

Lebanon poised for energy breakout, including in Cyprus



Lebanon is finally getting serious about developing its offshore oil and gas reserves thanks to a reduction in domestic political tensions, a senior industry veteran told a high-profile energy conference in Athens on Thursday.

“There has been significant improvement,” said Roudi Baroudi, CEO of Qatar-based Energy and Environment Holding (EEH), an independent consultancy.

Speaking at the Athens Energy Forum, which attracted a long list of political and industry leaders from Greece and other E.U and Middle East countries, Baroudi said major obstacles had been removed in recent months and that more progress was in the offing.

“A new president has now been elected by Parliament, and ... a new prime minister has also been installed,” he reminded the audience, adding that both officials enjoyed strong public acceptance. “Perhaps most importantly, the long-delayed parliamentary elections are due to be held in June.”

Many Lebanese institutions have been hamstrung by years of infighting among rival political camps, causing the country to fall behind neighbors like Cyprus and Israel in getting its nascent energy sector up to speed. Conditions for progress look much better now, Baroudi said, explaining that much of the credit was due to the Lebanese Petroleum Administration (LPA) established in 2012.

“Luckily, even with these paralyzing conditions in effect, some preparatory steps were taken,” he explained. “The LPA managed to lay much of the necessary groundwork. The idea was that once the politicians stopped bickering, all of the rules, regulations, and policies would already be in place, so the country would have the wherewithal to start playing catch-up.”

In fact, he said, both “2-D and 3-D seismic geology studies, as well as high-tech airborne acquisition surveys, already indicate that the country’s hydrocarbon potential outstrips those of its immediate neighbors.”

Now that the political log-jam is breaking up, Baroudi noted, the LPA has begun to act in other ways as well.

“Last month it took a decisive step ... by initiating the country’s first licensing round, inviting bids for offshore exploration in five of the 10 blocks it has delineated in Lebanon’s Exclusive Economic Zone,” said Baroudi, who has worked in the energy industry for over 30 years.

Nonetheless, “the process will not be a simple matter of ‘plug and play’” because apart from continuing fears about transparency, Lebanon also would need to sort out a maritime boundary dispute with Israel.

“Both the United States and the United Nations have worked hard to broker a consensus by holding separate talks with Israeli and Lebanese officials,” he told the forum. “Whatever the intractability of their other differences ... [Lebanon and Israel] have a clear and compelling interest in avoiding any

kind of conflict that interferes with the development of their energy reserves.”

“It all comes down to mathematics,” Baroudi argued. “There is simply too much money at stake, meaning that in addition to the lives that would inevitably be lost, the direct financial and opportunity costs of another armed confrontation would be exponentially greater than the price-tags attached to bombs and missiles.”

In addition, he said, the benefits of an East Mediterranean energy boom would serve the interests of Turkey, the European Union, and various extra-regional actors, increasing outside support for negotiated solutions on both the Libano-Israeli front and the issue of Cyprus reunification.

“Numerous local and outside actors will want the same thing in the Eastern Med: stability. Cyprus ... figures to be a linchpin for the entire regional gas economy, but it can only play that role to the fullest if it achieves reunification,” said Baroudi.

“Each of the main external players on the island – Britain, Greece, and Turkey – also has good reason to want tensions reduced, and Russia’s growing presence in the region, including investment offshore each of Cyprus, Syria, and Egypt, gives it a vested interest in stability.

American companies are also present, and literally no one better understands what is at stake than the incoming US secretary of state, former ExxonMobil boss Rex Tillerson.”