

WHY IS LEBANON FACING AN IMPASSE?

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Nothing much has been happening in [Lebanon](#). The significant interest expressed by international oil and gas companies was promising. The amount of gas estimated to be lying in Lebanese waters caught the attention of international oil and gas giants. The ambitious timeline promised that production will start by 2016. In other words, by 2020 Lebanon will not only be in a position to become self-sufficient in terms of its energy needs and a major gas exporter but to also emerge from a burdening public debt of \$59.1 billion equivalent to around 120% of its GDP (as at April 2013).

British geological surveyor [Spectrum](#) has estimated that Lebanese waters could hold up to 25 trillion cubic feet of gas and 440 million to 660 million barrels of oil. Recent estimates even indicated that Lebanon could have as much as 27 trillion cubic feet of gas. On 2 May 2013, Lebanon's Petroleum Administration^[1] and the Ministry of Energy and Water^[2] launched the first licensing round. The pre-qualification round attracted 52 companies from 25 different countries. A total of 46 International Oil Companies were selected, 12 of which as operators and 34 as non-operators.

So what is Lebanon waiting for when its neighbours are ahead in the game? [Cyprus](#) has reached final stages in the planning of its LNG terminal and a final decision will be taken by December 2013. The terminal will be made of 3 to 8 trains to process and transfer gas from the island to European and East Asian customers and potentially attract gas from neighbouring Eastern Mediterranean countries. [Israel](#) is also blessed with gas. The country has made major gas discoveries in the recent years including the [Leviathan](#) field containing up to 19 tcf of natural gas, [Tamar](#) containing an estimated 9 tcf of natural gas and Karish containing at least 1 tcf. Political debates and dilemmas have delayed the country's progress with a public divided on whether to support gas exports or not and members of the knesset filing a petition against the government's decision to export 40% of the gas in front of the High Court of Justice. Investors have been turned off by the lack of a quick, smooth and unanimous decision but are likely to come back as soon as the necessary pieces of legislations are issued and the process resumed.

Lebanon has its own share of regulatory and political impasses. A cabinet has still to be formed. Essential decrees that will delineate the blocks to be awarded, decide on the model EPA and govern the tender process will then have to be urgently issued. And things will be taken from there. The current caretaker government does not have the power to issue such decrees. But the prerogatives of the caretaker government can be extended by a joint decision of the President and the speaker of the Parliament if the

formation of a cabinet is delayed any further. Lebanon's gas riches can change the country's destiny and such an opportunity should not be taken lightly at the risk of losing investors' interest. And for good.