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LEBANON

Lebanon's offshore gas fields draw 52 bidders

By Lysandra Ohrstrom

BEIRUT: Exxon Mobil, Chevron, and the National Iranian Drilling Corporation are among the 52 international energy companies submitting applications to participate in Lebanon's first offshore gas licensing round, the energy minister said Thursday after the prequalification deadline.

Despite the political deadlock, caretaker Minister Gebran Bassil said the Petroleum Administration would announce the names of qualified firms on April 18 and begin accepting bids on May 2, as planned.

Two decrees establishing a model exploration and production sharing contract and the number of blocks that will be auctioned off still need to be approved by the Cabinet in order for licenses to be granted, but Bassil pledged to stay on schedule.

"This will not stop the process," he said. "Of course the government needs to approve the two decrees, however the process of the bidding was announced and adopted by the government of Lebanon. It is effective and it will take place as announced."

He said that the ministry and the Petroleum Administration had already approved a decree to auction off licenses for 10 separate blocks off Lebanon's coast and presented it to the Cabinet at last week's session, but Prime Minister Najib Mikati resigned before it was put up for a vote.

When asked how the decrees can be passed by a caretaker government, Bassil said: "There will be a government. This will not stall or delay the process of bidding. "

Others are less optimistic about the current timeline. Though one caretaker government in power for seven months in 1968 did pass new decrees, several energy lawyers said under Lebanese law its powers were limited to managing day-to-day state affairs. Whether or not the decrees are passed, according to Ramy Torbey, a partner at the Aziz Torbey firm, Lebanon's hydrocarbon law permits the ministry to launch the tender process without government approval. But only the Cabinet can award licenses.

"It doesn't make sense for the ministry to launch the bidding process knowing that only a duly formed government can select the firm whose bid qualifies [for a license]," Torbey said. "We don't know when the government will be formed, or if the conditions will remain the same once [it] is. Add to that, today we don't have the executive decrees that are needed to set the guidelines for the exploration and production sharing agreements." Analysts agree that most firms will hold off on bidding until the government formally establishes the terms it will offer potential licensees. Nonetheless, Bassil said that the volume and caliber of applicants "shows

confidence in Lebanon.” Eleven of the firms in Forbes’ list of the top 25 international oil firms applied.

Energy analyst Roudi Baroudi said that countries of comparable size generally received around 40 prequalification applications and about 20 of them are actually invited to make a bid. However, due to the difficulty involved in deep-sea drilling, he only expects about 12 to 15 companies to prequalify in Lebanon.

“The type of companies that would be most likely to prequalify and win are the companies who have deep offshore exploration and production experience,” Baroudi said. “The BPs, the Totals, ENI, Shell, who have been active in this field and have enough financial strength through their own balance sheets to commit the capital needed for their own exploration. We are talking about billions of dollars.”

Based on the initial interest, the global quest for unexploited hydrocarbon reserves clearly trumps concerns over political instability in Lebanon, for the time being. But Carole Nakhle, an energy economist at the Surrey Energy Economics Center, warned that ultimately no company would bid for a license without knowing the fiscal terms and the number of blocks the government was offering.

“I personally don’t find the number of companies that prequalify that relevant,” she told The Daily Star. “I like to refer people to Iraq. We had about 40 companies prequalifying for the fourth licensing round and only a handful, less than 10, actually bid once the fiscal terms were revealed because the government take was too high so they were not attractive enough to investors.”

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