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[Oil & Gas Updates]: Weekly Roundup 10/12

DECEMBER 9, 2012 in [LEBANON](#), [LEBANON – OIL & GAS UPDATES](#), [OIL & GAS](#)

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Lebanon - Cyprus - Israel:

Lebanese-Cypriot relations were given a boost this past week (3-9/12) by a series of events, after a period of somewhat uneasy relations due to a Cypriot-Israeli agreement over the delimitation of their Exclusive Economic Zones (EEZ), which, according to Lebanon, conflicts with the United Nations Convention on the Law of the Sea and is a violation of the country's maritime border.

Cypriot Parliament Speaker Yiannakis Omirou was on a three-day visit to Lebanon (3-5/12), which coincided with the organization of the "Lebanon International Oil and Gas Summit" in Beirut. Omirou, who has met his Lebanese counterpart (who has visited Cyprus in February 2012), and also the President of the Republic, the Prime Minister and other officials (including from the opposition, in a gesture that demonstrates Nicosia's commitment to good relations with Beirut, regardless of who is in power) focused on the need to strengthen cooperation between the two countries, particularly when it comes to the exploitation of shared gas fields. Berri insisted that [there is no problem between Lebanon and Cyprus and that the only problem involves Israel](#) [Link in Arabic], not Cyprus, and concerns the demarcation of the country's Exclusive Economic Zone.

The Cypriot Parliament had ratified an agreement signed with Israel in 2010 on the delimitation of the EEZ, although Lebanon considers that Israel's EEZ as defined by this agreement infringes with its own EEZ. Cyprus, through its ambassador in Lebanon, later indicated that [all agreements with neighboring countries can be amended](#), with the consent of all countries concerned. Solon Kassinis, the Director of the Energy Service in Cyprus, who represented Cyprus at the "Lebanon International Oil and Gas Summit" in Beirut on 3-4/12, announced that his country offered to mediate between Lebanon and Israel over the maritime border dispute that is hindering investments on both sides of the borders. The offer comes as a senior State Department official, Deputy Assistant Secretary of State for Energy Diplomacy Amos Hochstein, revealed that the US has provided Lebanon and Israel with a map to overcome their border dispute. "The ideas we have presented for boundaries were addressed by the highest standards of cartography and science-not politics," he said.

Lebanon - Seismic Surveys:

Neil Hodgson, new ventures manager at Spectrum ASA, which has just started phase two of its multi-client 3D survey covering an area of 1200 Km2, revealed at the

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Ali Cherri, Le Pyromane, 2011, Burnt Matches, 185x40cm. Galerie Janine Rubeiz.

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“Lebanon International Oil and Gas Summit” that was held in Beirut on 3-4/12 that prospects for onshore hydrocarbon resources are promising and announced that his company will soon start [seismic surveys in the Bekaa valley](#).

Per Helge Semb, Middle East regional manager at Petroleum Geo-Services (PGS), also announced that PGS will be launching a new survey to look for oil reservoirs near the coast where he believes the potential for finding resources is high (and may be more easily recovered). The survey is expected to be completed by May 2013.

On 08/12, in an [article published by Lebanese daily Al-Akhbar](#) [Link in Arabic], Energy Minister Gebran Bassil announced that initial results of data currently being analyzed revealed that an area of around 660 Km² in the north, off the coast of Tripoli and Akkar, seems to be even more promising than the area in the southern part of the country, which has attracted all the attention so far, and may contain larger gas, and possibly oil, deposits. The importance of the new discovery is that the reserves don't seem to be located at great depths. And although the field is located in the north, it is far from the Syrian borders and is entirely in Lebanese waters, according to the Minister, which means it can be exploited immediately without having to solve problems with neighboring countries first (as might be the case with some other fields that are shared with other countries). He added that with this new discovery, Lebanon now holds larger recoverable reserves, by far exceeding local needs. Bassil also highlighted the advantages that Lebanon presents, compared to Cyprus and Israel, in terms of delivering the gas to consumer markets, either through a route going from Syria to Turkey or from Syria to other Arab countries. Israel is practically ‘landlocked’, he said, and Cyprus’ only option is to go through Greece, which is very costly.

News of the latest discoveries and plans to conduct seismic surveys onshore will satisfy local leaders and populations, some of whom are [anxious that the wealth will benefit some regions or sects at the expense of others](#). Although natural resources are the ownership of the State, local leaders will certainly seek to grab the opportunity to strengthen (or establish, for the newcomers) their leadership by channeling some of the benefits to the local population.

Lebanon - Maritime security:

Trablous LCSC 42, a \$29m Advanced Multimission Platform (AMP-145) Offshore Patrol Vessel built by American shipbuilder RiverHawk Fast Sea Frames, was delivered to the Lebanese Navy on 26/11. The commissioning ceremony was held on 07/12, in presence of U.S. Naval Forces Central Command (NAVCENT) Deputy Commander Rear Admiral Kevin D. Scott. The 43m long fast patrol vessel, the biggest and most advanced ship in the Navy's fleet, will improve Lebanon's ability to monitor and control its territorial waters and to protect its maritime borders. It is designed to accommodate a wide-range of armament, although it remains to be seen what the Navy will decide to equip it with.

