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# Lebanon Losing Race for Mediterranean Oil



Bassil confirmed that recent studies and consultations with international experts showed beyond any doubt that Lebanon owns considerable reserves of fossil fuel. (Photo: Al-Akhbar - Archive)

By: [Antoun Issa](#) <sup>[1]</sup>, [Hassan Chakrani](#) <sup>[2]</sup>

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**While lucrative petroleum reserves in the Mediterranean's east are discovered and exploited by neighboring countries, political infighting risks losing Lebanon's slice of the pie.**

Turkey and Israel in the last week have each taken a step forward in exploiting the lucrative offshore oil and gas deposits discovered in the eastern Mediterranean.

Turkey signed a contract Wednesday with Shell for offshore oil and gas explorations, while on Monday Israel's gas drilling firm struck a preliminary deal with South Korea's Daewoo to build

and operate an offshore LNG (liquid natural gas) facility.

Turkey's move came after the Cyprus government, which is not recognized by Ankara, struck a deal with US energy firm Noble for gas exploration off the southern coast of the divided island of Cyprus.

Many companies have also expressed interest in conducting exploration in Lebanon's territorial waters. Up to 85 companies, for example, attended the Lebanon Petroleum Exploration Forum last June. They are already forming consortiums to bid for exploration licences.

The rush to strike these deals comes amid the largest oil and gas discovery of the decade. An estimated 122 trillion cubic feet of natural gas and 1.7 billion barrels of oil lies in the Levant Basin Province, according to the US Geological Survey.

This includes the Leviathan basin, the largest of the basins containing 4.2 billion barrels of oil, as well as natural gas. The Leviathan also happens to straddle the Israeli-Lebanese maritime border, offering Lebanon a share of the lucrative offshore gas reserves that would benefit its debt-ridden economy enormously.

Lebanon has always been an oil dependent country. Annual public spending on fuel, natural gas, and other derivatives of petroleum has reached 6 billion US dollars, roughly 14 percent of the gross national product.

There are two obstacles that Lebanon must first overcome to begin reaping the benefits of what appears to be large reserves. The first lies in passing the necessary legislation to facilitate exploration and extraction and the second is reaching a maritime borders agreement with the surrounding states.

### **Demarcating Borders: A Maritime Nightmare**

While the discovery is a potential gold mine for all, political obstacles are heightening tensions.

Turkey and Cyprus are at odds over maritime sovereignty, as Nicosia does not recognize Turkey's claim that the Turkish-occupied northern Cyprus be given a stake.

Concurrently, Israel and Lebanon - at war with each other - have not demarcated their maritime borders, with both sides at odds over where the maritime line separates the rival countries. Beirut says Israel's perceived border encroaches on Lebanese maritime territory, denying Lebanon a greater slice of the Leviathan basin. Israel has repeatedly violated Lebanon's sovereignty and diverted Lebanese resources adjacent to the border -including water - to its own advantage.

In 2010, Israel and Cyprus demarcated their maritime economic zones in the eastern Mediterranean, a move rejected by Lebanon and Turkey. Lebanon argues that the maritime map between Israel and Cyprus places the Israeli border too far north into Lebanese waters. In June, *Al-Akhbar* [reported](#) <sup>[3]</sup> that Israel seized five kilometers from Lebanon's maritime borders.

Turkey contends that the Cypriot government has no right to conduct offshore energy exploration while UN-backed talks on reunifying the island are ongoing.

*Al-Akhbar* also reported that Lebanon and Cyprus were close to demarcating their borders before Nicosia's agreement with Israel, only to have talks scuttled due to Turkish pressure on Beirut to not recognize the maritime economic zone of its Cypriot rival.

Though the Lebanese government issued the special decree for demarcation of maritime borders with each of these states, this file is still on hold in the United Nations.

But Lebanon's Energy and Water Minister, Gebran Bassil, claimed Israel has accepted the Lebanese demarcation plan and stressed that the matter should be resolved quickly.

According to the decree, Lebanon's designated maritime economic zone comprises 22,000 square kilometres, most of which contains natural gas.

Nevertheless, the disputes have not stopped either Israel, Turkey, or Cyprus from signing contracts with oil exploration firms, and pushing ahead with sea drilling operations.

By contrast, Lebanon is the only state yet to make a move on its offshore gas reserves, falling far behind its neighbors in exploiting the lucrative deposits.

### **Lebanon lags behind**

Bassil confirmed that recent studies and consultations with international experts showed beyond any doubt that Lebanon owns considerable reserves of fossil fuel, but refused to provide details.

The revelation came during a session of Lebanon's Economic Forum held at the Coral Beach Hotel on Thursday. Bassil also spoke at length about progress towards extracting fuel and gas.

Beirut passed a law in 2010 enabling oil and gas surveys of its offshore reserves. The political stalemate, however, meant that the law was only ratified by the Mikati government this August.

A committee of seven ministers, headed by Prime Minister Najib Mikati was then formed to oversee the implementation of the law, including the formation of an industrial commission.

But progress is moving at a snail's pace, as the committee has only met twice since August.

The lack of progress prompted Gebran Bassil, to recently urge <sup>[4]</sup> fellow ministers to speed up plans to explore the offshore reserves.

Bassil hopes to offer companies permits to explore off Lebanon's coast by early 2012, granted the government approves outstanding laws enabling such action.

Lebanon's slow move to exploit its offshore deposits highlight the internal political divisions hampering the country from maximizing the discovery's economic potential.

An *Al-Akhbar* report <sup>[5]</sup> in 2010 revealed the political bickering regarding control over the sovereign wealth fund that would handle the revenue from oil and gas exports.

Underlying this dispute are sectarian and factional concerns that certain sectors of Lebanon may benefit more than others.

The Mikati government is thus faced with the challenge of balancing sectarian power

struggles, and ensuring that revenue from potential oil and gas exports are centralized in the state and distributed evenly throughout Lebanon.

For a country ranked by Transparency International as one of the most corrupt states in the world – 127th to be exact – such fears might be insurmountable.

Antoun Issa  
Hassan Chakrani

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