

# THE DAILY STAR

LEBANON

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## Lebanon's gas wealth likely exceeds Israel's - interview

By Mohamad El Amin

BEIRUT: Analysis of recently completed seismic data by top multinational companies showed that Lebanon's gas wealth could exceed that of Israel, CEO of Lebanon's upstream oil and gas company Petroleb told The Daily Star in an interview.

"Analysis of 3-D seismic data by our partners [top international oil firms] suggests that offshore gas reserves in Lebanon could be by far more significant than discoveries in occupied Palestine," Salah Khayat said.

Despite suggesting that it was premature to give accurate estimates for the value of the potential reserves, Khayat said it is likely to exceed expectations.

"The 3-D data provided by Spectrum and Petroleum Geo-Services suggest that we have gas and oil resources valued in tens of billions of dollars when extracted over the next four decades," he said.

Petroleb, which was established in mid-2011, has finalized agreements for a consortium with a major international oil and gas companies. However, Khayat refused to disclose the identity of the companies, which remains confidential under the terms and conditions of the consortium.

The agreements, he said, have paved the way for Petroleb to jointly bid for the first round of licenses for offshore hydrocarbons exploration expected to take place in early 2013, Khayat said.

The companies are expected to jointly invest hundreds of millions of dollars in the related exploration and development projects, Khayat said, highlighting that Petroleb will be recruiting the best Lebanese talents in the sector.

Khayat said the partners of Petroleb's consortium include those with top know-how in offshore deep-sea drilling and exploration, key to tap into Lebanon's natural gas wealth located in deep sea reservoirs.

"Potential gas reserves are located well below our sea bed, which starts from around 1,000 meters [below sea level] to reach 2,500 meters," he said.

"You need very strong operators to tap into that wealth," he said.

"Most probably the first round of licensing would not award all the sea blocks but will leave

several blocks for a second or third round, when conditions of contracting would be more favorable to Lebanon," he added.

Asked why the Lebanese natural gas and petroleum regulations requires a consortium of at least three companies to apply for a license based on the Norwegian model, Khayat said the measure is vital to shorten time needed to materialize revenues and increase transparency.

Following Norway's example, channeling oil and gas revenues for a sovereign fund would also be highly beneficial to Lebanon's economy, Khayat added.

Khayat said initial investments are in hundreds of millions of U.S. dollars by the consortium per year over the next years. "But once discoveries are found, investments would quickly multiply into billions of dollars," he added.

Some international companies, he added, are considering moving their Middle East headquarters to Beirut, once awarded.

Khayat also said a conflict with Israel over the Exclusive Economic Zone could be nearing resolution at the United Nations.

"The government is working hard for a deal to be reached very soon to secure Lebanon's rights completely," he said, adding the contested 830-square-kilometer area has significant reserves.

Expected returns on investments, he added, are very encouraging and attractive for investors: "Lebanon is positioning itself as a much more competitive producer than Israel and Cyprus, where the government share of revenues is much higher."

Significant investments in infrastructure projects, including pipelines and liquefied natural gas plants, are desperately needed for Lebanon to tap export markets, he said.

"Lebanon has been known as a touristic country. But in the future we will a unique country that is both a tourist destination and a major gas producer. This is really important for the coming generations," he added.

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