

# Unexplored potential

Until decrees are passed to let drilling begin, Lebanon won't be able to find out whether it is resource rich

ECONOMICS & POLICY January 12, 2015 by Matt Nash

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A political decision is needed in 2015 for Lebanon to begin exploring for offshore oil and gas reserves. Until the government passes decrees delineating the offshore blocks and approving model exploration and production sharing agreements — which have been drafted and ready for debate and approval since early 2013 — we simply will not know what lies beneath Lebanon's share of the eastern Mediterranean. Despite suggestions to the contrary — most notably Bank Audi's prediction in early 2014 that Lebanon has \$600 billion worth of gas — it is impossible to know what, if any, hydrocarbon resources the country has. Knowledge comes from drilling, and drilling only happens once contracts with international oil and gas companies are signed.

If Lebanon does indeed have oil or natural gas reserves large enough to be commercially viable, there is still much work that needs to be done on the policy level. For example,

the 2010 law on offshore exploration says that any revenues earned from hydrocarbon resources must be placed in a sovereign wealth fund. A new law is needed to define how the fund works, as well as if and when money can be taken out of it, to name just a few things policymakers need to consider when drafting it. Like many other countries around the world, Lebanon may also want to write a new tax law specifically for the oil and gas sector. The Lebanese Petroleum Administration (LPA), in fact, is pushing for this. However, a sovereign wealth fund and a new tax law will not be necessary if there are no hydrocarbons to bring in revenues.

Since being formed in 2012, the LPA has spent most of its time putting the cart before the horse by drafting recommendations on issues that will need to be dealt with once resources are found. Such forward thinking is laudable, but again, most of what the LPA is trying to do ends up getting stonewalled by a parliament and government that barely function. The LPA will no doubt continue to do as much preparation as they can, but without the decrees that make signing contracts possible, 2015 will be another year of waiting.

**[Read Executive's oil and gas special report published in October 2014](#)**



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