

البروفيسور رودي بارودي الخبير النفطي

**Energy programme proceeding
as planned, president tells
oil and gas forum**



Cyprus is promoting three projects that were selected by the European Commission as projects of common interest, because of their benefits to the European energy market, President Nicos Anastasiades said on Tuesday.

The president was addressing the 9th Mediterranean Forum on Oil and Gas in Nicosia, telling delegates that recently, two of the projects had secured EU funding. Specifically, €101 million will be allocated to the CyprusGas2EU project, while

the EastMed Pipeline had been awarded €34.5m for technical studies.

The CyprusGas2EU” project aims at allowing the transport of gas from the Eastern Mediterranean to Europe. By 2020, Cyprus will construct a Floating Storage and Regasification Unit (FSRU) in order to import gas in the form of LNG from international markets, Anastasiades said. The EastMed Pipeline aims to transport gas from Cyprus and the Eastern Mediterranean to Europe via Crete and mainland Greece.

A third project, the EuroAsia Interconnector, is an electricity connection between Israel, Cyprus and Greece that is supported by all three governments.

“We intend to continue exercising Cyprus’ rights as an independent and fully integrated Member State of the European Union, proceeding with our exploration programme as planned,” said Anastasiades.

He said this was also part of a broader policy in that the discoveries of significant quantities of natural gas in the Eastern Mediterranean, as well as potential future discoveries, could be a driver for stabilization in the region.

“After all, together with the respect by all parties of international law and national sovereign rights, this is the kind of stable and predictable environment that we are obliged to jointly create, in order to bring in the multibillion investments needed for developing the East Med’s hydrocarbons wealth,” he said.

Anastasiades also addressed Turkey’s provocations in the island’s exclusive economic zone recently.

The president said Cyprus’ policy has traditionally been based on regional cooperation and the establishment of long-lasting relationships with all neighbouring countries.

“As we have always maintained, collaboration and synergies achieved in the hydrocarbons sector of the Eastern Mediterranean can feed into the political relations between countries, building the foundations for regional stability and peace,” he said.

Initiatives undertaken by Cyprus had been “highly successful” at the bilateral and multilateral levels, with countries such as Lebanon, Israel, Egypt, Jordan and Greece.

At the same time, he added, the recent deal struck between Israel and Egypt was concrete proof that collaborations between countries in the region were already taking place, “and Cyprus, I can assure you, will be an active participant in future developments”.

The developments were aligned with the EU’s recent Energy Union strategy, which has confirmed the Mediterranean as a strategic priority for reducing EU’s dependency on existing energy suppliers and routes, Anastasiades said.

“Our aim remains to support the EU in its diversification efforts, with Cyprus, as an EU member state, having a stable legal and political environment and constituting a reliable partner for both neighbouring countries and oil and gas companies.” It was also necessary to lift the island’s energy isolation, he said.

Next on the agenda would be the drilling activities of the ExxonMobil/Qatar Petroleum consortium in block 10, which included two back-to-back exploration wells during the second half of this year, Anastasiades said “Over the past few years we have, in fact, made some remarkable steps towards the realization of our exploration program, which we aspire will soon establish Cyprus as a natural gas producer and a transit country,” he added.

He referred to ongoing projects in the field. At present, the ministry of energy and the Aphrodite consortium were engaged in advanced discussions to establish, “the soonest possible”,

the development and production plan for Aphrodite.

Following the third licensing round and the decision to grant hydrocarbon exploration licences for blocks 6, 8 and 10, to ENI/Total, ENI and ExxonMobil/Qatar Petroleum respectively, “we anticipate with eagerness” the completion of the exploration programme of all licensed companies. The second wave of exploration in Cyprus’ EEZ was initiated by the Total/ENI consortium, he said.

After the renewal of its exploration license for block 11, in February 2016, the consortium went ahead with its exploration programme, drilling their first well between June and September 2017. The “Onesiphoros West 1” well resulted in a technical discovery that confirmed the existence of a petroleum system and the presence of a “Zohr”-like, reservoir, the president said.

“A mere two months ago, in January, we also had the completion of the first exploration well in Block 6 by the consortium of ENI and Total. The “Calypso” well encountered an extended gas column with excellent characteristics. This discovery also confirms the presence of the “Zohr”-like play in the Cypriot EEZ,” he added.

**Lebanon - Israel maritime
dispute: Rules of
(diplomatic) engagement**



Thus far attempts to resolve the dispute have been unsuccessful, but while the challenge is clearly a difficult one, the situation is far from irretrievable if the parties practice restraint and resolve to settle their differences via diplomacy and dialogue.

BEIRUT: Tensions between Lebanon and Israel are flaring once again, this time over the demarcation of their maritime border and, therefore, the rightful ownership of offshore oil and gas deposits.

Thus far attempts to resolve the dispute have been unsuccessful, but while the challenge is clearly a difficult one, the situation is far from irretrievable if the parties practice restraint and resolve to settle their differences via diplomacy and dialogue, however indirect.

Diplomatic efforts are complicated by several factors which block many of the usual avenues of dispute resolution. Awareness of these factors and the conditions they impose is a must, especially from the perspective of Lebanon, which will need to walk a virtual tightrope if it is to protect its rights while avoiding both further escalation of the conflict and any erosion of its refusal to recognize Israel.

First and foremost, Lebanon and Israel have no diplomatic relations, having remained in a legal state of war since 1948. Lebanon does not recognize Israel, armed non-stated groups have periodically used its territory as a staging area for attempts to liberate Palestine from Israeli occupation, and Israel has attacked, invaded, and/or occupied Lebanon numerous times, the most recent large-scale conflict having taken place in 2006.

The plain fact is that the absence of diplomatic relations is highly problematic for disputes over offshore resources. Most maritime demarcations are set out in treaties between the countries in question, which then serve as legal bases for any necessary adjudication of disputes. Israel and Lebanon have no such treaty, and there is no prospect in the foreseeable future of any kind of reconciliation that would allow them to so much as discuss one.

In addition, the two parties appear to disagree not just on the angle at which the southern boundary of Lebanon's EEZ should extend from the border along the coast, but also on where, precisely, that coastal border lies. Obviously, then, a purely bilateral process is out of the question. And as we shall see below, the absence of relations also throws up obstacles for the conventional use of international institutions.

Second, while Lebanon has signed and ratified the primary international agreement on maritime border demarcation, the 1982 United Nations Convention on the Law of the Sea (UNCLOS), Israel has not. Accordingly, there is no binding mechanism under which either state can refer the maritime border dispute for resolution without the express agreement of the other. However, since Israel has signed an Exclusive Economic Zone agreement with Cyprus, Lebanon does have options on this level.

One could lodge some form of protest against Cyprus on the

basis that its EEZ pact with Israel prejudices Lebanon's borders, but that seems unlikely and even more inadvisable as it would jeopardize Beirut's strong relations with Nicosia. Alternatively, Lebanon could invite Cyprus to join it in seeking conciliation under Article 284 of UNCLOS in order to resolve the dispute caused by the Israel-Cyprus EEZ agreement with Israel. Cyprus would have the right to reject such an approach, but it is certainly worth investigating what the Cypriot stance would be. If Cyprus has no objections, this kind of proceeding would demonstrate Lebanon's commitment to its obligation, under the UN Charter, to seek the peaceful resolution of disputes.

Third, while states regularly refer maritime border disputes for resolution to the International Court of Justice (ICJ) this is typically done by way of a special agreement between the states. This is because, as is, in fact, the case for Lebanon and Israel, very few states have signed up to the compulsory jurisdiction of the ICJ. Unless a state has accepted the compulsory jurisdiction of the ICJ, claims cannot be brought against it before the ICJ without its express agreement in relation to a specific claim.

It is unlikely that either Lebanon or Israel would consider submitting the maritime border dispute to the ICJ for fear that this might set a legal and/or politico-diplomatic precedent. Israel has only ever invoked the ICJ's jurisdiction once, in 1953, while Lebanon has been involved in two cases before the ICJ, most recently in 1959. Since the ICJ's 2004 advisory opinion reprimanded Israel for the construction of its wall around the Occupied West Bank, it is unlikely that Israel would consider referring any dispute, let alone one with Lebanon, to the ICJ. Lebanon's reservations with regard to appointing the ICJ or any third party to resolve the maritime border dispute are two-fold.

