

MORE GAS POTENTIAL IN LEBANON'S NORTHERN WATERS

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Oil and gas reserves are likely to be discovered in the Lebanese waters along the country's northern maritime boundary with Cyprus and Syria, according to the the French oil and gas consultant Beicip Franlab[i].

Around 675 million barrels of oil are expected to be found in the area. Lebanon's northern waters are also suspected to contain 15 trillion square feet of gas. Energy minister Gebran Bassil told The Daily Star that 'the discovery constitutes an additional income for Lebanon and would attract important oil exploration companies'. He added that the large quantities of oil and gas reserves found along Lebanese shores indicate that the exploration costs will decrease while the state's financial gains will increase.

European, Chinese, US and Russian firms showed interest in drilling offshore Lebanon, affirmed Bassil. Tenders will be launched in the coming few days and 'good news' will be heard soon, he added.

Lebanon has previously announced potential oil and gas discoveries along the Cypriot-Israeli border. However, explorations have been delayed, mainly due to a maritime dispute with Israel. Both Lebanon and Israel have claims on a maritime area of 850 square kilometers. The dispute has held up ratification of the 2007 Lebanese-Cypriot agreement, defining Exclusive Economic Zones among the three countries.

Although the Lebanese excitement is understandable, there are certain points to remember.

Lebanon has clearly an oil and gas potential; however, there is a distinction to be made between what is 'technically' recoverable and what is 'commercially' recoverable. Additionally, oil and gas projects are high-risk, long-term projects; they are even lengthier when they take place offshore: there is often an interval of a decade (or decades) between discovery and production. In the meantime, figures are likely to change: oil and gas prices could go down when the US become, as expected, the largest oil producer as a result of the shale revolution.

It is important to note that administrative and regulatory efforts are equally paramount. The attractiveness of Lebanon to investors will depend on the laws in place. The Petroleum Law passed in August 2010 does not provide us enough insight on this matter as it lacks the detail. As to the fiscal regime, it has not been made available to the public yet.

Despite these concerns, the new hydrocarbon potential of Lebanon could save the country from its burdening debt. For this effect, stability needs to be maintained/created and an effective management of future revenue flows, although tricky, needs to be established. Oil and gas do not always result in wealth. Think of Nigeria.