

Will Lebanon's oil be Christian or Muslim?

Lebanon's progress to cultivate wealth from its offshore oil and gas resources has left us with more questions than answers. While the country will not extract any resources for at least five years, the agreements being negotiated in the next 12 months will determine whether Lebanon gets a good deal or not.

Over the course of five days, seven leading thinkers will discuss different aspects of the resources — from avoiding environmental destruction to how to spend the new wealth — each with the aim of helping provoke awareness about what is going on in this crucial period.

For our fifth segment, legal expert Malek Takieddine discusses the danger that oil and gas will allow Lebanese politicians to maintain the failing sectarian system.

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The Lebanese oil and gas resources are a greasy fetus waiting to be born. This fetus might not know its own religion yet, but as soon as it is out of the few holes in the ground, it shall be baptized, circumcised and taught how to pray five times a day.

Most likely, however, Lebanon's oil and gas baby will not appreciate these imposed religions, and it shall declare itself the messenger of an entirely new religion. Oil temples and gas synagogues will flourish across the country. Current Lebanese warlords will declare themselves the legitimate descendants of the oil prophet and tell the story of how their morals have been crucified on the dollar sign. Lebanese worshipers would be told that the oil prophet wants them to walk barefoot towards the oil and gas temples and to sacrifice themselves, their children and what is left of their dignity at the footsteps of the dollar sign.

This may seem like a bleak future should Lebanon's expected oil and/or gas resources be discovered and produced in commercial quantities. We can never be certain but there are few indications that things will be any better than the state of the other (few) lucrative industries/sectors in Lebanon.

Lebanese warlords and influential politicians are rushing towards promoting their business subsidiaries to gain advantages in the oil and gas industry within the framework of friendly/favorable laws and regulations that their other subsidiaries have enacted. It is fair to predict that this situation shall continue even after the award of the exploration and production agreements (EPAs) to consortiums of international oil companies and, most likely, a few Lebanese partners. What will come after the award of the EPAs are subcontracts, a lot of them.

It is good that the Lebanese law requires that the revenue of the state from the oil and gas industry shall be deposited into a sovereign wealth fund; thus separating such valuable funds from the day-to-day balance sheet of the Lebanese government. However, even if the oil and gas funds are properly managed, allocated and invested, the state may incur large financial losses as a result of inefficient petroleum operations that might occur on certain projects and/or in some operational aspects.

Petroleum operations commonly require that the project's operator rely on and supervise the work of service companies retained by subcontracts in consideration of large sums of money. These subcontracts can cover a wide range of

services including the highly technical and risky (e.g. offshore drilling), the less technical yet critical (e.g. transportation of personnel and materials), and the non-technical (e.g. life support services).

In bidding to win such subcontracts, Lebanese service companies will be favored over non-Lebanese companies – provided that the terms and conditions they offer are equal to their foreign competitors (in industry terms this is known as ‘local content’). The dilemma we have here is that Lebanese business equals Lebanese politics. The question that arises is to what extent project operators under Lebanese EPAs would commit to local content requirements under the influence of political interest.

Additionally, if, god forbid, a Lebanese National Oil Company is established, would Lebanon be witnessing a replica of the heavily indebted Électricité du Liban (EDL)? Would such company become a large payroll organization hiring, by ‘*wasta*’ (informal connections) and for political gains, thousands of employees and consultants who do little work and/or are not suitably qualified? Would the coffers of such company become the checkbook of inefficient and opaque service contracts ready to recognize the competitive service of political allies?

In practice, should the current Lebanese political status quo remain in place, the local beneficiaries of Lebanon’s awaited oil and gas industry will have the financial capabilities to influence Lebanese voters directly or indirectly through actual or promises of employment, contracting opportunities, energy subsidies, and donations.

In light of this, perhaps it is actually understandable why Lebanese politicians would devote themselves to the new religion of oil. Lebanon’s oil and gas resources could be the miracle that sustains the current inefficient public governance system and help keep the people quiet while sectarian leaders maintain business as usual.

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