First, it has concerns that Israel would seek to condition any agreement to refer the maritime dispute to the ICJ or any

other international tribunal provided that Lebanon agrees to subject all border issues for resolution by such body. Second, it worries that any direct agreement with Israel to seek third-party involvement to resolve the dispute may be considered as de facto and de jure recognition of the state of Israel.

Third, and perhaps most importantly, even if the Lebanese-Israeli dispute were to be heard by ITLOS, the ICJ, or some other legal forum (e.g. ad hoc arbitration), the process would have to root its decision(s) in a body of law that would necessarily include what is referred to as "Customary International Law" (CIL) – which neither Israel nor Lebanon accepts in its entirety.

Israel's policy has long been to stay out of multilateral agreements that presume its acceptance of any international law – customary or otherwise – that might expose its occupation and settlement policies, inter alia, to independent scrutiny and/or sanction. In other words, when Israel "rejects" "accusations" that it's settling of occupied land violates international law, it does not deny that it commits the acts in question: it simply states its refusal to be bound by a law it does not recognize.

In practice, CIL allows for countries to remain largely outside its reach, but only if they consistently reject its applicability; governments cannot "cherry-pick" which laws to obey based on how they are affected in a particular case. Once you accept CIL in any way, shape, or form, you risk coming under its jurisdiction – a fate that Israel has worked hard to avoid for more than 70 years.

Beirut's approach is subtly different. Basically, it is happy to enter into multilateral agreements that commit it to meet certain standards, but only provided that doing so neither implies any recognition of Israel nor subjects all of Lebanon's borders to the judgment of the ICJ, whose verdicts

are final and cannot be appealed. That leaves room – not a lot, but some – for the Lebanese state to achieve satisfaction on the offshore issue without sacrificing its general positions vis-à-vis Israel and borders.

In addition, while there are particular elements that make the Lebanon-Israel dispute unique in some ways, the general conditions, in this case, are not unusual. Every coastal state on the planet, for instance, has at least one maritime zone that overlaps with that of another state, and many of these disputes remain unresolved. In the Eastern Mediterranean alone, several pairs of countries have yet to sign bilateral agreements on the boundaries between their respective EEZs, including Cyprus and Turkey, Cyprus and Syria, Greece and Turkey, and Israel and Palestine. Moreover, many of the bilateral maritime treaties that have been reached are opposed by neighboring countries with overlapping zones – as is the case with Lebanon's opposition to the Israel-Cyprus deal.

What these cases demonstrate is that even when there is plenty of bad blood but no delineation agreement between two states, there is no need to go to war. Quite the contrary, states with sharply opposed interests can and do coexist despite the absence of an agreed maritime boundary. All they have to do is show restraint and practice a modicum of common sense – which is what all states are supposed to do in any event, under their UN Charter obligations.

Restraint and (indirect) dialogue should be especially attractive in this case, not least because there is likely to be significant outside support for some kind of solution. In addition to the UN and US efforts, the involvement of France's TOTAL, Italy's ENI, and Russia's Novatek in the region means that each of their respective governments, plus the European Union as a whole, has a vested interest in using their own good offices to mediate an understanding that would, at the very least, open up Lebanon's Block 9 – thus far its most promising acreage – for exploration.

The real difference between this dispute and others is in the urgency, and that works both ways. It is true, for instance, that the threshold for conflict between Lebanon and Israel is lower than those between other neighbors: threats and even the actual use of force are habitual features of Israeli foreign policy, memories of shooting wars are fresher in Israel and Lebanon than most other places, and the value of the resources means there is plenty to fight over.

On the other hand, those same memories should serve as useful reminders that war is an inherently expensive business, and that any future conflict will extract a heavy cost – human, financial, reputational, etc. – from all concerned. The same goes for the stakes: with so much to gain from drilling and so much to lose from fighting, both countries have a clear interest in removing obstacles so that their respective oil and gas sectors can be developed as quickly as possible.

The important thing for Lebanon is to keep showing good faith and demonstrating commitment to its obligations to uphold peace and security as a signatory to the UN Charter, and thus far it has lived up to this responsibility. While remaining consistent in its refusal to even tacitly acknowledge Israel as a state, Beirut has engaged with two consecutive US envoys who have used a form of shuttle diplomacy to mediate the dispute. It also has made repeated appeals to the UN to help settle the matter. Whatever happens in the future, it is crucial that Lebanon retains this cooperative stance, for it not only protects its legal rights but also helps contain tensions that might otherwise cause Israel to act unilaterally.

One of the levers Lebanon can use to keep demonstrating a constructive position is in UN Security Council Resolution 1701, which ended the 2006 war.

Paragraph 10 of that document gives Lebanon (and Israel) the option to request that the UN Secretary-General proposes the

delimitation of the Lebanese-Israeli border. Beirut has indeed asked for the Secretary General's intervention, but it can help its cause by remaining focused on the issue, particularly the application of UNSCR 1701(10). Again, even if this effort falls short, it cannot but help to have a positive influence on tensions and to further burnish Lebanon's stature as a responsible state seeking peaceful resolution of a dispute with another party.

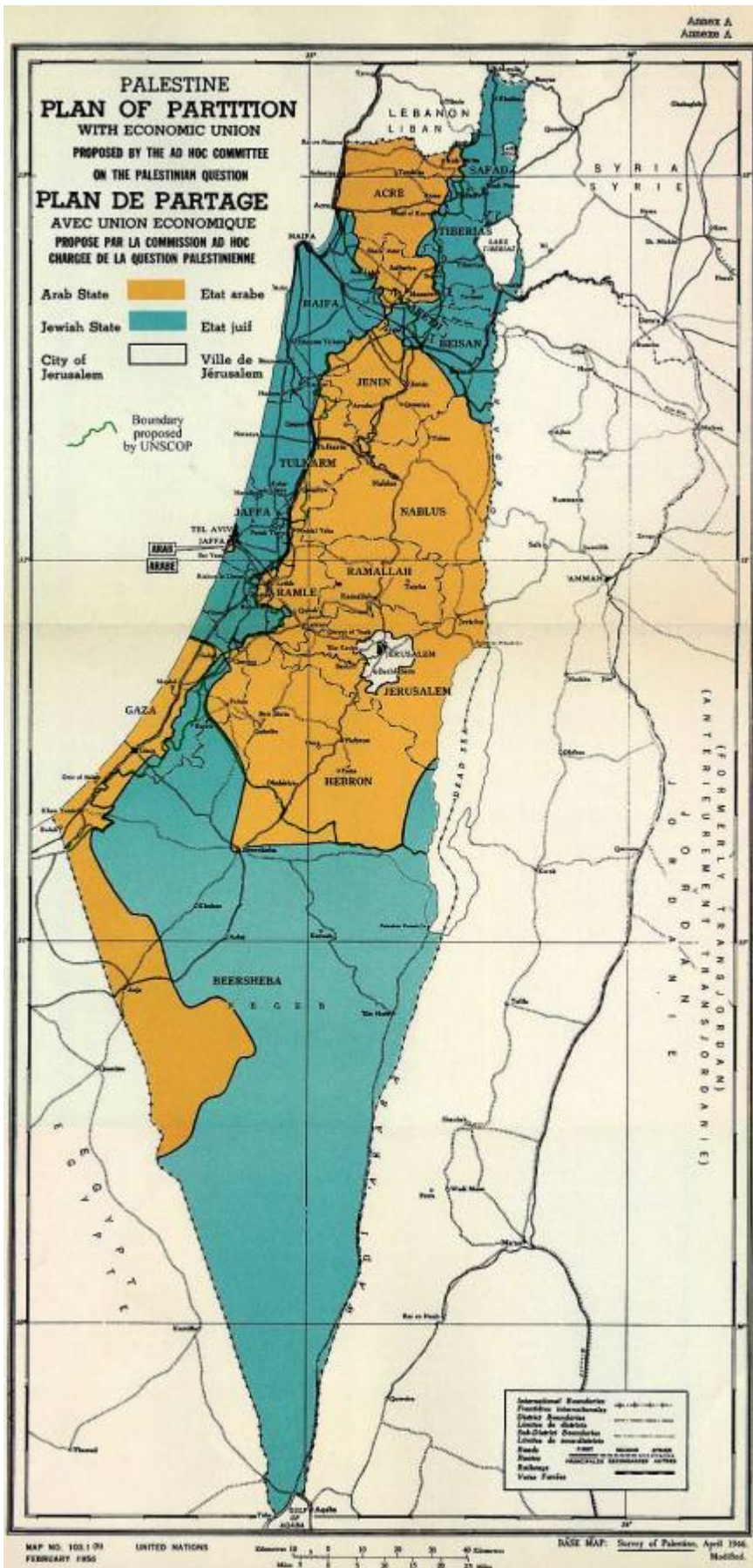
Apart from being meticulous about its commitment to peace and security, Lebanon's leadership also needs to be open and transparent with the general public, whose expectations for the oil and gas sector should be based on facts, not wishes. Educating public opinion will serve not only to address concerns that oil and gas revenues will be squandered by domestic mismanagement, but also reduce fears that Lebanese officials will sacrifice the national interest for the sake of their own personal gain.

