

LEBANON'S OIL AND GAS UPDATE IS NO UPDATE AT ALL

By: Karen Ayat

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Lebanon is undergoing the worst security crisis since the start of the civil war three years ago in Syria. On August 2, militants of the self-proclaimed Islamic State attacked Arsal, a town in Northern Lebanon, which led to a confrontation with the Army. The political vacuum persists, with the failure of the Parliament to hold a session to elect the country's new President.

Lebanon's Minister of Energy and Water Arthur Nazarian announced that the launching of the first licensing round will be delayed once again until the government is able to meet and ratify two pending decrees setting the terms of exploration and production agreements and delimitating the blocks open for bidding. A debate around whether the 10 blocks should be offered at once or progressively had also divided the politicians.

Despite the various delays in opening Lebanon's first hydrocarbon round, the Minister of Energy and Water expressed his confidence that international oil and gas companies remain interested in tapping into Lebanon's waters believed to contain substantial amounts of oil and gas. Energy experts warn however that the repeated postponing risks deterring oil and gas majors who would seek opportunities elsewhere.

Another concern is Lebanon's ability to lead the process once it is in a position to open the bidding phase. The country historically suffered from corruption, a weak rule of law and low transparency. NGOs and the civil society need to play an active role in questioning the government, following the process closely and ensuring revenues are allocated efficiently.

Lebanon has a gross public debt of US\$ 65.14 billion¹ that it hopes alleviate with oil and gas revenues. The country also suffers from severe and daily power outages that only a robust national energy plan would solve.

Israel was the first of the Eastern Mediterranean countries to encounter natural gas in its Exclusive Economic Zone. Israel is currently in the stage of drawing an export strategy. With the renewed deterioration of Israel's relation with Turkey after its attack on Gaza, the likelihood of Israel sticking to exports to immediate neighbours and using Egypt's unused export facilities to reach LNG markets is increasing.

Cyprus too has encountered gas in its Aphrodite field of Block 12 of its EEZ. [ENI and KOGAS](#) are now commencing their exploration activities, holding licenses for Blocks 2, 3 and 9. TOTAL plans to start exploring Cypriot waters in Blocks 10 and 11 in 2015. The results of their work will highly determine the commercial viability of the island's planned LNG terminal. Despite the modest quantities of natural gas discovered to date, the Cypriot Government has announced it is sticking to its plan of building an onshore LNG facility as it is the optimal way to ship Cypriot gas to export markets, including Europe and Asia.

Will Lebanon make it in time to take advantage of the current attractive prices in the LNG market? The entry of new players threaten to push prices down and it all comes down to when Lebanon will issue the pending pieces of legislation, decide and stick on a date for the opening of the licensing round, and the timing of the first potential discoveries.

¹ [http://www.finance.gov.lb/en-](http://www.finance.gov.lb/en-US/finance/PublicDebt/Documents/Quarterly%20Debt%20Report/2014/Debt%20and%20Debt%20Markets%20QI%202014.pdf)

[US/finance/PublicDebt/Documents/Quarterly%20Debt%20Report/2014/Debt%20and%20Debt%20Markets%20QI%202014.pdf](http://www.finance.gov.lb/en-US/finance/PublicDebt/Documents/Quarterly%20Debt%20Report/2014/Debt%20and%20Debt%20Markets%20QI%202014.pdf)