

Mapping the petroleum administration

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Lebanon's progress to cultivate wealth from its offshore oil and gas resources has left us with more questions than answers. While the country will not extract any resources for at least five years, the agreements being negotiated in the next 12 months will determine whether Lebanon gets a good deal or not.

Over the course of six days, seven leading thinkers will discuss different aspects of the resources — from avoiding environmental destruction to how to spend the new wealth — each with the aim of helping provoke awareness about what is going on in this crucial period.

For our final segment, Jeremy Arbid discusses how the all-important Petroleum Administration was formed and the policy actors involved.

See also: Lebanon's Petroleum Administration makes a positive start

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Note: This article was written before the resignation of Lebanon's Prime Minister Najib Mikati on Friday. *Though Mikati's resignation will introduce new dynamics to the deal making coalition, it does not change how the interactions of key individuals have acted upon the petroleum file. Until a new Prime Minister is appointed this cabinet will stay on in a caretaker function. Once the Parliamentary elections are held a new cabinet will be formed with the next Minister of Energy and Water, to whom the Petroleum Administration reports. The makeup of the Petroleum Administration will not change because the members have been appointed to six-year terms, but the political influence exerted upon their work will be modified.*

A key aspect of policymaking is identifying and defining a problem. In this case Lebanon's problem is how to exploit potential offshore resources and structure the administration of the petroleum sector in a way that reassures investors but, more importantly, satisfies the primary actors' interests.

When a problem is defined, coalitions form to vie for the attention of public officials in decision-making positions. However in Lebanon, since the end of the civil war in 1990, the government has lacked the capacity for developing public policy. Rather, policies are made more on the basis of political deals than on planning and policy development.

A long decline

The collapse of the state during the civil war replaced the formal power centers within government institutions and put them with the de facto militias. Militia leaders, in an effort to command resources and deprive their rivals, began importing petroleum products at various points of entry. As examples, the Lebanese Forces controlled the port at Debaye, Amal held the oil refinery at Zahrani, and the Progressive Socialist Party improvised ports at Jieh and Khaldeh.

As such the number of companies importing petroleum products rose from five before the civil war to several dozen by its end. The government of Lebanon essentially legalized the importation of petroleum from a state monopoly to an oligarchy controlled by former warlords. In this way, the militias' efforts of consolidating control over petroleum imports (but also other sectors of the economy) gained a sense of legitimacy and integrity, and returned predictability back to the economic system.

The 1989 Taif agreements offered an opportunity to reinstate state sovereignty, but instead the redistribution of power was entrenched. Nowadays there are formal government entities but

the actual power is not therein. There is some overlap, but where the real policy action is taking place, where the real policy actors are, is in some sort of a coalition. The interactions in creating policies or influencing policy direction is really an expression of the interests of the group rather than a political, factional, sectarian, confessional, or even ideological function.

By taking the vital **Petroleum Administration** (PA) as a unit of analysis, one can visualize how these actors are operating within the burgeoning petroleum sector. With a firm understanding of the Lebanese political environment, one can conclude a certain politicization of all government agencies, not limited to the PA. This politicization is, on one hand, attributed to fulfilling religious sect requirements when forming the entity, as well as placing the appropriately skilled individual for each position.

On the other hand, there is coercion amongst political actors in divvying control over appointed officials, i.e. which political entity an official is ultimately serving. The six positions on the Petroleum Administration are designated by sect – Shi'a, Sunni, Druze, Maronite, Greek Orthodox, Greek Catholic. The leading political parties and actors will certainly have had a role in determining their sects representatives. As such, the map below shows a rough understanding of how the PA is influenced.



As this map shows, there are a number of actors seeking to influence the PA's decisions, both through informal and formal channels.

Who else played a role?

Donor institutions have also had significant impact on the development of the petroleum sector. Primarily, these organizations work towards building capacity through financial and technical support within ministries or other government entities in Lebanon. The most notable institutions supporting progress on the petroleum issue come from of the United Nations Development Program (UNDP) and Norway's Oil for Development program.

UNDP assisted the Ministry for Administrative Reform in the design of a human resources system, which was later used in the selection process for appointing the Petroleum Administration positions. UNDP generally has a significant impact on government institutions in providing institutional capacity and policy support. It has an indirect presence on the Petroleum Administration with two former associates filling involved: Wissam Zahabi was a UNDP appointee in the Office of the Prime Minister providing technical advice on energy-related issues; Walid Nasser held a long career within the UN system in strategic policymaking roles.

Norway's Oil for Development program offered an eight-week training course held in Norway on petroleum policy and the management of petroleum resources in 2007. Other capacity-building training includes courses on legislation, data management, independent resource assessment, promotion and licensing round activities.

Both Wissam Zahabi and Gaby Daaboul benefited from this 2-month program. From a very early point, these two individuals were contributing to the development of the petroleum file. Zahabi, a carryover from the Prime Minister's office since 2003, and Daaboul, a legal advisor and closely linked to Finance Minister Mohammad Safadi, were both instrumental in drafting the Offshore Petroleum Resources Law (OPRL) n. 132, and the Petroleum Activities Regulations (PAR) as well as many of the correlating decrees.

Other institutions, such as the World Bank, International Monetary Fund, and the Delegation of the European Union have instituted programs in the past related to energy by providing capacity building grants or loans and financing for energy-related infrastructure. These donor institutions will continue to work to take oil and gas into account in order to determine where to position themselves in the donor picture.

By taking the PA as a case study, we can start to assess the influences being placed upon the body and this can help us analyze what decisions they are likely to make.

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