The average Lebanese needs to understand that diplomacy often requires give-and-take, and that when it comes to energy especially, there are few zero-sum games: both sides often gain by accepting something less than their maximalist positions – or at least by allowing the time for due process to play out. In this instance, much has been made of the fact that Israel could end up sharing the revenues from any oil- or gasfield that straddles the eventual boundary between the two parties' respective EEZs. That is certainly possible, but it is also not especially relevant: the same rules of international law apply to straddling fields the world over, including some shared by mutually hostile nations. The same fact also cuts both ways because any agreement requiring Lebanon to share straddling fields first identified on its side of the line would likewise require Israel to do the same. While Lebanon might indeed have to share the potential revenues of fields that have yet to produce (or even be explored), therefore, the same international law principle

could well require Israel to share in those of fields that already are producing, possibly including some highly lucrative ones.

Of course, simply convincing Lebanese citizens that a fair settlement can be reached is not the same as promising that one will be reached. Nonetheless, it must be acknowledged that a) the Lebanese case is a strong one; and that b) Israel might well be convinced to accept an arrangement that falls well short of its stated demands.

The strength of Lebanon's position goes all the way back to the 1923 Paulet-Newcomb Agreement, which sets the border between what were then French Mandate Lebanon and British Mandate Palestine, and the 1949 Armistice Agreement, which ended hostilities in the 1948 war between an independent Lebanon and the recently established "state" of Israel. In the words of Israel's own Ministry of Foreign Affairs (website), the 1949 document "ratified the international border between former Palestine and Lebanon as the armistice line". This is important, not only because the Paulet-Newcomb pact sets Lebanon's southern border at Ras Naqoura, an advantageous point (for Lebanon) from which to delimit the two sides' EEZs, but also because in the absence of bilateral relations and therefore of a substantial record of cross-border trade, diplomacy, or other non-military interaction regarding the border, documents like these carry even more weight than might otherwise be the case.



Other factors also bode well for Lebanon's short- and long-term legal prospects, including the fact that the part of

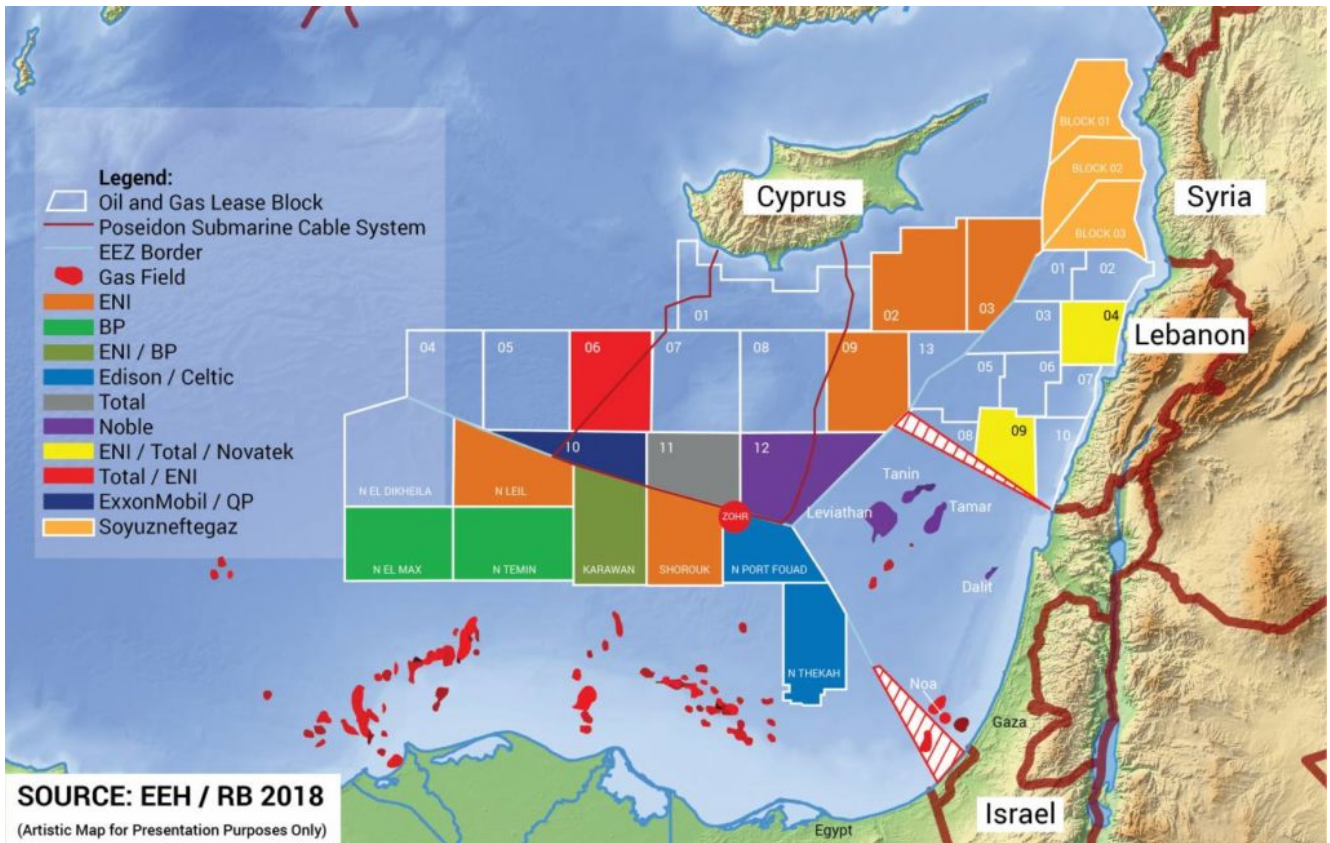
Block 9 in which TOTAL, ENI, and Novatek are most interested clearly lies well within Lebanon waters – even if one were to accept Israel’s maximalist claims. That leaves plenty of room for at least a short-term compromise that would allow exploration in areas not subject to dispute while leaving more difficult questions for a later time.

The quality of the information Lebanon has submitted to the UN and other interested parties also gives significant weight to its position, and in more than one way. The Lebanese side has used original British Admiralty Hydrographic Charts – widely recognized as the most accurate and authoritative available – as the starting point for the southern boundary of its EEZ, which lends even more credibility to its contentions. And by fortunate coincidence, the Israelis have relied on that very same source for their EEZ agreement with Cyprus (as have the Cypriots for their deal with Egypt).

Even on the issue of accepting CIL, there are signs that Israel may have relaxed its objections. In a March 2017 submission to the UN, the Israeli government said the dispute should be resolved “in accordance with principles of international law”. The missing “the” before “principles” indicates that Israel may well be trying to cherry-pick which elements of CIL it wants to recognize, but the language offers hope that it is ready to be more flexible. Given that there may now be agreement between the parties on certain principles of CIL regarding border delimitation, this could be an opening for a Lebanese submission to the UN Secretary-General to ask that he put forward a proposal.

