THE DAILY STAR
LEBANON

Experts call for LNG terminals in Lebanon

By Mohamad El Amin

BEIRUT: Lebanon needs to proceed with plans for liquefied natural gas import terminals despite high offshore natural gas prospects, said experts at the conclusion of the Lebanon International Oil and Gas Summit Tuesday.

“Everyone in the industry knows that it will take at least eight years to be able to produce natural gas commercially,” said Naji Abi-Aad, chief operating officer of Petroleb.

“A floating LNG facility, however, can become operational in about 20 months. We should start working on the needed infrastructure today,” the CEO added.

But Abi-Aad stressed that converting power plants from diesel to natural gas, one of the chief potentials of importing LNG, would require first developing Lebanon’s coastal gas pipeline, a project still in its planning phase.

“Converting power plants from fuel to natural gas would take time and so does signing supply agreements [with international LNG exporters] ... Lebanon should start building infrastructure right now,” he said.

Herman Neethling, upstream commercial manager at Shell, echoed Abi-Aad’s views, estimating that Lebanon can save up to $100 million a month if it converts to natural gas.

Export markets for Lebanon’s potential natural gas production, Abi-Aad added, should only be considered after covering the massive needs for energy in the Lebanese market.

“Natural gas is not only needed for power plants but also for domestic and industrial uses. Lebanon’s industrial sector still depends on expensive and polluting fuels, the cement industry for instance still uses petroleum cake, a very polluting and inefficient fuel,” he said.

But Abi-Aad warned that, even when the domestic market is covered, Lebanon should be prepared for a tough competition on export markets.

“Yes Europe needs natural gas and is diversifying sources. But who said Russia will be willing to concede its European market share to south-Mediterranean producers?” he said.

Abi-Aad added that exponentially growing renewable energy sources in European and competition from traditional LNG suppliers in the GCC could also lower appetite for Levantine-basin gas.

Husam Beides, lead energy specialist at the World Bank, expressed readiness by the bank’s

Multilateral Investment Guarantee Agency, to insure investments in LNG infrastructure against-non-commercial risks.

He also said the World Bank could work with local and international banks to help investors obtain access to funding sources with improved financial terms and conditions.

But several panelists at the conference warned that the tense geopolitical scene in the region could risk Lebanon’s plans to tap into its oil and gas wealth.

Paul Salem, director of the Carnegie Middle East Center, said that political risks were high despite the positive impact of the wealth on the region’s economies.

He said persistent conflicts between Turkey and Cyprus, Israel and Lebanon, the Syrian conflict, and rough transition periods elsewhere in the region, need to be taken into consideration.

The Syrian conflict, he said, had already hindered Lebanon’s plans to connect to the Arab Gas Pipeline, which currently links Jordan to Egypt, he said.

But natural gas, he added, would also create opportunities for desalination plants, which has the potential to avoid regional conflict over water resources.

The wealth can also be used to address unemployment and raise GDP, another vital requirement for stability, Salem added.

Among measures to limit risks, Salem added, is attracting investments from multiple international stakeholders including oil companies from Russia, Qatar, China and Turkey “and Iran where possible.”

05/12/2012