

1. WHY DID LOGI AND KULLUNA IRADA LAUNCH THE “DON’T RUSH THE FOUR OIL AND GAS LAWS” CAMPAIGN?

- a. To halt the passing of the four following laws:
 - i. The draft law for establishing the National Oil Company
 - ii. The draft law for establishing the Sovereign Wealth Fund
 - iii. The draft law for establishing the Directorate for Petroleum Assets
 - iv. The draft law for Onshore oil and gas exploration
- b. To push the government to put a national strategy prior to drafting any new law or regulation in the oil & gas sector.
- c. To push the government to implement good governance in the oil and gas sector starting with participatory legislative process.
- d. There is risk that Lebanon will encounter a resource curse if it does not govern its resources in a sound manner. LOGI’s role is to make sure that Lebanon does not fall prey to this curse. When we talk about development of the sector, we must understand that development can go either way. It is not automatically synonymous with positive development.
- e. While we all have our eyes on the Norwegian model, we also need to be aware that poor governance has stricken many countries with wars, famine, poverty, debt, inequalities and last but not least environmental catastrophes.



2. WHAT DO WE MEAN BY GOOD GOVERNANCE AND PARTICIPATORY LEGISLATIVE PROCESS?

For the government to implement what it has been pledging to do - let the oil and gas drive growth and social welfare in Lebanon - we need to change the way policies are being designed and implemented in Lebanon. Starting with putting in place a national strategy for the sector, the right institutional framework and the right consultation process to build a national consensus.

3. IS OUR CAMPAIGN RISKING A SET BACK TO THE SECTOR, ESPECIALLY THAT WE HAVE BEEN WAITING FOR SO LONG TO KICK START THE WHOLE EXPLORATION PROCESS?

- a. For the exploration phase to occur, these laws are not needed now. Even if the current legal framework has some transparency gaps that require closing, it is ample for the consortium to begin operations with the aim of drilling wells by 2019. Lebanon will not become an oil-producing country until a commercial discovery is actually made, and in any case, no revenues are expected before seven to ten years from now.
- b. The investors' appetite to work in Lebanon will not be affected by our campaign since good governance measures have become mandatory by most of the international oil companies' home countries (according to LOGI's due diligence study on the pre-qualified companies' profiles and their home countries).

4. WHERE ARE THESE LAWS NOW?

- a. The laws were actually drafted by ministry of Finance and the Lebanese Petroleum Authority (ministry of Energy) BUT submitted to the Parliament during the second half of 2017, by members of Parliament namely MP Mohammad Qabbani submitted the draft law for onshore petroleum activities, MPs Anwar Al Khalil and Yassine Jaber submitted draft laws for the SWF and the directorate for Petroleum Assets. MPs Michel Moussa and Ali Osseiran submitted the draft law on the National Oil Company.
- b. On November 28th, 2017 House Speaker Nabih Berri, in an unexplained rush **called for a joint meeting** for the six parliamentary committees to discuss all four laws¹ at the same time.
- c. On December 12th, 2017 the formation of subcommittees was announced and asked to present plans to the joint committee by January. Three subcommittees were formed to deal with three different issues: potential exploration of oil on land; the country's prospective Sovereign Wealth Fund and general directorate for the petroleum sector; and the establishment of a national oil company. The subcommittees are headed by MP Joseph Maalouf, MP Ibrahim Kanaan and MP Yassine Jaber, respectively.
- d. As far as we know, the subcommittees for the onshore law and the NOC have been meeting during the month of January 2018. The minutes of meeting as per law are not disclosed to the public. Members of civil society, including LOGI, were only **allowed to attend** two of these meetings (the onshore law).
- e. We fear that the 4 draft laws may be presented at anytime to the six parliamentary committees so they are approved and sent to the general assembly.

¹

<http://www.dailystar.com.lb/News/Lebanon-News/2017/Nov-428158/28-berri-calls-for-meeting-to-discuss-oil-related-laws.ashx>



5. WHAT IS WRONG WITH THE ONSHORE LAW?

- a. The law 132 that was adopted in 2010 has set the legal framework for petroleum activities off the shores of Lebanon and did not set it for onshore activities. An onshore petroleum exploration law is therefore needed to complete the legal framework for petroleum activities. It has been drafted by the Lebanese Petroleum Authority to set out the parameters and operational procedures for the award of exploration licenses for onshore exploration. It is to a very large extent inspired by the 2010 law for consistency.
- b. But even if Lebanon needs to complement existing legislation on petroleum activities with an an onshore law, there is still time to pursue a proper transparent process to review the proposed onshore bill and alleviate major concerns and make sure to put in place the appropriate governance structure of the sector. There is no justification for hurrying this process. The priority should be given to wide consultation on a very strategic issue for the country.
- c. We have already identified key issues of concern, but there still is a need for more in-depth revision of this 48 pages bill. Key concerns include land-grabbing risks and environmental threats.

6. WHAT IS WRONG WITH THE NATIONAL OIL COMPANY LAW?

- a. The law 132 (2010) provides that the government “may” establish an NOC “once” a commercial discovery is made. We are not there yet. And in any case, we need to understand the purpose, the mandate and the structure of the NOC before passing any law that would entail unnecessary costs related to the establishment, staffing and operations of an NOC. This deserves an open national debate.
- b. The oil and gas wealth belongs to the Lebanese people and a State owned company could be the best way to make sure that this wealth is managed in their interest. But we all know that in the current political system, governance is a very big issue, on the level of structuring public entities, of their accountability, transparency, staffing policy, etc. This is why the governance and management structure of any future ambitious NOC must be very well thought out, in order not to replicate Lebanon’s history of dysfunctional public entities that are part of the Lebanese clientelist system of power.
- c. Until we can be sure that an **NOC** is really useful for the sector, for the time being, there is no need to create a National Oil Company, whose sole purpose would be limited to acquiring a stake in the consortium when a commercial discovery is made offshore. If the NOC is being designed to play a role for onshore activities, we need to understand its purpose, mandate and structure within the framework of the onshore law (see above).