Even before the 2017 submission, there were already indications of possible Israeli movement. In the December 2010 EEZ agreement between Israel and Cyprus, the preamble refers to both provisions of UNCLOS and principles of international law of the sea applicable to EEZs, even though Israel has never recognized either UNCLOS or international law itself. The same document also allows for review and modification if

this is necessary in order to facilitate a future EEZ agreement acceptable to “the three states concerned”, which cannot be interpreted to mean anything but the signatories and Lebanon.



This is not to pretend that the case is cut and dry. On one issue in particular, Israel can be expected to stress that its EEZ Agreement with Cyprus is based on the same maritime starting point that Lebanon used in its own EEZ agreement with Cyprus, which was reached in 2007 but has not been ratified by Parliament. This, however, is basically the only gap in Lebanon’s legal armor in this case, and Beirut has several strong arguments with which to close it: Lebanon could counter a) that in line with the Article 18 of the Vienna Law of the Treaties, which forms part of CIL, the 2007 EEZ agreement is not valid and binding as it was never been ratified by the Lebanese Parliament; b) that point 1 was chosen as the starting point for demarcation of the Cyprus/Lebanese EEZ in order to avoid either implicitly recognizing Israel or giving it a pretext for unilateral action; and c) that the line was

never intended to be a permanent one, just an interim solution until a triple point is defined among itself, Cyprus, and Israel.

In short, the average Lebanese needs to know that a well-negotiated deal through third-party mediation or arbitration would mean a far bigger victory for Lebanon than for Israel. The latter, one should keep in mind, is already producing gas from offshore fields, so opening up new ones represents only an incremental gain, making delay less meaningful. Lebanon, by contrast, has yet to start reaping such rewards at all, so the impact of an early start means an instantly massive improvement on the status quo; the sooner it can do so without fear of Israeli aggression, therefore, the better.

There is always the possibility that Israel could seek to short-circuit any diplomatic process in which it feels unable to dictate the outcome. It might not even have to use military force to achieve its ends, only to keep tensions high enough so that no drilling can even take place.

Even a spoiling strategy could cost Israel dearly, however, by further eroding its standing in the international community, alienating key allies, and discouraging investment in its own energy sector. A shooting war would be even worse for Israel, especially since its vulnerable offshore gas facilities would figure to be the highest-value targets of any conflict and would be almost impossible to defend. It is difficult to imagine how any combination of Israeli political and military objectives in Lebanon could justify losing these facilities, which constitute one of the Israeli government's most productive cash cows.

Once again, there are signs that Israeli officials have performed similar calculations. Most conspicuous has been the absence of Israeli drilling activity in the disputed areas: no licenses have been issued for any of the Israeli blocks that extend into waters claimed by Lebanon. At least for now, and

notwithstanding some of the more strident voices, most of Israel's leadership appears willing to take a wait-and-see approach.

To keep expectations in line with realities, then, Lebanese leaders need to be mindful of what they say in public. While being as transparent as they can for domestic purposes, they also must be politically astute to avoid compromising Beirut's negotiation position, sending mixed signals, and/or closing diplomatic doors. Measured rhetoric is not a common feature of the Lebanese political arena, but the country does have a first-rate diplomatic service, so perhaps some resources could be invested in a program of regular briefings seminars – for the president, prime minister, speaker, all Cabinet ministers and MPs, and relevant senior civil servants – on how to avoid such missteps, whether at a press conference or a gala dinner.

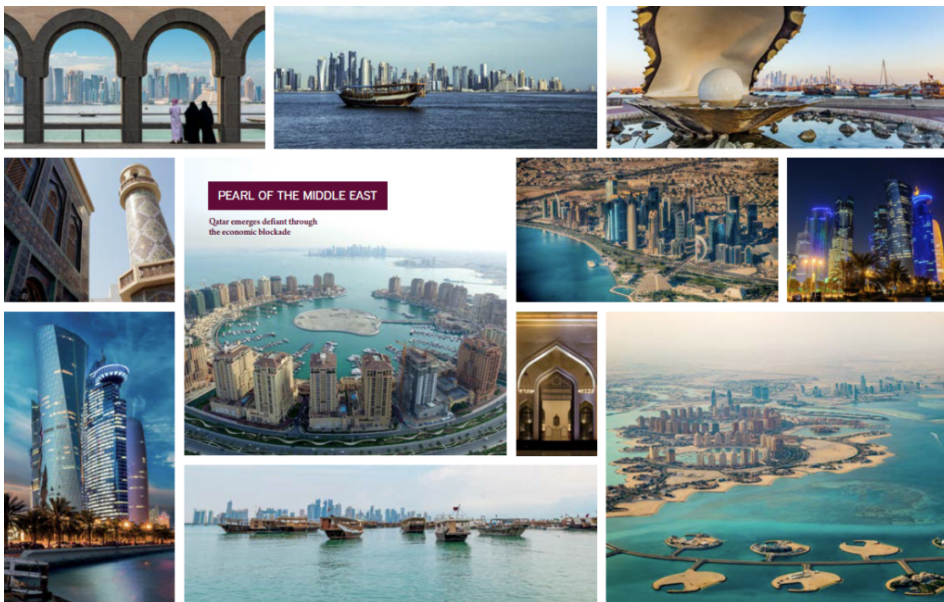
Apart from maintaining a united front and keeping the public informed, the other priority must be to leave no stone unturned in the search for a peaceful solution. This means that in addition to the US and UN avenues, Beirut would do well to enlist other participants as well, starting with the home countries (France, Italy, and Russia) of the companies forming the consortium that won the rights to Block 9. Then there is the European Commission, which knows full well that all of its member-states stand to benefit from the development of an East Mediterranean gas industry, which would diversify the sources of energy imports, improve the security of supply, and even put downward pressure on prices, adding higher living standards and greater economic competitiveness for good measure.

All of these players could potentially help mediate a formula that works for all concerned, but nothing is more important than reanimating and extending the US mediation role. Whatever one thinks of Washington's credibility as an honest broker in the Middle East, no other actor has its capacity to influence Israeli decision-making – and so to create sufficient time and

space for diplomatic efforts to mature.

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Keep calm, carry on



POLITICS / The Qatar crisis is hurting the GCC as a whole, economically and politically, while the targeted country is hanging on / Gerald Butt, Doha

The first time you see the picture, if you arrive in Doha by air, it's lit up in glass panels above each booth at passport control.

The image is black-and-white—giving the appearance of a stenciled drawing—of the Emir of Qatar, Shaikh Tamim bin Hamad Al Thani. He looks calm but resolute.

Underneath, the slogan in Arabic reads ‘Tamim the magnificent’. Thereafter, you see the same image all over Doha, sometimes tiny above the lift buttons in office blocks, other times covering the whole side of a high-rise building.

This public display of admiration for Sheikh Tamim, Qataris and long-term expatriates said, reflects genuine feelings of support for the way in which the country’s leader has handled the crisis resulting from the economic blockade. This was imposed by Saudi Arabia, the United Arab Emirates (UAE), Bahrain and Egypt on 5 June. The four states accused Qatar of failing to honour pledges to change some of its domestic and regional policies.

They insist the siege will continue until, among other things, Qatar ends its alleged support for terrorism and for the Muslim Brotherhood, and shuts down Al-Jazeera television.

Qatar has rejected the conditions as an infringement of its sovereignty. Shaikh Tamim told the United Nations General Assembly in September that the “unjust” and “illegal” blockade had been imposed “abruptly and without warning”, and Qataris considered it “as a kind of treachery”.

He went on to express “pride in my Qatari people” and foreign residents who had “rejected the dictates” and “insisted on the independence of Qatar’s sovereign decision”. When he returned to Doha, many thousands of people took to the streets to welcome him.

