

Sailing away from responsibility

Civil society isn't prepared to oversee the oil and gas sector

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Watchdogs at work

If the launching of Lebanon's first offshore licensing round back in early 2013 was the dawn of the industry in the country, then only now is civil society groggily awaking to its oversight role in the emerging oil and gas sector.

This industry is operated by some of the largest, richest and most influential multinationals in the world — companies with the knowledge, means and depth of experience to get what they want when entering new markets. The sector's intricate complexities and steep learning curve further add to the challenges facing Lebanon's civil society, which continues to fall behind as the government struggles to articulate how and when it will engage with local nongovernmental organizations.

Even as the close of the licensing round has slipped from November 2013 to this month, NGOs have largely failed to use the extra time to prepare for their role as informal overseers of this opaque and complicated industry. However, another likely postponement may provide a fresh chance to catch up.

Head starts and non-starts

There are some initiatives in progress by civil society groups such as the relationship between the Lebanese Center for Policy Studies (LCPS) and the government's Lebanese Petroleum Administration (LPA). But there are many roles that civil society must identify and fill, complex issues that must be engaged.

"It's a high investment cost," says Sami Atallah, executive director of the LCPS. Early on, Atallah identified the need to firmly understand complex industry issues like geology and seismic data, concessions, and economic and fiscal components, to build LCPS expertise prior to approaching policymakers.

From an outsider's perspective, it's still too early to tell whether the LCPS has been successful in impacting petroleum policy. Of the three roundtables it has hosted in partnership with the LPA, none have been open to the media. While LCPS has published its recommendations following each roundtable discussion, the LPA has not responded publicly as to how it might address each recommendation. The LPA did not respond to an interview request for this article.

Atallah says LCPS matched the organization's strength, that of policy research, with an opening to impact policy — a formula that may not be easy for other organizations to emulate.

Transparency in contracting and, should it come to pass, revenue management are two of the most important issues cited by activists discussing the sector. "We are aware this field will be politicized and corrupt and we need to establish a monitoring process, at all stages and in all areas, from A to Z," says Ronald Barakat, executive director of the Lebanese Transparency Association, the local chapter of Transparency International. Despite that realization, Barakat says, "Oil and gas is not within LTA priorities."

Even though Barakat says that civil society has an important role to play before contracts between the government and international oil companies are signed, the LTA is waiting for deals to be inked before writing an oil and gas project proposal and looking for funding.

A growing interest by NGOs

Publish What You Pay (PWYP), a global network of civil society organizations advocating transparency in the extractive industries, has been attempting to involve Lebanese civil society groups and raise awareness with the constituency since late 2012, inviting local civil society organizations to participate in regional workshops with other NGOs from the MENA region.

Two years ago, explains MENA coordinator for PWYP Diana Kaissy, it was a struggle to get one or two Lebanese organizations to attend oil and gas workshops. In June,

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13 organizations were represented at a workshop organized by the LCPS and Natural Resource Governance Institute (NRGI, formed through the merging of the Revenue Watch Institute and Natural Resource Charter), another international NGO, intended to establish a knowledge hub and train NGOs in this sector.

“This is a great step forward,” Kaissy elaborates, “We would like civil society to understand what it takes to be involved in this process and what it means for them to be watchdogs.” An important next step for Lebanese NGOs is to solidify “collective efforts of interested Lebanese civil society organizations, in order to form a network that will enable [NGOs] to act as game changers,” Kaissy says.

Promoting transparency

If significant gas or oil deposits are found within Lebanon’s exclusive economic zone, the country’s revenues will increase. Transparency advocates argue it is important for citizens to see how much money their government receives for their resources and question how this money is used. One tool for doing this is the Extractive Industries Transparency Initiative (EITI) — a global effort calling on governments to make their earnings from resource sales public.

The LPA has begun discussing how Lebanon could adopt the EITI, going so far as to meet with EITI International Secretariat representatives. “We’ve had a couple discussions with the Lebanese Petroleum Administration, but in Lebanon there is no official status on Lebanese EITI yet. We’re ready to help in any way we can,” explains Eddie Rich, the director for Africa and Middle East at the EITI International Secretariat. Additionally, the World Bank has provided information and presentations on the EITI to the LPA to further its understanding of the initiative and how to implement it, according to the Bank’s Lead Energy Specialist Husam Beides.

