

Nazarian sees gas licensing auction within four months



Alexander Dziadosz | Reuters

BEIRUT: Lebanon expects to close its first licensing round for offshore gas exploration areas within about four months after overcoming a legislative hurdle by the end of April, the energy minister said Monday.

Early estimates suggest the country has natural gas reserves that, if proven, could rank as the world's 15th largest.

But Lebanon has delayed the licensing auction three times already due to political gridlock. Spillover from the war in neighboring Syria and maritime border rows with Israel pose high risks for would-be investors, analysts and industry sources say.

Lebanon was unable to form a government from March 2013 to February 2014, and the caretaker Cabinet said it did not have the authority to approve two decrees delineating the offshore blocks and setting up a model exploration and production agreement.

In an interview with Reuters in his office Monday, Energy and Water Minister Arthur Nazarian said the new Cabinet should be able to approve the decrees by the end of the month.

“Today I signed a memo that probably after four months time we will be able to receive bids and close the bid round, which I think is a reasonable time according to what I’m informed by the people concerned,” he said.

“Most of the information anyway has been available for the operators [and other prequalified companies], and accordingly, I think that hopefully everything will move smoothly from then on.”

Companies that prequalified for the first licensing round include Anadarko, Chevron, Exxon Mobil, Inpex, Eni, Maersk, Petrobras, Repsol, Petronas, Statoil, Total and Shell, although some, such as Statoil and Eni, have shown signs of losing interest.

Nazarian said the model exploration and production agreement, which has not yet been approved, had been “well-studied” and should not be controversial.

“Everybody should be happy. The companies should make a profit and, of course, the government at the same time,” he said.

Officials have said that Lebanon may have as much as 96 trillion cubic feet of natural gas and 850 million barrels of oil under its waters. Significant gas finds have already been made in nearby waters of Israel and Cyprus.

There is still no hard drilling data for Lebanon, but recoverable amounts that are even a small fraction of the estimates could be transformative for the country, with its high public debt and power failures.

The maritime border dispute with Israel affects two of Lebanon’s 10 offshore blocks.

Nazarian said the Cabinet would decide whether to auction all of the blocks at once or in stages, but he did not foresee any problems if the two blocks were auctioned before the dispute was resolved.

“These blocks – it’s only a minor area that is ‘disputed,’ so even if the blocks are opened, I don’t think there should be any problem,” he said, adding that companies had shown interest in the two blocks and that he believed they would attract bids.

Nazarian said authorities had held discussions with U.S. Deputy Assistant Secretary for Energy Diplomacy Amos Hochstein about how to resolve the dispute but declined to give a timeline for when it might be resolved.

He said that the biggest share of any gas discoveries would be exported but that some would also be used domestically.

Construction of three gas-fired power plants with a combined capacity of about 800 megawatts should be completed in about a year and a half, and other plants will be renovated to use gas, he said.

In addition to its offshore ambitions, Lebanon has conducted onshore seismic surveys for part of its territory and will start surveying the remaining areas on April 10, he said.

Nazarian said the protection provided by the law should be a draw for foreign investors and that security problems resulting from Syria's war had not been a major issue for firms.

“Do not forget that a lot of these companies, they work in areas in the world that are more disturbed areas, let's say, than Lebanon.”