The Qatari leadership will have been relieved to witness that degree of public support, because the country faces difficulties—even though the energy sector has been unaffected, with oil and gas exports continuing normally. When the blockade was imposed, Saudi Arabia shut its land border

with Qatar. This caused an immediate problem because 40% of Qatar's food, including milk and dairy produce, came from the kingdom. Within days, new suppliers were found, food was airlifted from Iran and Turkey, and new shipping routes were established, using Sohar and Salalah ports in Oman as hubs, in place of Jebel Ali in the UAE. Food prices have risen, but today there aren't shortages.

The siege has, however, disrupted travel. Arriving from destinations to the west of Qatar involves a longer flight over Turkish airspace, swinging south down across Iran before approaching Doha from the east. Qatar Airways is facing higher fuel bills because of this, aside from lost revenue on the dozens of daily flights that used to connect Doha with Bahrain, Saudi Arabia and the UAE. "To get to a meeting in our Dubai office," a European businessman in Doha said, "means catching a flight to Kuwait and changing planes there. It's the best part of a day."

Economic survival

The other economic sector hit by the siege is banking. According to economists in Doha, \$21bn was withdrawn from Qatari banks in June, as UAE investors and others withdrew deposits, but outflow fell to \$10bn in July and \$5bn in August. Luiz Pinto, fellow at the Brookings Doha Center think tank and Qatar University, says that "so far, the government has stepped in whenever Qatari banks faced foreign deposit outflows and the non-renewal of other funding arrangements with foreign banks", mainly with transfers from the country's sovereign wealth fund, the Qatar Investment Authority.

The blockade, Pinto continued, had inflicted "a shock" on the economy, but in his view "there's no risk of a Qatari financial collapse. The central bank holds \$39bn in international reserves and foreign currency liquidity, and the government holds around \$300bn in its sovereign wealth fund. In addition, foreign revenues are firm and the public sector

holds \$32.4bn, or almost 30% of total deposits, in local currency within the Qatari commercial banking system”.

Pinto also dismisses speculation that Qatar might de-peg its currency from the dollar and devalue, saying that “economic factors commonly associated with a currency crisis and devaluation are simply not found in Qatar. The country runs structurally large fiscal and current account surpluses and is able and willing to sustain the dollar peg from its vast sovereign wealth”.

There are even outward signs of the economy getting back to normal. The Doha government points to the fact that imports in August were up 40% on July, returning to the pre-embargo level, proving, it says, that new trade channels are in place. But the figures don’t tell the whole story—they tell you the value, not the volume. The country is now compelled to spend more—basic imports are much more expensive. In the weeks ahead things will get more challenging. Qatar’s economy, leaving aside the energy sector, is living off a construction boom, mostly but not totally, associated with preparations for the 2022 World Cup. Almost everything

related to construction is imported, including most of the steel needed. For while Qatar’s own steel industry has the capacity to produce around 80% of its domestic needs, most production is tied

up in long-term export deals. Machinery is the crunch. Most importantly, nearly half of all imports are made up of machinery and

precision engineering equipment. This has traditionally been sourced from Jebel Ali, where bulk imports and storage capacity

have kept prices low. Today, industry in Qatar must re-order and bring equipment through Sohar, where there are very long delays, or direct from the manufacturers in Europe, the US or Far East. Not only will the costs soar with either option, but in

many cases new machinery on order will have different

specifications, necessitating the expense of fresh designs and alterations to building plans.

In the short term, priority will be given to imports for the energy sector and for projects directly related to the World Cup. But private firms, which began ventures at a time when there was plenty of cash, could be knocking at the government's door for help if costs rise substantially.

"It's a horrendous problem if this whole thing doesn't get sorted out," said a Qatari businessman.

For now, the Gulf crisis has reached a plateau, with neither side seeking to escalate it. Qatar hasn't retaliated against those imposing the siege: it's still pumping around 2bn cubic feet a day of natural

gas to the UAE through the Dolphin pipeline, although plans to increase the flow to 3.5bn cf/d are now on hold. Former energy minister Abdullah al-Attiyah was the architect of most of Qatar's gas

developments. Today he runs the Abha Foundation in Doha, a think tank that bears his name, and in a statement to *Petroleum Economist* said: "Despite the blockade, we honour our commitments

and will continue to supply gas to all of our customers. We like to separate business and politics—it's business as usual wherever possible." While the blockade is focused on Qatar, the three Gulf states imposing it are also feeling negative economic effects from trade, travel and tourism disruptions.

But Nader Kabbani, research director at Brookings Doha, says "economic considerations have, so far, not induced the UAE and Saudi Arabia to de-escalate, even when given opportunities to do so. This suggests that the dispute is more about personalities than anything else."

In other words, it's largely down to the three powerful young men at the centre of the crisis, Crown Prince Mohammed bin Salman of Saudi Arabia and Prince Mohammed bin Zaid of the

UAE—the instigators of the policy on Qatar—on the one side; and Shaikh Tamim on the other.

The crisis will continue until they can put aside their personal rivalries. What's clear already is that the implications for the Gulf Cooperation Council are profound. Even if a solution is found soon, there's no chance of a return to the status quo ante. The GCC as a body has shown its impotence by sitting on its hands throughout the crisis. Qatar, for example, will never allow a return to a state of affairs in which it relies on its Gulf neighbours for basic imports. Mutual trust has evaporated. This is perhaps the clearest message inherent in the proliferation of black-and-white images of Shaikh Tamim around Doha.

Qatar's new national museum, on the southern shore of Doha Bay, is taking shape. Not that it's an easy shape to describe. The building consists of large, white concrete petals, interlocking at different angles. The design is inspired by what's known as the desert rose, the effect resulting from the merging of gypsum crystals in the desert producing fragile discs that have the appearance of a petal.

It's appropriate that the new museum should acknowledge the importance of the desert in the creation of modern-day Qatar: the exploration for oil began in an arid region in the west of the country in the 1930s and subsequent onshore finds provided the revenue to fund the country's early development. But it's the sea beyond the line of palm trees outside the nearly-completed national museum—or more precisely the sea-bed—that's provided the main source of hydrocarbons responsible for Qatar's explosion of prosperity over the past couple of decades. With its vast offshore North Field (shared with Iran), Qatar sits on the third-largest reserves of natural gas in the world and has become the top producer of liquefied natural gas. Its two LNG firms, Qatargas and RasGas, between them notch up 77m tonnes in output every year.

In 2005, the Qatar government felt that things were perhaps moving too fast and decided to impose a moratorium on further North Field development to allow reservoir studies to be carried out. The energy minister at the time, Abdullah al-Attiyah, said “we have to be very careful about reserves, pressures, and how to continue for as long as we can.” The last LNG venture, Qatargas 4, came on-stream in 2011.

In April this year, the moratorium came to an end. Qatar Petroleum (QP) chief executive Saad al-Kaabi said the company had been “conducting extensive studies and exerting exceptional efforts to assess the North Field, including drilling wells to better estimate its production potential”. As a result, QP had decided that “now is a good time to lift the moratorium”. Work would start on a new venture to produce an extra 2bn cubic feet a day of natural gas for export from a new site in the southern sector of the North Field.

The expectation was that the extra LNG production capacity needed to handle the increased output would be found by the relatively cheap method of debottlenecking the existing trains. At the end of May, QP awarded Japan’s Chiyoda a contract to identify the modifications needed to raise capacity of all the trains at the Ras Laffan LNG plants.

LNG trains ready to launch

Then in July, out of the blue, QP announced that the 2bn cf/d North Field expansion plan was being doubled, and that the country’s LNG output capacity would rise by 30% to reach 100m tonnes a year within five-to-seven years. Petroleum Economist soundings in Doha indicate that Qatar is lining up for a major upstream and downstream gas project that’s estimated to be worth around \$30bn. It will involve well drilling, the construction of an offshore receiving platform, the laying of pipes to shore, and the establishment of a new gas treatment plant (with the likelihood of some 24,000 barrels a day of condensate being produced) before the gas reaches the LNG facilities. The debottlenecking is expected to add around 10%

to current capacity, taking it up from 77m t/y to about 85m t/y. The expectation at present is that two new LNG trains, each able to produce around 7.5m t/y, will be needed to process all the new gas, with capacity rising to the target 100m t/y.

