

Funds for building power plants released

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BEIRUT: Energy Minister Arthur Nazarian revealed Tuesday that the Finance Ministry released outstanding payments to a Danish company building two electricity plants in Lebanon.

“The Finance Ministry has released the outstanding money owed to the Danish firm BWSC

after the payments were withheld due to the alleged change in the contract between the company and the Energy Ministry,” the minister told The Daily Star.

In September 2014, BWSC suspended all work on two electricity projects in Lebanon after the Finance Ministry withheld payments under the pretext that the contracts were amended, a representative of the firm said at that time.

A representative of BWSC told The Daily Star in September that the Finance Ministry failed to pay the firm any money for six months, and for this reason it decided to suspend work on the electricity project.

He added that every day of delay would cost the treasury \$270,000.

In February 2013, former Energy Minister Gebran Bassil signed a \$348 million contract with a Danish-German consortium to build new power plants in Jiyeh and Zouk Mikael.

Under the contract, Danish BWSC and German Man Diesel will build two

plants, with a maximum capacity of 272 MW, at the same locations housing Lebanon's two biggest power plants.

The Danish company threatened to take this case to an international arbitration court in Paris and sources told the paper that this was the main reason that prompted the Finance Ministry to release the funds.

"After receiving the payments, the company has started mobilizing its resources in Lebanon to resume the construction of the power plants. Almost 80 percent of the projects have been completed and I hope that the power plants will be fully operational in the first quarter of 2015," Nazarian said.

The minister stressed that the most important thing is that the Danes would complete the power plants, and refrained from making any comment about the Paris court or a lawsuit against Lebanon.

Once the two plants are completed, Lebanon's electricity output will rise above 1,800 MW, but this is still not sufficient to meet the country's needs, estimated to be more than 2,400 MW. Nazarian said work would also start on building two more power plants with a capacity of more than 200 MW.

The minister also said that the Cabinet had not yet discussed two decrees delineating the offshore blocks and laying out a model exploration and production-sharing agreement, and suggested that the offshore licensing round will probably be postponed again.

"The ministers have not yet raised the issue of the two decrees although they realize that time is not in Lebanon's favor. Once there is a consensus, the decrees will pass smoothly. But I don't expect any new developments soon," he added.

Nazarian has rescheduled the licensing round for a fifth time, but observers believe that Lebanese politicians will not pass the necessary decrees in the near future.

"I don't think the international oil companies will wait for us forever. They

have a certain budget for investments. If they can't invest the money in Lebanon then they will take the money somewhere else," he added.

Nazarian said it was very crucial to launch the licensing round as soon as possible. "We could at least auction off one of the 10 blocks off the coast. We need to know how much gas we can extract from one block so we can negotiate a better deal for the remaining blocks," he added.

Asked about the decision of British-based company Spectrum to suspend a 2-D seismic onshore survey in Lebanon, the minister said he was not surprised by this action.

He added that the company did not even hand over the data collected from the first phase of the survey.

Sources told The Daily Star that Spectrum halted all onshore surveys because the investors stopped buying the data. Another reason for the decision is attributed to the failure of the government to respect the repeated deadlines for offshore gas licensing.

Nazarian also commented on the five-month occupation of Electricite du Liban's headquarters by striking contract workers.

He said MP Walid Jumblatt was mediating an agreement between the management and contract workers in a bid to break the logjam.

"I am optimistic that we will reach an agreement with the contract workers very soon," he said.