Next, Lebanon would need to issue a clear statement of commitment to implementing the EITI. This should happen prior to the signing of exploration contracts. As Kaissy explains, “Regarding Lebanon, PWYP urges the government to follow a transparent initiative in governing its emerging extractive sector. Initiatives such as the EITI can be applied at stages as early as the [current] pre-exploration stage. This gives the government the chance to engage all stakeholders (companies, government bodies and civil society) with key decisions and apply good governance practices at the very beginning of the whole exploration/extraction process.”

If Lebanon decides to join the EITI, oil companies and civil society must also play important roles in implementing the transparency initiative. Representatives from these three constituencies will form what’s called a multi-stakeholder group (MSG), to oversee the implementation of the EITI.

Laury Haytayan of NRGI explains that civil society can already begin preparing for potential EITI implementation in Lebanon. “Civil society has to get together and they have to elect representatives” who will eventually be part of the MSG, she says. “If

you don't have representatives from civil society, you cannot start with the EITI because you don't have the major body [the MSG] running the whole initiative."

This means local civil society organizations should form a coalition and begin focusing on the sector, a step that has not yet been taken.

Lack of funds

NGOs develop programs for specific issues only when they have funding to do so. However, most international donors are not currently preparing to engage local civil society for this sector. Cyril Dewaleyne, program manager for sustainable development at the European Union's Beirut office, says the delegation is contemplating a capacity building program at the LPA, though details are not publicly available at this time. The US Embassy in Beirut has recently received proposals from civil society organizations relating to oil and gas, but its press attaché, Geraldine Gassam, would not elaborate as to the nature of the proposals or the available funding.

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Norway's Oil for Development program does financially support local programs through its embassy, but is not funding individual NGOs. Funding for the June workshop organized by the LCPS and NRGJ was provided by the Norwegians. The Samir Kassir Foundation also has a program supported by the Oil for Development program to train journalists covering this sector. The Norwegian Embassy in Beirut conditioned an interview on the basis of seeing and approving the final article in its entirety; Executive did not accept.

In the absence of foreign money, PWYP's Kaissy says the LPA could step in. "They should set aside a certain budget to make sure they are involving properly civil society, which is a very important constituency. They understand the importance of civil society in the entire process, but now they need to showcase it and show us the practical steps of how to put it into action," Kaissy argues.

"Now is the proper time for roundtable discussions around the proposed fiscal terms for the [model Exploration and Production Agreement] targeting local NGOs, unions, syndicates, media and all other related civil society organizations," she says. "We do understand that the LPA is currently focusing on more pertinent issues, and rightly so, but we cannot [overemphasize] the importance of involving civil society at these stages so as to avoid future sources of conflict and mistrust," Kaissy adds.

Corporate Social Responsibility

In January, the LPA, the Ministry of Energy and Water and the United Nations Development Program signed a memorandum of understanding (MOU) to implement social development projects utilizing corporate social responsibility (CSR) funds of

soon-to-arrive petroleum companies. To translate this MOU into action, the UNDP and LPA will form a national steering committee — separate from the EITI MSG — with all the concerned ministries. A seat will be reserved for civil society. It is an industry norm for oil companies to invest their CSR money in host countries for social development, and this initiative is aimed at making sure the money is well spent. That said, the participation of oil companies will be voluntary, and a specified amount for investment won't be a requirement of the exploration and production sharing agreements.

The UNDP's Assistant Resident Representative Edgard Chehab explains, "We signed this [MOU] to cut the road in front of corruption. Usually politicians will call company XYZ and say, 'Why don't you pave a road beside my house or build a club with your CSR money.' This way, we are protecting the companies and we are protecting the CSR money."

Currently, the UNDP is preparing the project document, which will be signed with the LPA later this year. But to engage the oil companies, the licensing round first has to conclude. "We have to wait," says Chehab.