No timetable has yet been decided for the new venture, but it's unlikely that QP will reach an agreement with a joint venture partner or partners before the second half of 2018. A huge amount of detail needs to be discussed, not least about the financing of the deal. Given the current constraints resulting from low global oil prices and the economic embargo, QP might want its IOC partner to shoulder the lion's share of capital expenditure. While the joint venture contract will be open to bidding, there's a strong possibility that one of the IOCs already involved in Qatargas/RasGas (including ExxonMobil, ConocoPhillips, Shell and Total) will be a favourite. The same goes for firms involved in the construction of the new trains.

Various explanations can be heard in Doha for QP's decision to double the already announced North Field expansion programme. One is that Qatar is concerned about Iran's increasing draw-down of gas from its half of the field (which it calls South Pars), another is that Qatar wants to send out a defiant message that it won't be intimidated by the economic embargo. In the view of Roudi Baroudi, head of Doha-based consultancy Energy & Environment Holding "the North Field has been Qatar's source of stability, and the country now wants to underpin that stability still more." Luiz Pinto of Brookings Doha also sees a link with the embargo: "The IOCs and other key foreign investors involved will lobby for international support for Qatar. The projects will also prove to be an additional source of support for the economy in the run-up to the World Cup in 2022."

After 2022, Qatar alone will bring new output to market—regaining its crown as the world's leading LNG

producer. PE Steady as she goes OIL OUTPUT / Qatar's oil strategy is to stem further production declines, as it tightens its economic belt and keeps the investment focus on natural gas / Gerald Butt, Doha If a day comes soon, with or without Opec/non-Opec consent, when Gulf oil producers decide to open the taps to the full, Qatar's contribution won't make the headlines. Saudi Arabia, with healthy spare capacity, and Kuwait—hopeful of reclaiming its 250,000-barrels a day Neutral Zone half-share and reaching its long-desired 4m b/d capacity target— are the Gulf's best hopes for adding new crude oil to the market.

Since the discovery and spectacular development of Qatar's offshore North Field and the country's meteoric ascent to the peak of liquefied natural gas producers, oil has always been something of a poor relation. In the current climate, with a harsh mixture of relatively low global oil prices and a Qatar economy that's struggling to come to terms with the Saudi-UAE-led blockade, its status is unlikely to change. Hang on as best you can, seems to be Qatar Petroleum's (QP) message to the country's oil sector.

Qatar's baseline for the Opec/non- Opec cuts was 0.648m b/d, down from peak production of more than 0.73m b/d at the start of this decade. Its current allocation is 0.618m b/d, with actual production in the 0.6m b/d range. "We'll be quite happy if we can stick with this figure for the immediate future," an oil sector official in Doha said. "We won't realistically be expecting more."

Maintaining the current production level will require enough effort in itself. Nearly half of Qatar's output comes from the offshore al-Shaheen field, 50 miles (80km) north of Ras Laffan. Up to July this year, Denmark's Maersk was the operator. The field has now been taken over by the North Oil Company (NOC), a joint venture between France's Total (30% stake and operator) and QP, (70%).

The concession term is 25 years. Al-Shaheen began production in 1994, and today 300 wells and 30 platforms are in operation. Total's task, after what's been a frosty handover from Maersk to NOC, is to expedite the drilling of new wells—the company says it has immediate plans to drill 56, using three rigs—in order to keep al-Shaheen at a 300,000 b/d plateau.

Maintaining a theoretical capacity plateau of 200,000 b/d is also QP's goal at its vast and veteran (production began in 1949) onshore Dukhan field. At present, output is in the range of around 175,000 b/d. A study for possible enhanced oil recovery operations has been carried out, and the plan is for this to begin in the next two years, QP budgets allowing. But once again, the best hope is for merely a holding operation. There'd been plans for extra barrels to come from the offshore Bul Hanine field, also operated by QP.

A proposal to more than double capacity from 40,000 b/d to 90,000 b/d was announced in May 2014, but dropped when international oil prices fell in the months thereafter. Earlier this year, engineering, procurement and construction bids were received for a Phase 1B development scheme, again with a 90,000 b/d target. But with the economic blockade prompting a reassessment of spending plans, Bul Hanine's production is unlikely soon to rise above 40,000 b/d. The fate of Qatar's oil sector, it seems, is to remain for ever in the shadow of big brother gas.

بارودي: الجدول الزمني

للإمتيازات البرية أقل من البحري



قدّم الكثير لتطوّر القطاع وتقريب الدول " Margerie" DE بارودي: الجدول الزمني للإمتيازات البرية أقل من البحري

المركزية- أعرب الخبير الإقتصادي في شؤون الطاقة رودي بارودي عن أسفه الشديد لغياب رئيس مجلس إدارة شركة "توتال" العالمية الرجل الذي قدّم الكثير لتطوّر هذا " Christophe de Margerie القطاع وحاول التقريب في ما بين الدول"، مثمّناً "رحيله وهو يقوم بمهامه كرئيس "توتال" إذ كان يحاول تذليل المزيد من الصعوبات التي يواجهها القطاع عموماً و"توتال" خصوصاً، وتحقيق إنجازات جديدة لشركته.

من جهة أخرى، شرح بارودي لـ"المركزية"، بعض النقاط المتعلقة بآلية التنقيب البري والبحري عن النفط والغاز في لبنان، وشدد في هذا السياق على أبرز المحاور التي تشكّل أولوية في هذه العملية، وهي:

أولاً: على الحكومة فصل القانون البري وآلياته عن عملية التنقيب - البحري.

ثانياً: إعداد خارطة طريق واضحة وشفافة للإمتيازات البرية -

وأضاف: يظهر أن مع نهاية العام الجاري، ستتوفر لدى غرفة البيانات حول D في وزارة الطاقة والمياه، كامل صور ودراسات 3 (Data Room) Transitional Zone (الشاطئ) E & P باطن سطح الأرض لشركات الـ وذلك من أجل شراء البيانات وفحصها قبل البدء بالإلتزامات البرية.

الحالية فسيتم دمجها في مشروع المسح D أما الخطوط الزلزالية 2
"الجوي، عبر قياسات متعددة

وقال رداً على سؤال: إن الجدول الزمني للإمтиيازات البرية سيستغرق
فترة زمنية أقل بكثير مما تتطلبه الإمтиيازات البحرية، إذ في
الإمكان البدء بالحفر (الإستكشاف) وتنفيذه في وقت أسرع مما هو عليه
في الآبار البحرية

وأكد أن "الإلتزام البري للشركات يُفترض أن يُحدّد لمدة ثلاث
سنوات، ويمكن أن تشمل الإمтиيازات في هذا المجال، بين ثلاثة وخمسة
آبار على الأقل وبميزانية أقل من تلك المخصصة للآبار البحرية"،
وأعطى مثالاً على ذلك، "خمسة ملايين دولار للآبار البرية، في مقابل
125 مليوناً للآبار البحرية البعيدة من الشاطئ، أما المدة فتتراوح
بين شهرين وأربعة أشهر للأولى، في مقابل ستة أشهر وسنة للثانية

وفي المقلب الآخر، شدد بارودي على "ضرورة تقسيم المياه البحرية
الخاضعة للولاية القضائية اللبنانية، إلى مناطق بشكل رُقع، على أن
يتم الانتهاء من نموذج "اتفاقية الإستكشاف والإنتاج" في أسرع وقت،
بالتزامن مع مرسوم دفتر الشروط والإفادة من التراخيص البحرية

وقال: يبقى الأهم التوافق السياسي على هذا المشروع المستقبلي
الضخم، والإفادة من دعوات رئيس المجلس المتكررة إلى الحوار
والحفاظ على الأمن والإقتصاد على السواء

وأخيراً، أثنى بارودي على "الدور الرائد الذي تقوم به" هيئة
إدارة قطاع البترول في لبنان" وتنظيمها للمؤتمر المنعقد في
"بيروت، والذي سيطلق آفاقاً جديدة في عملية التنقيب عن النفط

**Energy and Environmental
Economist, Roudi Baroudi**

joins Power House Energy Advisory Panel



PowerHouse Energy Group Plc (AIM: PHE), the company focused on ultra high temperature gasification waste to energy systems, and the creation of Distributed Modular Gasification© (“DMG”), are delighted to announce the appointment of Roudi Baroudi to its recently established Advisory Panel.

