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Bilateral oil-gas deal to benefit Lebanon, Cyprus

By Elias Sakr

BEIRUT: The demarcation of the Lebanese-Cypriot maritime borders will pave the way for future cooperation in oil and gas exploration and attract investments, the Cypriot ambassador to Lebanon said Thursday.

Homer Mavrommatis, who has been following up on the issue of oil and gas exploration since his appointment in Beirut two years ago, held onto hope for a potential breakthrough in negotiations aimed at amending the agreement signed between Lebanon and Cyprus in 2007.

“The delimitation of maritime borders is only the first step ... You need to have future agreements on co-sharing possibly joint reservoirs ... such agreements are technical and take a long time to negotiate,” Mavrommatis told The Daily Star during an interview at the Cypriot Embassy in Beirut.

Lebanese and Israeli claims of ownership to a disputed maritime area of 874 square kilometers have so far hampered the ratification of the Lebanese-Cypriot agreement, defining Exclusive Economic Zones between the three countries.

Lebanon argues an Israeli-Cypriot bilateral agreement signed in 2010 and ratified in 2011 conflicts with the United Nations Convention on the Law of the Sea and demands its amendment in accordance with international laws that govern the demarcation of maritime borders among states.

“The more stable the region is, the better it is for investments. The clearer the boundaries are the more it helps with the exploration process,” Mavrommatis said.

The latest progress in Lebanese-Cypriot negotiations dates back to the visit of Lebanon’s foreign minister to Cyprus in October last year though it was followed by recent reciprocal visits by Energy Minister Gebran Bassil and his Cypriot counterpart, according to Mavrommatis.

He added that the agreement has been delayed by the Lebanese side for several reasons. The amendment of the Lebanese-Cypriot agreement would necessitate amending Cyprus’ agreement with Israel.

“All agreements with neighboring countries include an article which allows for the amendment of end points when they concern other countries. In the case of Lebanon and Cyprus, we have a number of points and two end points: one with Syria and one with Israel. With the understanding of all countries concerned, agreements can be amended.

"These agreements are more or less the same so a change in one agreement might also involve a change with the neighboring countries' ... Obviously it will include both agreements, which at the end of the process would be corrected," he added.

While Lebanon considers Point 23 on the list of geographical coordinates to be tri-equidistant between the three countries as the southwestern limit of its EEZ, Israel considers Point 1, which falls around 17 kilometers north of Point 23, as the endpoint of its northern maritime border with Lebanon.

Despite the disagreement on maritime borders, experts say Lebanon could still tap the natural gas wealth in 22,000 square meters of its EEZ without risking a conflict with Israel, since the vast majority of deposits will have nothing to do with the relatively small disputed maritime area.

Roudi Baroudi, secretary-general of the World Energy Council, estimates that Lebanon can produce up to 90,000 barrels of oil per day over the next 20 years, with the market value of this output being around \$100 billion.

Lebanon is in the final stages of appointing the Petroleum Administration board, a body that will organize bids for the country's first offshore oil and natural-gas exploration licenses, Bassil told The Daily Star last month.

Cyprus, on the other hand, is close to short-listing companies bidding for contracts, Cypriot Commerce and Industry Minister Neoclis Sylikiotis, who is also responsible for energy matters said Tuesday.

"The most important message to send to international oil companies is that of peace and stability and that legal issues concerning the delimitation of the EEZ are clear. This would provide the most attractive scenario for investments by these companies," Mavrommatis said.

"Cyprus' financial problems and Lebanon's public debt makes it imperative that we conclude pending issues to benefit from the oil wealth at a time of great need," the ambassador added.

Optimistic, Mavrommatis played down the possibility of a new round of conflict over the gas and oil wealth in the eastern Mediterranean basin.

It could be quite the opposite, he said, highlighting the importance of economic cooperation as he recalled the European Coal and Steel Community's role in setting the foundation for what is today the European Union.

The ECSC, which created a common market for coal and steel, between France, West Germany, Italy, Belgium, the Netherlands and Luxembourg, was first proposed in 1950 by then-French Foreign Minister Robert Schuman as a way to avert any future war between France and Germany.