

## Onshore oil bill making the rounds



Elias Sakr | The Daily Star

BEIRUT: The Lebanese Petroleum Administration will be reviewing a draft bill on onshore petroleum resources before returning it to the government for further assessment, a source told The Daily Star Wednesday on the sidelines of a conference on Lebanon's oil and gas industry. The source said concerned ministries have reviewed the first version of a draft bill that the LPA earlier presented to the government.

Each of the concerned ministries has filed its comments to the Energy Ministry, which is set to refer them back to the LPA.

The LPA will then have to introduce amendments to the draft as suggested before returning it to the Cabinet for another round of assessment, the source added.

Once approved by the government, the draft bill will be referred to Parliament for ratification. When endorsed by Parliament, the law governing onshore petroleum resources will complement the Offshore Petroleum Resources Law that was ratified in 2010.

Keeping the immediate focus onshore while insulating the process from domestic political squabbles could help Lebanon become an energy producer earlier than most observers expect, Roudi Baroudi,

CEO of Energy and Environment Holding, an independent consulting firm based in Doha, Qatar, told The Daily Star.

“The offshore deposits will be huge, and Lebanon will one day reap tremendous rewards from them, but if we want to get an early start, onshore offers a host of clear-cut advantages,” Baroudi said.

Despite the approval of the OPRL, the government has yet to issue two decrees that would pave the way for the first licensing round for offshore gas exploration in Lebanon’s exclusive economic zone.

The first licensing round was postponed last August for the fifth time due to political disagreements over the designation of blocks that would be open for bidding and the terms of a draft Exploration and Production Agreement.

No breakthrough is expected anytime soon between feuding government factions with regard to the terms of a draft exploration and production agreement that LPA had earlier submitted to the Energy Ministry, the source said.

Sources have earlier told The Daily Star that an agreement was reached over the gradual licensing of the 10 blocks that form Lebanon’s EEZ because it would enable the government to secure better terms in future licensing rounds, experts say.

Industry sources have warned that some international companies which prequalified for the first licensing round were re-evaluating the situation in light of the repeated delays as a result of the government’s failure to issue the two decrees.

Out of the 52 companies that applied for prequalification, 46 were accepted and of those 12 can bid as operators and 34 as non-operators.

The OPRL stipulates that there must be at all times three right holders (including one operator) to sign an EPA with the Lebanese state.

However, the proposed draft law with regard to the exploration and production of onshore petroleum resources allows an agreement between the Lebanese state and one right holder due to the less complicated nature of the onshore process, said Gabi Daaboul, head of the legal department at the LPA.

Daaboul was speaking at a panel entitled “Lebanon Onshore Petroleum Resources: Work in Progress” which was the first session of the “Lebanon Petroleum Day,” a conference organized jointly by the Energy Ministry and the LPA.

According to Baroudi, onshore concessions could involve a three-year commitment for three to five wells, with each costing about \$5 million and taking between two and four months while with offshore, it would cost around \$125 million and anywhere from six to 12 months per well.

“The concessions don’t take as long to map and sell; drilling and other exploratory and extractive operations can start earlier and move faster, and the costs involved are far more modest,” Baroudi added.

With such different costs and timelines, Baroudi argued, the two zones should be handled separately so as to avoid unnecessary delays.

“The LPA is making good progress on several fronts,” he said, “but the priority now has to be a decoupling of onshore development from the offshore situation.”

According to Baroudi, the most urgent task now is to prepare new maps for at least three or four onshore concessions.

Earlier this month, U.S.-based firm NEOS began the first airborne oil and gas surveillance operation over parts of Lebanon.

“By the end of the year, the Data Room at the ministry will have the full 3-D subsurface model for exploration and production for these projects, including the crucial Transition Zone along the coast,” Baroudi explained.

“In addition, the 2-D seismic lines currently being executed will be integrated with the aerial project’s multi-measurement interpretation, so companies will be able to buy and examine the data they need before making onshore or offshore commitments,” he added.

Lebanon has already completed a 3-D seismic survey off the Lebanese coast to determine, at least tentatively, the quantities of offshore gas and oil.

However, Baroudi, who is a former consultant to the Energy Ministry and a 30-year industry professional who has advised EU countries on energy policies, warned that Lebanon also had to get its political house in order to make the most of its opportunity.

“However you slice it, this will be a major, major undertaking for a small country with relatively weak institutions,” he said.

“Having waited so long for good news, the Lebanese deserve an efficient startup, and the best way to do that is for the politicians to set aside their personal interests and work together in order to form a new national consensus.”

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