LEBANON'S FIRST OFFSHORE LICENSING ROUND TO CLOSE IN FOUR MONTHS

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Lebanon will close its first offshore licensing round for offshore gas exploration blocks in four months, according to the new Energy and Water Minister Arthur Nazarian. Lebanon has delayed its licensing round several times due to the inability of the caretaker government to issue two essential decrees, one delineating the offshore blocks and the second approving the model exploration and sharing agreement. Lebanon was operating without a government since the resignation of former Prime Minister Najib Mikati in March 2013 until a new government was formed in February 2014 breaking a 10 months deadlock.

In an interview with Reuters, new minister Arthur Nazarian reassured that the new cabinet should pass the pending pieces of legislation by the end of April. Nazarian sees no obstacle in issuing the two decrees and believes that the process will be smooth. He also added that the government will decide whether to open all the ten blocks at once or progressively.

Lebanon’s pre-qualification round in Spring 2013 received a significant amount of interest, including from oil and gas giants such as Shell, Chevron, Total, Statoil and Exxon Mobil. Since then, Lebanon has suffered from a political deadlock that prevented it from moving forward. The country had to operate under a caretaker government that did not have the authority to issue the needed decrees. The war inSyria next-door also affected the country’s stability, further jeopardizing its path towards energy production.

Azarian does not believe that the pending maritime border conflict with Israel will affect international investors’ participation in the country’s offshore hydrocarbon exploration, the dispute only affecting 2 of Lebanon’s 10 offshore blocks. Lebanon and Israel both claim a maritime area of 850 square kilometers as their own. Efforts to mediate the dispute by Cyprus, the UN and the US all failed in the past. Currently, the US are involved in finding a solution to the conflict.

If proven, Lebanon’s offshore natural gas could mean a lot for the USD 64 billion debt-crippled country (with a debt to GDP ratio is estimated at 163 per cent). Lebanon also suffers from frequent power outages that date back since the 1975-1990 civil war. Producing its own energy would allow Lebanon to end its electricity problems and eventually become an exporter of natural gas. Lebanon will need to lay out a gas export strategy.

Neighbouring Cyprus and Israel have encountered amounts of natural gas in their respective EEZ and are currently weighing export options. The Eastern Mediterranean suffers from complicated geopolitics that are rending the endeavour complicated to say the least. LNG and pipeline scenarios are both being studied. By choosing the LNG option, Eastern Med players would gain in flexibility but have to endure the high costs involved. Cyprus is currently awaiting additional encounters before it embarks in its multi-billion LNG project in its Vasiliko coastal site. Pipeline projects involve less investments but face the problem of the complicated regional politics.