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Trablous LCSC 42.



Although the vessel was ordered long before the cabinet adopted a \$1.6b plan to equip the Armed Forces on 19/09, it falls within plans to improve the capacities of the Lebanese Navy to allow it to carry out its mission at sea. The issue is even more pressing now in light of the discovery of large hydrocarbon deposits in Lebanese waters, which raises [the question of protection of future installations](#) in case the country continued in its quest to exploit its resources.

Lebanon - Greece:

Lebanese President Michel Slaiman headed to Greece on Thursday 06/12 for a three-day official visit, with a delegation that included Foreign Minister Adnan Mansour, Finance Minister Mohammad Safadi, Defense Minister Fayez Ghosn and Economy Minister Nicolas Nahhas. Surprisingly, and although one of the purposes of the visit was to discuss exploitation of offshore hydrocarbon resources, Energy Minister Gebran Bassil was not part of the delegation. This is not a first. [Bassil was not included in the delegation that accompanied PM Najib Mikati to France on 19-21/11](#), although energy issues were among the topics discussed with the French. This fragmented approach to the issue of oil and gas in Lebanon does not only indicate a lack of a coordinated vision to manage the emerging sector, but should also be understood as being the product of local rivalries that are further fuelled by events such as the upcoming legislative elections (expected to be held in June 2013) and the prospects of reaping the benefits of a potentially lucrative sector such as the oil and gas sector, each actor competing with the others to ensure a share of the pie.

Security in the Eastern Mediterranean was also a major topic of discussion, given that Athens enjoys good relations with all the countries in the region and is thus in a position to play a role in solving certain problems such as the maritime border dispute between Lebanon and Israel. Greece, which has historically enjoyed excellent relations with the Arab world, at the expense of its relations with Israel, has significantly improved its relations with Tel Aviv recently due in large part to deteriorating Israeli-Turkish relations, and has been solicited, by the Israeli side as well, to be involved in the [protection of future offshore installations](#).

Lebanon - International Oil and Gas Summit:

The “Lebanon International Oil and Gas Summit” was held in Beirut on 3-4/12 under the patronage of the Ministry of Energy and Water and in collaboration with the Ministry of Finance and with the participation of 332 delegates from 17 countries and 86 companies. Topics discussed included: development and structure of the petroleum sector; management of revenues; taxation and investments framework; staffing the new oil and gas industry; possible markets for Lebanese gas; environmental impact etc. [[click here](#) to view the final agenda as well as the list of speakers and companies that took part in the event].

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It's worth to note that Lebanese Energy Minister Gebran Bassil did not attend the opening ceremony but chose to send a representative instead. Finance Minister Mohammad Safadi was however present and outlined his ministry's work, particularly the taxation regime and financial framework being laid out to encourage investments. Angelina Eichhorst, Head of the European Union Delegation to Lebanon, insisted on transparency and efficient governance (including an independent Petroleum Administration and an adequate legislative package that ensures safety, health and environment protection) as means to avoid a resource-curse. Cyprus was represented at the Summit by Solon Kassinis, Director of the Energy Service, representing the Minister of Commerce, Industry and Tourism, who presented possible areas of cooperation between Lebanon and Cyprus. Kassinis also addressed the issue of the Lebanese-Israeli border dispute and said that Cyprus is willing to mediate between the two countries to solve the issue.

Lebanon - Corruption:

Transparency International released its yearly [Corruption Perception Index](#) on 05/12. Lebanon, ranked 128th out of 174 countries. With a score of 30 points, it performed below the global average of 43 points and is considered among the 50 most corrupt countries worldwide. Widespread corrupt practices in the public sector and failure to prosecute people involved in corruption scandals have contributed to such a poor performance. It is going to take enormous efforts to avoid the propagation of such practices to the emerging oil and gas sector.

On a brighter note, according to the [Fraser Institute's](#) annual report on economic freedom in the Arab world, Lebanon ranked 5th among 17 countries, with a score of 7.6 points on a scale from 0 to 10. The country's results are due to government size and currency stability.

Israel - Leviathan bid:

[Woodside Petroleum](#), Australia's largest private oil and gas company, announced on 03/12 that it acquired a 30% stake in Israel's Leviathan field. Others bidders included Russian Gazprom, which was looking to strengthen its position as Europe's major supplier. According to Reuters, Total and China National Offshore Oil Corporation also bid for the project. Woodside's extensive expertise in LNG was a decisive factor, given the lack of experience in this field of the two other major partners in Leviathan: Noble Energy and Delek Group. The Australian company will be the operator of any liquefied natural gas development of the field. Its marketing expertise in Asia will be a plus. The Israelis' choice also seems to reflect a preference to select a western partner despite warming relations with Russia. Gazprom will prospect for opportunities elsewhere in the Eastern Mediterranean basin.

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[...] subject is increasingly being addressed by foreign diplomats and organizations. As mentioned in our last report (10/12), [Angelina Eichhorst](#), Head of the European Union Delegation to Lebanon, insisted on [...]

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