7. WHAT IS WRONG WITH THE SOVEREIGN WEALTH FUND LAW?

- a. The OPRL law 132 (2010) states that **all revenues flowing from the oil and gas industry in Lebanon shall be placed in a SWF. (Article 3.2)**

Accordingly, there is a need to pass a law that sets out the role, responsibility, parameters and operational procedures of the Lebanese Sovereign Wealth Fund. The preliminary draft divides this fund as follows: A Savings Portfolio and a Development Portfolio. The Savings Portfolio is meant to invest petroleum revenues for the benefit of future generations while the Development Portfolio is designed to reduce the public debt level.

- b. But as it stands, the SWF bill before parliament needs much work if it is to meet international standards, according to [Andrew Bauer](#), NRGi's consultant on the Sovereign Wealth Fund. The bill runs the risk of becoming a new vehicle for corruption and patronage. It is therefore crucial that the law be revised immediately or delayed until proper amendments can be made. Specific concerns include:
- i. Unclear role of the fund's role in the macroeconomic management policies of Lebanon, due to the absence of such an overarching strategy ;
 - ii. Unclear and potential contradictions in the governance structure of the fund
 - iii. Unusual and worrying practice in terms of fund management - not found in any other fund globally - whereby the Ministry of Finance sits simultaneously below and above the Board.
 - iv. Alarming lack of investment rules or prohibitions on specific types of asset purchases and absence of any detail on maximum management fees, oversight of external managers or selection of external managers.
 - v. No requirement to make full independent external audits public and no transparency concerning the list of assets the fund holds nor with asset managers.
- c. And more importantly, there is no emergency at all to pass this law. Revenues will not start flowing before 7 to 10 years at the best. It gives us plenty of time to discuss the purpose, the mandate and the structure of the SWF and build a national consensus around it. It is a crucial institution for a country like Lebanon if oil and gas revenues prove to be important. Therefore it needs to be well designed. The wellbeing of the Lebanese for the next generations is at stake.
- d. The decision to earmark oil and gas revenues to debt reduction through the Sovereign Wealth Fund is too important to be taken without engaging any form of debate around such a decisive political, economical and social issue. Lebanese authorities have a track record of recklessness concerning the management of public finances, it is high time for civil society and citizens at large to voice their concerns related to the misuses of their tax contributions.

8. WHAT'S WRONG WITH THE DIRECTORATE FOR PETROLEUM ASSETS LAW?

- a. The draft law aims at creating a new Directorate for petroleum assets at the ministry of Finance that would be in charge of development and coordination of the investment strategy for the Lebanese Sovereign Wealth Fund; ensure that the Lebanese government is receiving its tax share of the petroleum revenues by auditing the accounts of the operating oil companies in accordance with the petroleum taxation law; undertake financial and economic analysis to ensure that capital withdrawal rules and regulations of the SWF are being carried out in accordance with the related laws and decrees.
- b. While these responsibilities and functionalities are needed, the proposed bill raises several concerns related to duplication within the SWF structure and the proposed role of the Ministry of Finance, conflicting functional and oversight responsibilities between the Directorate, the SWF and the MoF and conflicting accountability and reporting guidelines between the Directorate, the L-SWF and the MoF.
- c. Lebanon is unlikely to see any petroleum revenue deposits before a minimum of 5-7 years, assuming the exploration activities slated to commence in 2019 result in commercially viable discoveries. Hence there is no need to fast-track this law.

9. WHO ARE LOGI AND KULLUNA IRADA AND WITH WHAT CAPACITY AND EXPERTISE ARE WE HOLDING THE CAMPAIGN?

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Lebanon has announced its intention to join the EITI on 25 January 2017.

- a. **LOGI** is an independent non-governmental organization based in Beirut that promotes the transparent and sound management of Lebanon's oil and gas resources. It aims to develop a network of Lebanese experts in the global energy industry and provide them with a platform to educate Lebanese policy makers as well as Lebanese citizens on the key decisions facing the oil and gas industry. It focuses on public awareness, policy development, advocacy and capacity building to help Lebanon maximize the economic and social benefits of its oil and gas wealth – and avoid the resource curse. LOGI is the first and only Lebanese NGO member of Publish What You Pay (PWYP).
- b. **Kulluna IRADA** is a civic organization for political reform in Lebanon founded and exclusively supported by Lebanese citizens at home and abroad. We believe that strong and fair governance would solve Lebanon's problems.
- c. As citizens and civil society organizations, it is our duty and right to support the government and hold it accountable for the sound development of the oil and gas sector. The period when civil society's contribution was dismissed under the pretext of lacking expertise is hopefully over, now that Lebanon – **as a would-be member of the Extractive Industries Transparency Initiative**² – is committed to guaranteeing their active participation to ensure transparency and accountability in the oil and gas sector.



10. WHAT HAVE LOGI & KULLUNA IRADA DONE TO CONVEY THEIR MESSAGE?

- a. LOGI has launched a campaign supported by Kulluna Irada to raise awareness about the urgent need to stop the passing of the latest four laws related to the oil and gas sector.
- b. LOGI and Kulluna Irada have sent a letter to all the Members of Parliament and members of the cabinet explaining our position.
- c. Please join LOGI and Kulluna Irada's effort by signing the petition.