

Lebanon Onshore Oil and Gas 'Promising'

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DS BEIRUT: Lebanon's promise as a natural gas exporter and proximity to European energy markets will put unprecedented benefits within reach of its population, an industry veteran told a conference in Beirut on Monday, but only if its politicians stop squabbling and get their priorities in order.

"First of all the political class needs to elect a president," said Roudi Baroudi, CEO of Doha-based Energy & Environment Holding, an independent consultancy, during his presentation at the "Oil & Gas Lebanon: Governance and Integration" forum.

"Only then will international oil companies (IOCs) be reassured that the era of paralyzed government in Lebanon is over, and only then can those same politicians achieve and abide by a national consensus that outlines how Lebanon will effectively and responsibly exploit its hydrocarbon reserves."

Lebanon has been without a head of state since May 25, 2014, when General Michel Sleiman's term expired, and political infighting has prevented the formation of a quorum in Parliament to elect a successor. In addition, the vacancy has led to delays for many government decisions and processes, including legislative functions and high-ranking military and civil service appointments.

Only by acting in unison could the political establishment regain the confidence of major industry partners, Baroudi told his audience, and only by working together for accountability and transparency could the resource be developed "according to the rule of law, for the benefit of all of Lebanon's people, and to promote national reconciliation."

The forum, part of the "Lebanon's National Wealth" series organized by Front Page Communication and hosted at Beirut's Ecole Supérieure des Affaires (Higher School of Business, or ESA), brought together senior figures from both the private and public sectors, including key energy players, from across the region.

"The picture is getting clearer and clearer," Baroudi said on the sidelines of the event. "Lebanon is almost surrounded by countries with significant oil and gas reserves, and now there are both offshore and onshore studies indicating that we have a healthy share too. There's plenty of competition, but that just means we have to identify the right customers. In the near term, that means Egypt, Turkey and of course, the prize would be Europe, the world's biggest energy market and which we can reach almost instantly via Cyprus."

But Baroudi, who has three decades of experience in the energy business, cautioned that Lebanon risked costly delays if it did not muster the political will to lay the groundwork for the country's oil and gas sector.

"Even when the politics are settled, there are several measures we'll have to take, on our own and in conjunction with our partners, to make sure we get off to a good start and stay on the right track," he explained. "First and foremost, we need to finalize the Hydrocarbon Law and pass the related Cabinet Decrees to ensure transparency and accountability, finalize our fiscal terms model for exploration and production, promulgate new laws governing onshore and offshore activities, and define onshore blocks to be made available for auction."

At the same time, he added, policymakers would have to craft policies and build institutions designed to provide intelligent regulation while deriving and distributing maximum benefit from the country's energy resources.

"For instance, the Lebanese Petroleum Administration needs more executive power behind it to play its proper role," Baroudi argued, "and we must make sure that the National Oil Company of Lebanon is established on a strong foundation of competence. We also need a world-class Energy Policy Master Plan that would not only guide the hydrocarbon sector, but also inform development of a sovereign wealth fund based on global best practice."

The same plan, he said, should also include a strategic rescue of the electricity sector, in which money-losing utility Electricité du Liban costs the Treasury about \$1 billion a year.

"Each step we take in the right direction will only make the next one easier, either directly or indirectly," Baroudi predicted. "Look at it this way. One of the things we should do is arrange for the drilling of a few exploratory wells, both onshore and off-, to prove the potential indicated by geological studies. There's always risk involved, but regional experience gives us reason to put the odds of success at between 65% and 85%, and the rewards in terms of increased IOC interest and higher auction revenues could be huge."

"Another priority should be the resolution and prevention of disputes over maritime boundaries by using all the diplomatic mechanisms at our disposal, including direct negotiations with Cyprus and the good offices of the United Nations to achieve some kind of de facto understanding with Israel," he added. "Coupled with an improved domestic political climate and some encouraging drilling results, this would make everything easier by demonstrating to all parties that Lebanon has to be taken seriously."