

THE DAILY STAR

LEBANON

Over 40 firms to bid on gas exploration tender

By Osama Habib

BEIRUT: Over 40 international oil companies are expected to take part in the first gas tender in Lebanon in February 2013 amid indications that the country's untapped reserves could be larger than early indications.

"I think February is a very reasonable timing and oil companies are quite happy that Lebanon has finally decided to proceed with gas extraction projects," David Rowlands, the CEO of British-based company Spectrum, told The Daily Star over the telephone.

Rowlands was confident that more international companies would bid for the gas exploration in Lebanon.

Spectrum, which was conducted a 3-D seismic survey off the southern shore of Lebanon, has estimated the initial size of the natural gas in the 3,000 kilometer square zone at more than 25 trillion cubic feet and this area alone is larger than those discovered in both Syria and Cyprus combined.

Rowlands also believes that there is more natural gas in territorial waters to the north of the country.

Some experts estimated the value of the gas reserves off Lebanon's coast at between \$300 billion and \$700 billion.

Rowlands said if everything goes according to plan, Lebanon can begin gas extraction in 2014 and in 2017 the country could start pumping this gas.

Experts say that the geological structure and the hydrocarbon discovered off the Lebanese coast are very promising, adding that oil companies won't have major technical problems in their work.

A team from Spectrum also visited Lebanon a few weeks ago to determine the potential of oil and gas onshore.

"This team has scouted some areas and we intend to carry out 2-D seismic surveys onshore next year to see if there is substantial oil and gas in these regions," Rowlands explained.

Roudi Baroudi, CEO of the World Energy Council, hailed Cabinet's decision to launch the gas tender in February but stressed the importance of transparency in the book of specifications and their international criteria.

“My one hope for Lebanon in 2013 is that all of its various political leaders and factions take and/or allow the necessary steps for sound and sustainable development of the country’s newly promising energy sector,” Baroudi said.

He added that for too long the sector has been treated by officials, their relatives and their cronies as a cash-cow for themselves rather than as an essential ingredient in building and operating a modern nation-state.

Baroudi said the actual tenders will start in 2013 after the first and second round of prequalification.

He called on the authorities and concerned parties to carry out a massive media campaign to keep the world abreast of the latest stages in extracting oil and gas in Lebanon.

“We need to do some marketing and especially with the online portals of the World Bank and the European Union,” Baroudi said.

He added that any oil company striving to establish a foothold in Lebanon will probably invest between \$300 million to \$1 billion in order to extract gas and oil off the coast.

All experts and officials insist that the Lebanese company will not put a penny in the construction of oil platforms because the oil companies will do all the necessary investments.

In principle, each gas well will be handled by a consortium of companies to ensure there is no monopoly. All the costs of exploration and extraction will rest on the shoulders of the companies.

Once the quantities of gas have been established, the Petroleum Administration and the companies will negotiate the distribution of this wealth.

The country usually gets the lion’s share of the oil and gas wealth and the remainder is divided by the international oil firms.

“The project is enormous and huge and will utilize all the economic and services resources of the country for the next 40 to 50 years. This project will induce the commercial banks to take part in these investments,” Baroudi said.

There is a general consensus among economists and financial experts that the economic outlook of Lebanon will change dramatically and this would induce the international rating agencies to revise the credit rating of the country from stable to positive.

But there is growing concern that the deep political division in the country and the regional turmoil could derail the work of the Petroleum Administration and oil companies in the medium and long run.