

# Lebanon's Oil Future Is Promising

By: [Walid Khadduri](#) Translated from [Al-Hayat \(Pan Arab\)](#). [اقرأ للقال الأصلي باللغة العربية](#)

On Thursday [April 18], Lebanon released the names of the [energy companies](#) qualified to operate in 10 maritime exploration blocks. The remarkable part about this piece of news, announced by Energy and Water Resources Minister Gebran Bassil during a media conference at the Petroleum Administration's headquarters in central Beirut, was the sheer number, size and diverse nationalities of the companies that expressed interest in exploiting Lebanon's territorial waters as compared with the very small number of companies that did so in Israel and Cyprus, where exploration began years ago.

## About This Article

### Summary :

Preparations for exploration of Lebanon's offshore oil and gas fields continue to move forward as foreign companies eligible to undertake operations are named, writes Walid Khadduri.

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As is the norm, the whole matter was suppressed under the pretext of safeguarding the secrecy needed in matters relating to the strategic oil industry.

Among the pre-qualified companies are Anadarko, Chevron and ExxonMobil from the United States, Italy's Eni, Inpex from Japan, Danish Maersk, Brazilian Petrobras, Malaysian Petronas, Spanish Repsol, Dutch Shell, Norwegian Statoil and French Total. There were also 34 other Arab, Russian and British companies that qualified as non-operators whose task is to help the operators with financing and marketing-related issues.

The size of the [oil and gas fields in Lebanese waters](#) cannot be ascertained, of course, until the companies begin drilling. According to the official schedule, final agreements will not be signed until the first quarter of 2014. Because seismic surveys have already been conducted in most of Lebanon's territorial waters, exploration could begin in 2015. Consequently, final results relating to the size of discovered fields will not be known and commercial production will not begin before 2018 or 2019.

In spite of the chronic [lack of stability in Lebanon](#), the country's Petroleum Administration has managed to abide by the schedule prescribed in decrees and official resolutions. What is required now is for Lebanese politicians not to ruin this golden opportunity to improve the Lebanese economy, as did some of their Arab counterparts. For experience shows that Arab politicians have been adept at ruining their countries' economies despite the skill of Arab experts and specialists as well as the cooperation of foreign experts and consultants. This detrimental adeptness is engendered by corrupt politicians who acquire their countries' petroleum rights, receive a percentage of the operating companies' profit or appropriate service contracts, in addition to other measures imposed by some Arab rulers on the petroleum industry in order to enrich themselves.

One example of such malfeasance occurred in an Arab country with modest petroleum resources. Its ruler's greed for quick profits pushed him to demand that the foreign operating company speed up production, but the company refused and warned the ruler that doing so at the onset of the field's exploitation would damage its integrity and lead to the loss of important reserves. The ruler insisted, however, and the field's output did in fact increase temporarily, only to plummet soon after. As a result, it took years to restore the field's output to normal production levels.

We must be aware of all the illusions that are being propagated, among them the misconception that a country will surely become rich once it starts producing oil. In reality, eight Arab countries that started oil production decades ago, some of which are members of OPEC, still suffer from poverty, unemployment, and the migration of young people despite their huge or moderate oil reserves. The reasons for this are manifold and include chronic political instability, especially poor management and the [misuse of oil revenues](#) by allocating the majority of yearly budgetary spending to the payment of state employee salaries, instead of investing the money in infrastructure and other meaningful projects.

It should be made clear that the petroleum industry opens important new economic avenues, but it primarily relies on capital and technology and is therefore not labor intensive. Past experience in Arab oil-producing countries shows that in the end, and regardless of oil revenues, what's important is to use these revenues in a sensible manner. Bad experiences also warn about the use of oil revenues to impose a despot's policies, enshrine his rule or encourage adventure seekers greedy for power and quick riches. Untold wealth in a dictator's hands has led some countries to dire situations from which they still suffer today. The problem with an oil windfall in many Arab countries is that it provides the ruler with wide-ranging and unthinkable powers.

Bassil's press conference clarified a number of points. The 10 exploitation blocks encompass all of Lebanon's waters, from its north to the south, and the petroleum sector's governing authority will be a technical body that operates according to relevant Lebanese laws. As such, it is committed to exploiting the totality of Lebanon's territorial waters as they were officially demarcated and reported to the United Nations secretary-general. The main point of contention in this regard might be block number 8, which extends toward the disputed maritime region with Israel. But this block is large in size, and the companies will not have to explore it in its entirety. The southern portion of the block can thus be avoided, as can that whole area. Such an eventuality will not have any effect on the exploration and exploitation of the remaining Lebanese maritime blocks, which are vast in size.

It should be noted that a US State Department delegation headed by Frederick Hoff, special coordinator for the Middle East, has been conducting consultations with Lebanon and Israel for a while now in order to find a diplomatic solution to their dispute. It submitted preliminary proposals toward that end that still require the approval of both parties. The gist of these proposals is to award Lebanon 530 square kilometers of the disputed area's total 854 square kilometers and postpone ruling on the remainder of the disputed area. It does seem, though, that there is a collective consensus pertaining to this issue in Lebanon.

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