

Lebanon step closer to becoming energy producer



BEIRUT: Six or seven years from now the Lebanese may be able to watch from their vantage point giant platforms extracting gas from the bottom of the sea, provided that everything goes according to plan.

This sense of optimism was deepened after the Cabinet Wednesday passed the long-awaited decrees defining the blocks and specifying conditions for production and exploration tenders and contracts.

Energy economist Roudi Baroudi said the passage of the two decrees was a step in the right direction.

"It's never too late to do well. What has been done now with the passing of the two decrees is a small part to move forward. All of the oil companies that pre-qualified are still interested in exploring gas off the Lebanese coast," Baroudi told The Daily Star.

He added that oil giants such as ExxonMobil are already operating 70 nautical miles from Lebanon, in reference to Cyprus.

It is still not clear if the Lebanese government and the Petroleum Administration will offer all of the 10 blocks off the coast for bidding.

The approval of the two decrees was seen as a crucial step after the previous cabinets shelved the issue of the gas exploration due to the deep political division in the country.

A source close to the Petroleum Administration said that newly appointed Energy and Water Minister Cezar Abi Khalil would hold a news conference Thursday to give further details about the prospect of gas exploration in the future.

"I think the minister and the Petroleum Administration will hold talks with the oil companies that won in the pre-qualification round to determine if they are still interested," the source said.

Baroudi rejected the notion that the oil and gas glut in the world may discourage oil firms from taking part in the offshore gas licensing round in Lebanon.

"The world is still consuming double the size of gas they are producing. The prices are definitely going to go up if the consumption of gas globally remained high," he added.

Baroudi stressed that according to a recent study, fossil fuel would remain the dominant commodity for energy production for the next 30 to 40 years. "Alternative energy such as wind mill and solar energy will only represent 20 percent of the total electricity consumption for many years to come," he added.

The government will have a gargantuan task in persuading oil majors to participate in the next licensing round.

Former Energy Minister Gebran Bassil has said gas reserves off the Lebanese coast could potentially exceed 96 trillion cubic feet.

But companies and experts insist that it is too early to talk about the actual size of the gas reserves until drilling takes place.

However, Baroudi believes that there is strong possibility

that the potential gas reserves off Lebanon's coast may be bigger than those of Cyprus or Israel.

The other sensitive issue facing the government is the so-called disputed zone between Lebanese and Israeli territorial waters.

Lebanon has suggested that the United Nations broker a deal to demarcate this zone but Israel has rejected such a move.

International companies such as Spectrum have conducted 3-D seismic surveys of most of the coast to determine the potential size of hydrocarbon deposits.

These data were sold to the international oil companies.

A source close to the Petroleum Administration told The Daily Star just a fraction of the gas off the coast could run all of Lebanon's power plants 24 hours a day for 25 years.

"If all the power plants in Lebanon were switched to gas, which is clean and cheap energy, then [the country] can operate all these power plants with 0.2 trillion cubic foot per year under the current energy consumption," the source added.

He said Europe was an ideal export market once the country started pumping gas.