

Prepared for

LEADERS CLUB
by LEBANON OPPORTUNITIES

Economic Revolt

A Plan for Revival

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INFOPRO
RESEARCH

Oil and Gas

INDICATORS

Imports of petroleum derivatives increased four percent to four million tons in the first half of 2019 compared with the same period of the previous year. The value of these imports varies according to changes in global oil prices. It totaled \$4 billion in 2018.

■ Estimated offshore natural gas



25 Trillion cubic feet (TCF)

Source: UK-based company Spectrum

■ Local demand for petroleum products



■ Import of petroleum derivatives (million tons)



Source: Central Bank

■ Requirement for offshore oil and gas exploration and development



Source: Ministry of Energy and Water

EXECUTIVE SUMMARY

The winning consortium of the first exploration bid – Total, ENI, and Novatek – will start offshore exploration for oil and gas in Block 4 by January 2020. Drilling in Block 9 will start later in 2020. If commercial quantities are found, production will start in a few years. The exploration period is five to six years. After the discovery of commercial quantities, the consortium will set up development and production plans. Oil companies will be competing to bid for licensing. For this reason licensing is done gradually. A second round of international bids has been launched in mid-2019. It is scheduled to close in January 2020. Licensing rights awards require the approval of the Council of Ministers. Meanwhile Lebanon depends entirely on imports to fulfill its needs of oil derivatives. Another ongoing project in this field is the construction of Floating Storage Regasification Units (FSRU) along the shore for the importation of natural gas for power generation plants which currently use heavy fuels. A tender has been launched and results should be announced soon.

SHORT TERM measures

- Decree pertaining to the 'Petroleum Register'. This register is similar to a real estate register. The rights, mortgages, and shares of owners in petroleum assets will be recorded. Disclosures of the beneficial owners will also be recorded. This provides full transparency on the right holders. It is important to do this immediately because it gives a positive signal to stakeholders
- Reduce the number of planned Floating Storage Regasification Units (FSRUs) to three
- Issue implementation decrees emanating from the Transparency law.

LONG TERM measures

- Establish the National Anti-Corruption Commission
- Improve the subcontracting process
- Local companies should have equal opportunities to bid for subcontracts during the exploration and production process. Identity of the owners of such companies must be disclosed
- A plan for the usage of revenues generated from the oil and gas sector should be devised. Appropriate a portion of revenues to a Sovereign Wealth Fund, with the balance to be portioned between debt reduction and investment in infrastructure
- The planned 'Sovereign Wealth Fund' is supposed to be the tool to support the real economy. Two draft laws are being discussed in Parliament to regulate this fund. Experts, civil society activists, and the Economic and Social Council should join hands to tackle the issue of setting up the sovereign fund
- The Offshore Petroleum Resources Law requires the creation of a national oil company. The time for establishing the company is related to oil or gas discoveries and commercial opportunities. The National oil company will hold the share of the government in the sector. It should abide by good governance principles. Instead of establishing a state-owned oil company (now deemed an antiquated model), other alternatives should also be explored.