Roudi is a global energy expert with over 37 years experience of international public and private companies across oil & gas, petrochemicals, power, energy-sector reform, energy security, carbon trading mechanisms and infrastructure. In addition, he is currently a member of the United Nations Economic Commission for Europe’s Group of Experts of Gas – this is a body established to facilitate dialogue on promoting safe, clean and sustainable solutions for natural gas production.

With a wealth of international experience he has worked on project and program development with the World Bank, the IMF, the European Commission USAID and the Arab Fund for Economic and Social Development. Mr Baroudi is a regular lecturer on global energy affairs and is also the author and co-author of a number of

books, article studies and research reports on political, economic and climate change as well as other energy associated matters.

It should be noted that none of the Advisory Panelists are Directors of the Company, and while management, and the Board, will seek their counsel on particular matters pertaining to their individual expertise, the governance and decision making authority for the Company rests solely with the Board of Directors.

Keith Allaun, Executive Chairman of PowerHouse, said: "I believe it is a very strong validation of PowerHouse's potential that we are able to attract someone of the calibre of Roudi to assist the Company.

"The tremendous advantages afforded the Company by such an experienced Advisory Panel cannot be overstated and we are very pleased to welcome Roudi to the team. The members of this panel, investing their time and commitment to our success, will help the Company achieve its commercial goals in segments of the market, and geographies, in which we are well suited to operate.

"I am honoured that each of these industry luminaries has agreed to serve our objective of ubiquitous DMG. With their assistance, we believe PowerHouse and DMG have a very bright future."

Further information on Roudi Baroudi

Roudi Baroudi has more than 37 years of international public- and private-sector experience in the fields of oil and gas, petrochemicals, power, energy-sector reform, energy security, environment, carbon-trading mechanisms, privatization and infrastructure.

Mr. Baroudi's transactional practice began when he joined an

energy firm in Pittsburgh, Pennsylvania, U.S.A., in 1978. His practice relates principally to the energy, high technology, renewable and green electricity, and life sciences sectors of the economy, and involves contract and legal negotiations and investment vehicles, business combinations, divestitures and operations, as well as various forms of corporate and government finance.

His international experience includes project and program development with the World Bank, the IMF, the European Commission, state-to-state protocols, USAID, the Arab Fund for Economic and Social Development, and Italian Bilateral Protocols, as well as multilateral agency financing in the United States, the Middle East, Central Asia, Japan and Europe, many of which have involved negotiations between and among private and publicly owned concerns and national governments or state enterprises.

Mr. Baroudi has helped to formulate energy and environment policies in the Euro Mediterranean and North Africa region and for the Middle East area. He participated in the preparations of the Euro-Med Energy Free Trade Zone, and in the Euro-Med Regional and Euro-Med Government negotiations. He also has had a role in energy and transportation policies, advising both the European Commission and its Mediterranean partners between the Barcelona and Trieste Declarations of 1995-1996 and 2004. In addition, Mr. Baroudi was a founding member of the Rome Euro-Mediterranean Energy Platform (REMEP).

In particular, his work and research on integration have focused on energy and transportation networks and related projects, including natural gas and electricity rings affecting both EU and non-EU member states bordering the Mediterranean. His expertise is regularly sought by the United Nations Economic Commission for Europe (UNECE), which invites him to participate in the expert working party on topics such as gas

savings, underground gas storage, and sustainable energy development.

Mr. Baroudi has done extensive work in energy, security and economic development, industrial programs which have help bring about energy and economic advances related to private sector power development, electricity market unbundling, gas market reform, political reform and deregulation. He also has done extensive work on international oil and gas ventures, including petroleum development and exploration, as well as government legislation.

Mr. Baroudi has held a variety of influential positions. In 1999, he was elected secretary general of the World Energy Council – Lebanon Member Committee, a position he held until January 2013. He is also a member of the Association Française des Techniciens et Professionnels du Pétrole (French Association of Petroleum Professionals and Technical Experts). Mr. Baroudi is a former senior adviser to the Arab Electricity Regulatory Forum (AREF), a member of the Energy Institute, (UK), and a member of the International Association for Energy Economics (IAEE) in the U.S.A. Mr. Baroudi also serves on several boards of directors of different companies and international joint ventures.

Mr. Baroudi is the author or co-author of numerous books, articles studies, and research reports on political, economic, climate change and other matters associated with energy. His insights on these and related issues are frequently sought by local and international companies, governments, media and television outlets. He is also a regular lecturer on global energy and transportation affairs.

In addition to the foregoing, Mr. Baroudi is currently a member of the United Nations Economic Commission for Europe's Group of Experts of Gas, a body established to facilitate

multi-stakeholder dialogue on promoting safe, clean, and sustainable solutions for the production, distribution and consumption of natural gas in the world's single-largest energy market.

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About PowerHouse Energy

PowerHouse is the holding company of the G3-UHt Ultra High Temperature Gasification Waste-to-Energy system, and the creator of Distributed Modular Gasification© ("DMG")

The Company is focused on technologies to enable energy recovery from municipal waste streams that would otherwise be directed to landfills and incinerators; or from renewable and alternative fuels such as biomass, tyres, and plastics to create syngas for power generation, high-quality hydrogen, or potentially reformed into liquid fuels for transportation. DMG allows for easy, economical, deployment and scaling of an environmentally sound solution to the growing challenges of waste elimination, electricity demand, and distributed hydrogen production.

PowerHouse is quoted on the London Stock Exchange's AIM Market. The Company is incorporated in the United Kingdom.

For more information see www.powerhouseenergy.net

Roudi Baroudi Remarks at the 8th Mediterranean Oil and Gas Forum 2017 in Nicosia, Cyprus.





These are truly historic times for the Eastern Mediterranean. The region still has more than its share of problems, but we could be on the verge of a new era – and the energy industry is well-positioned to show the way.

Energy is the lifeblood of modern economies, and all of the science points to massive reserves of oil and (especially) natural gas off the coasts of several Eastern Med countries, including Cyprus, Egypt, Israel, and Lebanon. If responsibly managed, this resource will contribute both directly and indirectly to significant GDP growth, giving these countries the capacity to make long-overdue investments in education, healthcare, infrastructure, transport, and other sectors. In turn, these investments will improve overall competitiveness, raise standards of living, reduce poverty, and set the stage for self-sustaining growth over the long term.

For our region, though, “responsibly managed” means more than just following international business, governance, environmental, and safety standards: it also means finding a way to build and maintain economic and political trust, both between nation-states and within individual societies. Whether we like it or not, we are all partners in this endeavor, so we share an interest in achieving the kind of stability that encourages private investment, reduces trade barriers, and accelerates economic activity across the board. If long-time rivals provide sufficient political and/or diplomatic space for our emerging energy industry to take root, the resulting economic benefits will flow to all concerned, alleviating many of the symptoms – and even some of the causes – of the region’s various problems.

No discussion of this topic is complete without emphasizing the central role to be played by Cyprus. Although every country involved will retain some of its gas production for domestic use, for most of us the real game-changer will be a massive boost in export revenues. There are two ways to get gas to markets in Europe and elsewhere – pipelines and liquid natural gas (LNG) carriers – and Cyprus is clearly the best gateway for both.

Its geographical location, ample coastline, and unique geostrategic position make it: 1) the perfect collection and distribution point for the output of neighbors like Lebanon and Israel; 2) an ideal terminus for one or more pipelines to Turkey and the European mainland; 3) the only viable location for a regional LNG plant; and 4) a natural middleman between regional governments whose relationships are troubled or non-existent. Because of these and other qualities, including its membership in the European Union, Cyprus should be the cornerstone on which the entire edifice of regional energy growth is built.

