

# WHAT IS STALLING ENERGY DEVELOPMENTS IN LEBANON?

By: Karen Ayat

Published October 29, 2013

A cabinet with full powers has yet to be formed. An ongoing civil war in Syria is spilling over the borders and threatening [Lebanon](#)'s peace and stability. An unresolved maritime border conflict between Lebanon and Israel is causing reciprocal accusations of natural gas theft and accusations of exclusive economic zones violations between the two countries. Pending legislations must be issued to delimitate Lebanon's offshore blocks and approve the model exploration and production agreement. In other words, Lebanon has a lot of work to do when both [Israel](#) and [Cyprus](#) are years ahead in their energy developments.

Cyprus has recently encountered between 3.6 trillion cubic feet (tcf) to 6 tcf (102 bcm to 170 bcm) of natural gas with a gross mean of 5 tcf (142 bcm) in its [Aphrodite field](#) as a result of its appraisal drilling. Despite the fact the amounts are less than originally expected, the Cypriot government reiterated its commitment to develop an [LNG](#) plant on the island. A first train will process natural gas extracted from [Noble's](#) Block 12 concession. More trains will be added in the near future to eventually accommodate natural gas discovered as a result of [Total](#) and ENI-Kogas offshore activities. Noble has a plan to bring gas from offshore to the cash-strapped island by 2016. The island's government hopes to start exports by 2020.

Israel has been the most successful so far. Its success in offshore gas explorations has reached its peak when Noble discovered the [Leviathan](#) field - containing an estimated 19 Tcf of natural gas. Noble also operates the Tamar field - 10 Tcf - with 36 per cent working interest. Sales from [Tamar](#) began in March 2013. Currently, various export options are being studied including LNG and pipeline scenarios. Israel might also consider starting with sales to its immediate neighbours, [Jordan](#) and [Egypt](#).

Being a new player in the industry, Lebanon is under pressure to demonstrate to investors it has the aptitude to manage the development of its hydrocarbon resources efficiently and in a timely manner despite regional instability and potential geopolitical obstacles. Lebanon has received a substantial amount of interest when 52 companies from 25 different countries participated in its pre-qualification round in spring of 2013. Since then, several delays have postponed the licensing round and might have affected the country's credibility. Earlier this week, caretaker energy and water minister Gebran Bassil announced that abundant quantities of oil and gas are suspected to be found in Lebanon's EEZ off the coasts of Mount Lebanon and Beirut. Bassil's statement reiterated Lebanon's large hydrocarbon potential and its need to approve on the maritime block

and revenue-sharing plan in the shortest delay for contracts to be awarded and activities to start.

However, Lebanon's biggest handicap remains its internal political discord. The question of whether the caretaker government should be allowed to exceptionally issue the pending legislation through an extraordinary meeting has divided officials. While some argue that the Lebanese law only gives such a power to a full-powered cabinet and that under no circumstance should a precedent be set by allowing a caretaker government to commit the country to 25 years long agreements, others consider that Lebanon should no longer delay the process and permit such an exception. Whether a new government will be formed in the near future remains a mystery in a deeply divided country.

Other points of divergence include whether the ten blocks should all be allocated for licensing during the first round, and at once, or if the blocks should instead be licensed progressively. Lebanon's fear that Israel might be stealing its gas, the fact that neighbouring countries are way ahead in their energy developments and Lebanon's reputation as a reliable and trustworthy partner are amongst the many factors that should motivate Lebanon to no further delay its activities and take advantage of this God-sent gift that could change the fate of its people and readjust its bleeding economy.