

Onshore oil survey suspended over delay of licensing round

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BEIRUT: All 2-D seismic onshore surveys for gas and oil in Lebanon have been halted until the government launches the licensing round for oil and gas exploration off the country's coast, insiders said Monday.

Before companies can bid for the rights to drill for offshore oil or gas, the government must set the number of blocks for auction and establish a revenue mechanism, two steps that have been delayed several times.

According to a source close to the Petroleum Administration, the British-based company Spectrum has decided to suspend its onshore 2-D seismic survey in Lebanon, due to the fact that politicians have been so slow to launch the offshore licensing process.

"They also could not find new investors to buy the data," the insider added. "Why should they [companies] keep on spending money from their pockets if there is no real determination to launch the offshore gas licensing?"

Spectrum started the first onshore oil and gas survey in October 2013 in Batroun and some regions in the Bekaa Valley to assess the geological structure in these regions.

However, informed sources say that after completing the first phase of the onshore survey, Spectrum has decided to suspend the operation until the government sends out a clear signal that it is sincere about launching the offshore gas licensing, which has been postponed five times.

In October 2014, the U.S.-based company NEOS Geo Solutions conducted the first airborne oil and gas surveillance operation over parts of Lebanon in another bid by the authorities to assess whether oil and gas deposits could be present in the country.

Amanda Jane, NEOS Geo Solutions' project manager for Lebanon, told The Daily Star before the operation that the airborne survey should take 60 days.

However, after covering a big part of Lebanon, NEOS Geo Solutions suspended its flights over the remaining regions due to poor weather conditions.

“Most companies [that were shortlisted in the bidding process] are not too optimistic about the prospects of launching a licensing round,” a senior executive of an international oil company said.

“They realize that reasons for the constant delay in launching the licensing round are purely political and have nothing to do with technical and financial reasons.

“I will be surprised if 14 of the 46 companies that were shortlisted three years ago will be interested in bidding for the offshore blocks if the government does decide on the licensing date.”

However, he added that the onshore results collected by Spectrum were very promising, noting that the geological structure in the Bekaa valley was identical to that of neighboring Syria, which suggests that Lebanon could have abundant quantities of gas and oil onshore.

Wissam Zahabi, head of the Economic and Financial Department at Lebanon’s Petroleum Administration, said in a lecture at the Defense Ministry in September of this year that some international companies were re-evaluating the situation in light of the repeated delays to the launch of the licensing round.

A source close to the government and to the Petroleum Administration, which was appointed by the government, said that the international oil companies would want a clear sign of commitment from Lebanese authorities before showing any interest in the bidding process in the future.

“The government is not telling the companies it will start the bidding process, nor is it telling them that the licensing round plan has been dropped. They need a signal from Lebanon and they are not getting this signal,” the source said.

He added that the companies had allocated certain budgets for oil and gas exploration and if Lebanon failed to grab this chance, then these firms would invest their money in other countries.

The executive of the oil company said international firms believed that Lebanon was sitting on a huge amount of gas and oil but they were not going to wait forever until the authorities decided to extract the hidden wealth.