What is more, the Republic of Cyprus (ROC), has taken serious steps to make the most of these circumstances by establishing

a presence at several steps along the region's energy value chain. It has moved quickly and effectively to make the island an indispensable regional energy hub by passing suitable legislation, setting up a national energy company, and drawing up a world-class regulatory regime. It also has **already signed EEZ delimitation agreements with Egypt, Lebanon and Israel**, attracted oilfield support, communications, and other service firms, and has now held three successful licensing rounds for exploration and production rights, securing the participation of major IOCs from around the globe.

The only significant **hurdle** still standing is the decades-old division of the island, where the internationally recognized ROC controls only the southern two-thirds, while the rest is under the **Turkish control through the "Turkish Republic of Northern Cyprus" ("TRNC")**. Here too, however, both sides have demonstrated strong commitment to a negotiated reunification, and while the latest round of talks has been delayed by an uptick in tensions, there is **still reason to expect a resumption**.

Among these reasons is the fact that the new US Secretary of State, Rex Tillerson – whose previous career as head of ExxonMobil makes him singularly well-equipped to understand the importance of Cyprus – has already taken a direct interest in the peace process. We can only hope that the US, the UN, and the EU will exert even more positive pressure to help the talks succeed, including the powerful inducement of having at least some of the region's gas exports pass through Turkey, which is already one of the world's most important energy corridors.

TRNC. The governments of Greece and the United Kingdom also have critical parts to play in helping the Cypriot people to achieve reconciliation and start reaping the rewards thereof.

The other question mark in the Eastern Med is my homeland, Lebanon, and while a lot of time has been wasted in the past

few years, efforts to get its house in order are finally back on track.

Until recently, political infighting had blocked Parliament's election of a new president for more than two years, the Parliament extended its own mandate for nearly three years, and the prime minister and Cabinet were basically caretakers because of widespread perceptions that they lacked legitimacy. Even before this multi-sided impasse, rival political camps were so mutually suspicious that cooperation was impossible.

Despite these headwinds, some crucial preparatory steps were taken. The Lebanese Petroleum Administration was created in 2012, and while political squabbles delayed its work, the LPA still found a way to lay the foundation for the country's nascent energy sector: all the necessary mechanisms are in place or ready to be rolled out, including tender procedures and draft terms for the fiscal regime.

It is my pleasure to report that other pieces are now falling into place as well. The former commander of the Lebanese Armed Forces, General Michel Aoun, has been elected president, and he enjoys more broadly based support than any of his recent predecessors. He also has made a welcome habit of insisting that Lebanon can only regain its former glory by ensuring and enforcing the rule of law, something that will be essential if the Lebanese are to keep the proceeds of gas exports from being squandered by incompetence or pilfered by malfeasance.

There is a new prime minister too, and he and his Cabinet likewise enjoy relatively strong acceptance. Last but not least, most political factions have gotten serious about holding new parliamentary elections. The usual debate over constituency size and other rules may cause a delay, but most signs point in the right direction.

As many had hoped, the LPA has moved quickly to take advantage of improving political conditions. Most tellingly, it has

initiated 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 (EEZ). At least two of the five blocks are pretty straightforward: Block 4 lies entirely within Lebanon's EEZ, directly off the coast, while Block 1 lies in the northwest corner, where demarcation has already been agreed with Cyprus. **(As far as I know there is no delimitation agreement between Lebanon and Syria. Actually there is a maritime dispute stemming from the tabling by Lebanon of coordinates for its northern EEZ boundary to the UN to which Syria objected in writing).**

Blocks 8, 9, and 10 are more complicated because all three are in the south, where Lebanon's maritime claims overlap with Israel's. The area in question is less than 5% of Lebanon's EEZ and an even smaller slice of Israel's **claimed EEZ**, which would have been negotiated away under normal circumstances, but the two countries have technically been at war for almost 70 years, punctuated by repeated outbreaks of actual hostilities and even more numerous threats thereof.

The situation is difficult but not impossible. **The US and the UN, as well as Cyprus have rendered their good offices in order to find ways to solve the dispute** by holding separate talks with Israeli and Lebanese officials, and whatever their other disputes, both sides now have a shared interest in avoiding anything that might hinder energy development. With so much at stake in terms of attracting foreign investment, securing export revenues, and accelerating GDP growth, the cost of another shooting war would simply be too high.

Conversely, the benefits – not just for Lebanon and Israel, but also for their neighbors and their would-be customers – of getting down to business are too attractive to pass up. Reliable supplies of cheap, clean natural gas from the Eastern Med would improve energy security for Turkey, the EU, and other consumer nations. Europe in particular would benefit from lower energy costs, reducing a major burden on households

and restoring economic competitiveness. Perhaps most importantly, an East Mediterranean gas boom touched off by diplomacy would set an inspiring example for other regions haunted by longstanding disputes.

Beirut is not out of the woods yet. It still needs to settle several issues, including the establishment of a transparent and accountable Sovereign Wealth Fund to make sure that the benefits of future energy revenues flow to the general population rather than to small groups of economic and political elites. But at least the guiding principles are clear: steer clear of unnecessary frictions with Israel, follow international best practice, and protect the ensuing revenues. Other obstacles may well emerge, but none will be insurmountable if these three rules are followed. REB remarks for Nicosia 2 March 2017

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It is my pleasure to report that other pieces are now falling into place as well. The former commander of the Lebanese Armed Forces, General Michel Aoun, has been elected president, and he enjoys more broadly based support than any of his recent predecessors. He also has made a welcome habit of insisting that Lebanon can only regain its former glory by ensuring and enforcing the rule of law, something that will be essential if the Lebanese are to keep the proceeds of gas exports from being squandered by incompetence or pilfered by malfeasance.

There is a new prime minister too, and he and his Cabinet likewise enjoy relatively strong acceptance. Last but not least, most political factions have gotten serious about holding new parliamentary elections. The usual debate over constituency size and other rules may cause a delay, but most signs point in the right direction.

As many had hoped, the LPA has moved quickly to take advantage of improving political conditions. Most tellingly, it has initiated 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 (EEZ). At least two of the five blocks are pretty straightforward: Block

4 lies entirely within Lebanon's EEZ, directly off the coast, while Block 1 lies in the northwest corner, where demarcation has already been agreed with Cyprus. **(As far as I know there is no delimitation agreement between Lebanon and Syria. Actually there is a maritime dispute stemming from the tabling by Lebanon of coordinates for its northern EEZ boundary to the UN to which Syria objected in writing).**

Blocks 8, 9, and 10 are more complicated because all three are in the south, where Lebanon's maritime claims overlap with Israel's. The area in question is less than 5% of Lebanon's EEZ and an even smaller slice of Israel's **claimed EEZ**, which would have been negotiated away under normal circumstances, but the two countries have technically been at war for almost 70 years, punctuated by repeated outbreaks of actual hostilities and even more numerous threats thereof.

The situation is difficult but not impossible. **The US and the UN, as well as Cyprus have rendered their good offices in order to find ways to solve the dispute** by holding separate talks with Israeli and Lebanese officials, and whatever their other disputes, both sides now have a shared interest in avoiding anything that might hinder energy development. With so much at stake in terms of attracting foreign investment, securing export revenues, and accelerating GDP growth, the cost of another shooting war would simply be too high.

Conversely, the benefits – not just for Lebanon and Israel, but also for their neighbors and their would-be customers – of getting down to business are too attractive to pass up. Reliable supplies of cheap, clean natural gas from the Eastern Med would improve energy security for Turkey, the EU, and other consumer nations. Europe in particular would benefit from lower energy costs, reducing a major burden on households and restoring economic competitiveness. Perhaps most importantly, an East Mediterranean gas boom touched off by diplomacy would set an inspiring example for other regions haunted by longstanding disputes.

Beirut is not out of the woods yet. It still needs to settle several issues, including the establishment of a transparent and accountable Sovereign Wealth Fund to make sure that the benefits of future energy revenues flow to the general population rather than to small groups of economic and political elites. But at least the guiding principles are clear: steer clear of unnecessary frictions with Israel, follow international best practice, and protect the ensuing revenues. Other obstacles may well emerge, but none will be insurmountable if these three rules are followed.