Protecting the environment

Equally as important as monitoring the money is preserving the environmental integrity of Lebanon's waters and shoreline as companies drill exploration wells and then throughout the exploration and production lifecycle. "Exploration and production can have a terrible impact on the environment; we have concerns about everything," explains Samar Malek, a

legal expert with the Ministry of Environment. The ministry, she says, has discussed with the LPA the findings of a Strategic Environmental Assessment (SEA), concluded nearly two years ago. "I personally asked many pointed questions, we have concerns about everything. And we convinced the LPA to have an environmentalist with them all the time. We scared them to death."

Asked why the SEA is still not a public document, Malek says, "It should be; it's essential for transparency. There's nothing to hide." Executive was allowed to view a small portion of the SEA related to which civil society groups and other stakeholders were consulted in preparing it and what their comments and concerns are. However, Executive was not allowed to have a copy and cannot view the full document until a pending request is approved. According to the portion of the document Executive reviewed, the SEA's authors contacted four NGOs — IndyAct, Greenline, Bahr Lubnan, Byblos Ecologia — and one individual, Rabih Salem, listed as a "coordinator for Lebanese NGOs." Only Greenline participated in the June LCPS–NRGI workshop.

Major concerns included: The SEA relying in part on old data; poor enforcement of existing laws in Lebanon; potential disputes with landowners when building onshore

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infrastructure; and limited government capacity to respond to an oil spill. The Ministry of Environment's Malek says this last concern was partially addressed in April when parliament passed a law restructuring Lebanon's civil defense, granting volunteers full employment status and improving the force's ability to respond to disasters.

UNDP's Sustainable Oil and Gas Development in Lebanon (SODEL) program is assisting the LPA in addressing the environmental risks identified by the SEA and setting mitigation and environmental guidelines. However, SODEL's project manager needs permission from the Ministry of Energy to comment; Executive's request went unanswered.

In case of a spill or other environmental accident related to oil and gas exploration, it is yet unclear how the government plans to mitigate risk, which government institution would coordinate a response or how companies would be held accountable. UNDP's Chehab says his organization provides support to the prime minister's office to strengthen disaster risk management capacities, while a draft law in Parliament would formally establish a risk mitigation unit in the legal framework. The draft law, however, has been under discussion for years and the chances of it being passed any time soon are slim due to the current political impasse. Civil society, for its part, recognizes it has an important role to play in monitoring the environmental impact of oil and gas activities, but is waiting until contracts are signed before taking any action.

"We have to study the environmental impact according to integrity, utility and sustainability, cooperating with the Ministry of Environment and coordinating with the LPA," explains Rana Zohbi of Environment Protection Committee, an awareness and educational environmental NGO in Lebanon.

As for finding funds for monitoring oil and gas activities from an environmental perspective, Zohbi says, "We expect the Ministry of Environment to finance our program." The ministry's Malek explains, "We do provide funding for NGO projects through a decree, but it is very precise criteria to select the NGOs," referring to decree 14865 of 2005. This decree determines the conditions by which the Ministry of Environment contributes financially to nonprofit organizations to carry out environmental activities. However, like other NGOs Executive spoke with for this article, Zohbi notes that her organization will wait for contracts to be signed before drafting a funding proposal.

PWYP's Kaissy thinks the LPA should be doing more to push civil society into action. "[PWYP] would like to see the LPA engaged more aggressively on the environmental aspect. There are numerous active NGOs in Lebanon that would be more than willing to learn more and be engaged actively," she says.

Playing catch up

The oil companies bidding to explore in Lebanese waters will negotiate contracts with the government at the lowest cost to their business. In theory, it is the role of NGOs

to complement this process by articulating their concerns — whether financial, environmental or other — so that the cost of incorporating social measures can be optimized with business interests.

The good news is that the train has not yet left the station. Another delay to the close of Lebanon’s first licensing round, yet to be formally announced but widely expected, should provide a window for NGOs to build organizational knowledge, meet with stakeholders and approach donors to fund monitoring programs. The question is whether Lebanese civil society will take the opportunity.

Correction: A previous version of this article mistakenly claimed that Greenline was the only environmental NGO to participate in the LCPS–LPA roundtable. It was the LCPS–NRGI workshop. Apologies.



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