

# THE DAILY STAR

LEBANON

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## The offshore gas craze: Is Lebanon missing the tide?

By Roudi Baroudi

However Lebanon's politicians resolve the logjam over long-overdue appointments to the government bureaucracy, the entire frustrating process will have been more than worth it if it teaches a single lesson: Don't let similar bouts of bickering in the future strangle this country's budding energy sector. There is increasing evidence that the seafloor off Lebanon's coast holds almost unimaginable riches in the form of vast oil and gas deposits. If properly managed, this resource could easily meet the energy needs of all Lebanese, from the smallest household to the largest manufacturer – and still leave plenty left over for lucrative exports.

As one might have predicted beforehand, Lebanon's political class has not helped the process. Many of the country's most influential politicians are too distracted by artificial crises (often of their own making) to pay much attention to the opportunity at hand. Others have such a bloated sense of entitlement that all they see is a chance to further enrich themselves and their cronies. One of the few exceptions to this miserable performance has been Speaker Nabih Berri; rather than allowing this national treasure to be delayed and/or diluted by politics as usual, he has turned in yeoman efforts to bring out a sensible hydrocarbon law that safeguards the proceeds for generations to come.

Nonetheless, the result of all the politicking is that as some of our neighbors have been forging ahead with exploration and ambitious plans for large-scale extraction, Lebanon has fallen behind. We are not out of the running, not by a long shot, but we have some catching up to do. There is no time to waste if we are to create and staff the infrastructures required to manage the oil and gas sector, and to give them the institutional self-sufficiency they will need to operate independently of the perennially dysfunctional and congenitally greedy political class. And make no mistake: This is not as easy as it sounds. The national energy strategy will have to take account of both geopolitical problems and commercial perspectives, not to mention environmental concerns, and Lebanon is still several milestones away from full readiness.

There is no question that global competition is heating up among some of the most important energy consumers – including China, Europe and India – with all of them looking for new strategic suppliers. While the Eastern Mediterranean region hosts one of the most promising discoveries of the past decade, however, regional tensions among Turkey, Cyprus, Lebanon, Israel, Syria, Palestine and Egypt have become problematic. Lebanon still has an opportunity to derive huge benefits, both direct and indirect, but it behooves all of its politicians to get serious about implementing the necessary policy, legislation, and infrastructure. Only then can the country take full advantage of the fact that Europe is right on our doorstep and transform the domestic energy sector from a bottomless well of red ink into a steady flow of badly needed

income.

It is true that the attractiveness of the undersea discoveries is somewhat reduced by the potential for disputes over them to result in yet more hostilities with Israel. This is just another reason, though, to exercise responsible leadership. It will almost certainly be necessary to resort to some form of arbitration to determine exactly where our respective maritime boundaries are, a process best carried out under the United Nations Convention on the Law of the Sea. But the area of overlap between plausible Lebanese and Israeli claims is just 850 square kilometers or so, meaning that the vast majority of any deposits we find will have nothing to do with international disagreements.

There is also plenty of work left to be done in terms of environmental impact assessment, final preparation of a national gas pipeline to supply Lebanon's power-generating stations, the naming of qualified individuals to run the national oil and gas administration, and the holding of bidding rounds for exploration, to be followed by the issuing of production tenders.

The exploration of Lebanon's hydrocarbon potential must proceed according to a clean, well-organized and transparent process that attracts major international players in oil and gas. This will accelerate the point at which these resources are available for power generation, industries, transport and other energy needs. It will also enhance Lebanon's readiness to enter an intra-regional gas infrastructure that links to Europe, possibly in cooperation with Cyprus, and therefore help bring vital revenues online at an earlier date.

Competent and trusted administrators need to be named soon so that they can initiate and oversee key steps such as securing modern production-sharing agreements, implementing a favorable fiscal system, formulating a monetization policy, and defining fair and flexible terms that safeguard against all foreseeable eventualities.

At all costs, the staffing and leadership of this administration must be empowered to take decisions on a constructive and transparent basis, far away from political interference and/or bureaucratic infighting, and to disseminate full and accurate information in order to increase greater awareness of the sector's potential and limitations.

Properly handled, the hydrocarbons off Lebanon's coast are nothing short of a permanent game-changer. If they are to fulfill all of this magnificent potential, however, more of the country's politicians have to follow Berri's lead by agreeing to leave politics at the water's edge, resolving their disputes away from the hydrocarbon issue, and allowing the national economy to regain its competitiveness.

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08/06/2012