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[Oil & Gas Updates]: Weekly Roundup 24/12

DECEMBER 23, 2012 in [LEBANON](#), [LEBANON – OIL & GAS UPDATES](#), [OIL & GAS](#)

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Lebanon - Petroleum Administration:

Lebanon's Petroleum Administration visited President Michel Slaiman, Parliament Speaker Nabih Berri, and Prime Minister Najib Mikati on 20/12, to brief them on the work that is being done ahead of the launching of the first licensing round. The committee was accompanied by Energy Minister Gebran Bassil. Berri and Mikati, both [instrumental in pushing for the formation of the regulatory body](#), rapidly formed in November 2012 after months of dragging, are well represented in the Petroleum Administration. Berri also [urged the delegation](#) [Link in Arabic] to look into onshore exploration [seismic surveys will soon be conducted in the Bekaa valley, as we noted in a [previous roundup](#) (10/12)] and highlighted the importance of the petroleum sector in ensuring what the Lebanese Constitution refers to as “even development” among the [different regions](#) of the country.

Lebanon - Maritime border dispute:

The US proposal to settle the maritime border dispute between Lebanon and Israel received a [wide coverage](#) in [Lebanese media](#) [Both links in Arabic] over the past week. Although the news was available for over a week [and was reported by MESP in a [previous roundup](#) (10/12)], it was only picked up by Lebanese newspapers after the Israeli daily Haaretz published an [article](#) on the subject on 16/12.

Although Energy Minister Gebran Bassil is insisting in his media appearances that nothing prevents exploration in gas fields that are entirely located in Lebanon, foreign companies and governments seem more apprehensive and are sending signals that the border dispute must be settled before exploration can begin. Indeed, any harm to an oil company on any side of the borders will hurt its home country's interest. But this equation also means that, settling the maritime border dispute and providing licensing rights to foreign companies, is, in a way, a guarantee to Lebanon, because these companies, and by extension their home countries, will find that a stable Lebanon is the best guarantee for their investments.

Lebanon - Internal politics:

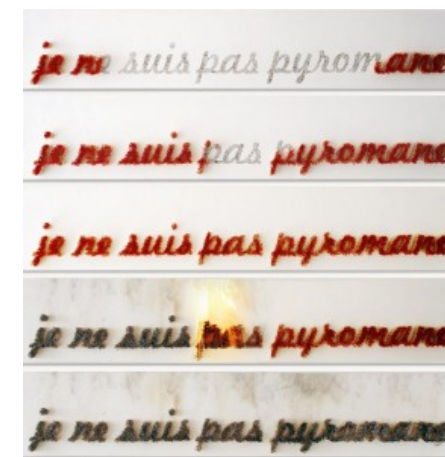
Well ahead of the exploration phase and the confirmation of the country's energy potential, offshore gas is becoming a regular feature in Lebanese internal politics. Hezbollah MP [Nawwaf Moussawi considers](#) [Link in Arabic] that there are now additional reasons to protect the Lebanese Resistance (generally represented by Hezbollah and its allies) and that is the role it plays in preventing “foreign

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SNAPSHOT FROM THE ART CORNER



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

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colonizers” from controlling the country’s oil and gas resources. He also added that it is important to enable the current government (in which Hezbollah is represented) to exploit these resources as a way to overcome the country’s financial, economic and social hardships.

Energy Minister Gebran Bassil is also pressing for the exploitation of offshore resources, multiplying his media appearances and refuting rumors that are starting to circulate (and are being repeated by some members of the opposition) regarding the quality of the petroleum deposits and the complexity of exploiting these resources given their depth.

The logic behind such statements is always the same: Those who are in power will seek to speed up the process of exploitation in order to reap the benefits, and those who are in the opposition will seek to slow down the process, hoping to reap the benefits once they are in power. [Political competition and business as usual](#).

Lebanon - Investments:

The Abener-Butec affair is threatening to have some implications at the diplomatic level, and on foreign investments in general. The Spanish ambassador to Lebanon Milagros Hernando has made it clear during her meetings with Lebanese officials that failure to award the contract to the Spanish-Lebanese consortium will have consequences not only on bilateral relations but on relations between Lebanon and EU countries as well, owing to lack of transparency and shady procedures. (See [paragraph below: Lebanon - France](#)).

Lebanon - France:

The Saudi-owned pan-Arab daily Al-Hayat has [reported on 19/12](#) [Link in Arabic] that the French Minister of Foreign Affairs, Laurent Fabius, and Minister of Ecology, Energy and Sustainable Development, Delphine Batho, have avoided meeting with Lebanese Energy Minister Gebran Bassil during his last visit to France on 22-25/11, to the dismay of Bassil and officials working in the petroleum industry, who considered that an apology to the Lebanese minister is due. The paper cites sources familiar with the French petroleum industry.

The information reported in the newspaper cannot be verified. If confirmed, we believe that a number of factors might explain the position of French cabinet members: Dissatisfaction with Bassil’s (and his party’s) political position regarding the Syrian crisis; Solidarity with a fellow EU country, Spain, following the Abener-Butec affair; and a reaction to the publication on the official website of Bassil’s political party, tayyar.org, of materials that are [hostile to France and Total](#) [Link in French].

Lebanon - Cyprus:

The President of Cyprus, Demetris Christofias, will visit Lebanon in January 2013. The visit comes after that of Parliament Speaker, Yiannakis Omirou, on 3-5/12, and the Director of the Energy Service, Solon Kassinis, on 3-4/12 and Defense Minister Demetris Eliades on 22/09 (who visited Beirut ahead of the Argonaut 2012 international military exercise that was held in Cyprus, [with the participation of the Lebanese Armed Forces](#) [Link in French]). President Christofias will seek to obtain an official Lebanese response to the Cypriot initiative to settle the maritime border dispute between Lebanon and Israel, the repercussions of which are being felt on investments in the petroleum sector in both countries.

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Cyprus, going through one of the worst recessions in its history, with rising unemployment, an economy that is expected to shrink in 2013, a mounting debt and repetitive downgrading by rating agencies, is counting on a rapid exploitation of its gas wealth to overcome its economic hardships. Its ambition of becoming a regional “energy hub”, where neighboring countries could process their natural gas and then transport it to consumer markets, largely depends on these countries being able to exploit their own resources and enjoying a minimum of stability.

Cyprus - Licensing process:

The Cypriot government announced on 19/12 that negotiations over licensing rights for Block 9 with the French-Russian consortium (made up of Total and Novatec and GPB Global Resources BV) were suspended, citing insufficient progress. The consortium’s bid for Block 9 was [selected on 31/10](#), although it ranked among the least competitive. Nicosia had indicated from the start that beside the technical and financial parameters, “national security” would be among its main concerns when choosing potential partners. It appears that financial concerns took precedence once again. According to a [government source cited by Cyprus Mail](#) “the consortium’s value of how much gas was in block 9 proved to be less than the government’s own estimates” which would mean a smaller share for the State in the production sharing agreement. Both sides agreed to end negotiations. The Cypriot government will now open new negotiations for Block 9 with the Italian-Korean consortium made up of ENI and KOGAS (similar negotiations are also underway with the consortium for Blocks 2 and 3). Talks with Total for Blocks 10 and 11 will proceed. The Russians, on the other hand, have yet to secure a stake in eastern-Mediterranean gas, after failing to get a stake in the Israeli Leviathan field.

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