

# LEBANON: THE OIL & GAS REPORT, JUNE 16, 2014

## **Lebanon: Higher country risk does not eclipse energy potential**

While the local political class is still debating whether the government has the competence, or not, to take major decisions at a time the Presidency is vacant, the authorities are managing this uncertain period with one top priority in mind: maintaining security and avoiding spillovers resulting from conflicts in next door Syria and Iraq. The “mini” political crisis affects other issues, including the approval of the two missing oil and gas decrees needed to pursue the first licensing round.

The ministerial committee tasked with studying the decrees is not meeting on a regular basis. A ministerial source told MESP that getting the whole committee to meet is proving to be a challenge and that most of the committee’s remarks so far have focused on form rather than content. As we have noted when the committee was first formed, the members do not have the necessary qualifications or expertise to challenge the provisions of the draft decrees and the debate is much more political in nature than technical, and is meant to stall the process until “arrangements” are made.

However, this should not hide the fact that the exploitation of potential resources is a long-term process, which is bound to face obstacles. Looking at it from this angle helps putting the current obstacles into perspective. Country risk may be high at this point in time, due to the prevailing political deadlock and deteriorating security environment, but strategic perspectives are not perceived on a short-term basis. MESP has noted that, among shortlisted companies, those whose decision to establish a presence in Lebanon was based on a strategic choice, have not reconsidered their decision. The current difficulties do not, then, question the project as a whole and should not overshadow the considerable potential that the country has to offer.

These negative elements spur doubts that are further maintained by a lack of a serious and professional communications strategy, which in its turn opens the way for critics to attack the emerging sector.

A communications strategy is required, adapted to the current circumstances. MESP believes that it should draw its inspiration from a communications strategy that has proved its efficiency in

another strategic sector, the country's robust banking sector. This strategy must be official and coordinated from within the government. It should be designed in a way to highlight the sector's strengths and put into perspective its weaknesses. In addition, it would have the added value of providing information/material for politicians and media, too often guilty of propagating false, and sometimes embarrassing information [see *Former minister's gas remarks highlight the need for a more professional approach*, in our March 24, 2014].

### **John Kerry's visit to Beirut gives a push to U.S. mediation efforts**

U.S. Secretary of State John Kerry visited Lebanon on June 4, 2014 and met with Lebanese officials, including PM Tammam Salam and Speaker Nabih Berri. Discussions focused on the need to fill the presidential void and to contain spillover violence from Syria's civil war. Speaker Berri also called on the U.S. to continue its efforts to settle the maritime border dispute with Israel hinting at potential rewards (i.e involvement in the exploitation of offshore resources) if the U.S. proves to be an honest and fair broker.

In a previous report, we noted that differences between Speaker Berri and U.S. Deputy Assistant Secretary for Energy Diplomacy Amos Hochstein persist and were visible during Hochstein's latest visit to Beirut on March 31. We concluded by saying that "failing to win over Berri's backing for his latest proposal to settle the maritime border dispute between Lebanon and Israel is a major flaw [...] Hochstein's priority should be to reopen channels with Berri." Kerry may have done just that.

### **Lebanon International Petroleum Exhibition and Conference (LIPEC) to be held in October 2014**

The first Lebanon International Petroleum Exhibition and Conference will be organized in Beirut on 21-22 October 2014, under the patronage of the Ministry of Energy and Water and the Petroleum Administration. The event, which is organized by Pinnacle Events in collaboration with the Society of Petroleum Engineers and the European Association of Geoscientists & Engineers, received the *Lebanon official event* label. The event will be an additional test to assess foreign investors' interest in the emerging Lebanese oil and gas sector.