

Lebanon is now "technically ready" to start offshore natural gas extraction, Lebanese Energy Minister Gibran Bassil announced on September 24th during a tour with journalists at sea.

"Lebanon has in fact already entered the gas exploration stage, and is technically ready to start issuing licenses to get the process of natural gas extraction started," he said.

According to Bassil, two specialised companies under contract with the Lebanese government conducted the offshore survey, which covers half the country's exclusive economic zone, and indicates that several natural gas fields are scattered along the coast from north to south.

An initial assessment revealed a natural gas field in the southern region that contains 12 trillion cubic feet of gas, an amount that, if extracted, "could meet Lebanon's electricity production needs for 99 years", he said.

The minister said a three-dimensional seismic survey is more accurate and gives a clearer picture of the potential wealth in an area. While a previous two-dimensional survey of the southern economic region indicated that only three natural gas fields exist in the area, the new survey suggests that there are approximately four times as many fields.

Ministerial advisor Cesar Abi Khalil told Al-Shorfa that the ministry is "ready to launch rounds of licensing for exploration companies after we take the essential step of creating a petroleum administration board to oversee the licensing process".

"The geophysical surveys indicate [there is] an enormous potential for natural gas production compared to other fields in neighbouring countries," he said.

CAUTIOUS OPTIMISM

Ata Elias, professor of geophysics at the American University in Beirut, told Al-Shorfa, "There are no clear estimates of the quantity of gas or oil that exists in Lebanese waters; but this matter will be resolved with the start of the extraction stage."

The scientific data available from the companies tasked with conducting the surveys -- such as the company Spectrum and others -- indicates the presence of promising quantities of these energy resources, he added.

The prospect of discovering oil and gas in Lebanese waters increased when enormous quantities of these resources were discovered in fields in the eastern basin of the Mediterranean, Elias said.

"Studies conducted over the last 12 years [consistently report] the existence of abundant quantities of natural gas in Lebanese waters and the economic viability of its extraction," he said.

Elias warned against "excessive optimism with regard to these estimates", as this could reflect negatively on the economy if there is a prolonged extraction period or if the output fails to meet the estimates.

"Should work start today, it would take Lebanon six years to draw economic benefit from natural gas because the

process requires that companies be brought [under contract] to start the extraction and build plants to liquefy the gas in order to sell it," he said.

It is also important these steps be coupled with efforts to find markets for the extracted resources, Elias said.

ECONOMIC AND POLITICAL ADVANTAGE

Riad Salameh, governor of the Central Bank of Lebanon, said in a press statement last April that Lebanon has been facing a deficit in its balance of payments since 2011.

This requires that measures be taken to control the energy sector, given that the energy bill in Lebanon exceeds \$6 billion annually, he added.

Economist Dr. Louis Hobeika suggested that a portion of energy resources must be allocated for export and the remainder for local use, thus helping reduce the import bill, improving the balance of payments and paying a portion of the public debt.

"Taking these steps would rectify the financial situation, reduce the cost of borrowing and alleviate the declining political situation, because political turmoil is caused by the deterioration of economic conditions," he said.

Hobeika said there is also a need to put technical measures in place to monitor these resources, like creating a governing body to oversee the sector and establishing a fund for oil and gas revenues, to be governed by strict regulations.