

LEBANON: ISRAEL COULD BE 'STEALING' ITS GAS

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Two crucial decrees - one demarcating the 10 maritime exploration blocks and the second establishing a revenue-sharing model - must be passed before Lebanon can award any oil and gas contract for offshore exploration in its EEZ. The decrees fall under the power of the Lebanese cabinet. Under normal circumstances, the current caretaker government is not empowered to issue such pieces of legislation unless its prerogatives are extended by a joint decision of the Lebanese president and the speaker of the Parliament.

On Friday 5 July, Lebanese caretaker minister of water and energy Gebran Bassil urged the caretaker government to seek such a permission and speed the process of issuing the two decrees to ensure that Lebanon kicks off its exploration phase and commits to its ambitious schedule.

Caretaker minister Gebran Bassil warned that Lebanon should not delay its activities further as Israel could be 'stealing' its gas. He was referring to the Israeli 'Karish' reserve that he said was only 4 kilometers away from the disputed maritime zone between Lebanon and Israel. The proximity of the new Israeli reserve would mean that Israel could easily access Lebanon's gas in blocks 8 and 9 south of Lebanon's EEZ, according to Bassil.

President Michel Sleiman and caretaker Prime Minister Najib Mikati responded swiftly to caretaker minister Bassil's concerns. In the absence of a new cabinet with full powers, they are expected to hold an urgent cabinet session to approve the two pending decrees that will ensure the process runs according to plan.

Lebanon has attracted substantial interest from oil and gas companies around the world. British geological surveyor Spectrum has estimated that up to 25 trillion cubic feet of gas lies under Lebanon's waters, along with 440 million to 660 million barrels of oil. If the estimations are proven correct, and revenues are allocated appropriately, Lebanon's hydrocarbon potential could mean salvation to its debt-crippled economy. It could also mean an end to the daily power outages of up to 20 hours a day.

The pre-Qualification Decree 9882/2013 issued on 21 February 2013 officially opened the Pre-Qualification Round for oil and gas companies wishing to participate in

Lebanon's first offshore licensing round. The decree set high standards for companies wishing to participate including Technical, Legal, Financial and Quality, Health, Safety and Environment requirements (QHSE). The pre-qualification process closed on 28 March 2013. In April 2013, caretaker minister of Energy and Water Gebran Bassil announced the results. 52 companies from 25 countries expressed their interest to participate in Lebanon's first licensing round and 46 companies were successful (12 as right-holders operators and 34 as right-holders non operators).

If the two decrees are issued as expected, the bidding round will close in November 2013 and the successful candidates will be announced in December 2013. By March 2014, EPAs will be signed with the bidders. The exploration phase is set to last five years while production will last 25 years - both can be extended upon a cabinet decision.