

# THE FORMATION OF A NEW CABINET WILL ENSURE LEBANON REMAINS ON SCHEDULE

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Lebanon is making some progress. 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. Companies were offered to submit applications to pre-qualify either as an Operator <sup>[1]</sup> or Non Operator <sup>[2]</sup>. 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.

Out of [52 companies, from 25 different countries](#), 46 were successful. Out of 16 companies, 12 pre-qualified as Right-Holders Operators: Anadarko (USA), Petrobras (Brazil), Chevron (USA), ExxonMobil (USA), ENI (Italy), Maersk (Denmark), Repsol (Spain), Shell (Netherlands), Statoil (Norway), Total (France), Inpex (Japan), Petronas (Malaysia). The remaining 4 did not pre-qualify for not meeting one or more of the eligibility criteria <sup>[3]</sup>.

38 companies applied for a Right-Holder Non-Operator status, of which 34 were successful. The successful candidates are from various countries: USA, Canada, Kuwait, Lebanon, Australia, Croatia, France, Hungary, Italy, Ireland, United Kingdom, Japan, India, Korea, Kuwait, Russia, Thailand, Turkey, UAE. The 4 unsuccessful companies did not meet the requirements <sup>[4]</sup>.

In June 2013, the companies nominated the blocks they wish to bid for and all 10 blocks were of interest. Caretaker minister of Energy and Water Gebran Bassil assured that the blocks available for the actual bidding will be announced by the Petroleum Administration (PA) on June 30 of this year. It remains unsure how many blocks will be awarded and the response will depend on how lucrative the bids are, he added. The publication of a definitive model EPA (Exploration and Production Agreement) and Tender protocol is due in summer 2013. 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.

On 18-19 June 2013, the PA (Petroleum Administration) held a consultation workshop with the pre-qualified companies to discuss the draft Exploration and Production Model Agreement and other matters related to the First Licensing Round.

Two crucial pending decrees will decide on block delineation, the model EPA and govern the tender process. They must be passed by the cabinet before any contract is awarded. Such a decision does not fall within the powers of the current caretaker government (unless the President Michel Sleiman and the Parliamentary speaker Nabih Berri authorize to extend the prerogatives of the caretaker government to include passing those pieces of legislation). The formation of a new cabinet is an essential step in ensuring that Lebanon remains on schedule and achieves its ambitious plans that have thus far exceeded expectations.

[1] The role of Right-Holders Operators includes managing the day-to-day field operations on behalf of other right-holders: designing and executing the exploration programme, designing the well, completion and production. They are also responsible of the engineering, the infrastructure and the facilities construction and maintenance, the services and logistics and representing the consortium.

[2] The role of Right-Holders Non-Operators includes participating in the Managing Committee of the Consortium along with the operator and other right-holders providing: co-financing the project, commercial and marketing activities and technical and regulatory input.

[3] The eligibility criteria for Right-Holder Operator status are the following: a company must fulfil the legal requirement (be a joint stock company conducting Petroleum Activities). It must meet the financial requirement: ie have total assets exceeding USD 10 billion. The company needs to prove it has the technical capability by proving at least one experience in petroleum development in water depths in excess of 500 meters. It must also have established QHSEMS (Quality, Health, Safety and Environment Management System).

[4] Same criteria apply to qualify for a Right-Holder Non-Operator status except for the financial and technical requirements: the company must have total assets above USD 500 million and must have an established petroleum production.