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LEBANON

Tapping Lebanon's gas wealth won't be complicated: expert

By Mohamad El Amin

BEIRUT: Fresh analysis of offshore seismic surveys of Lebanon are showing that tapping into Lebanon's gas wealth might be easier than first thought, said experts at a major oil conference Tuesday.

"On the old 2-D data, we had initially thought that the main plaque [layer] offshore Lebanon has the same age as in Tamar and Leviathan [gas fields offshore Israel]," said Neil Hodgson, director of geoscience at Spectrum – which has commissioned multiple surveys offshore of Lebanon.

"But what we actually discovered is that there are two plaques on Lebanon's offshore. ... This is a really, really good thing [for natural gas prospects]," Hodgson told The Daily Star on the sidelines of the Lebanon Oil & Gas 2013 Summit.

The much shallower layer has high prospects and, equally importantly, will reduce efforts needed to tap the wealth, Hodgson said.

The higher prospects became apparent in the last few months as the company finalized the processing of 3,000 sq km of 3-D data from deep water southwest of Lebanon.

In order to reach the initially identified deeper targets, oil and gas companies would have needed to drill about 6-7 km deep.

But for the newly spotted shallow layer, companies would only need to drill 3.5 km, cutting the time and cost of the whole process and making the retrieved natural gas reserves commercially viable.

Hodgson said Lebanon was in a unique situation with 70 percent of the offshore acreage already having been covered by 3-D seismic surveys.

"As far as I know this has been never done before," he said, estimating this has accelerated the whole process by two or three years."

If things proceed as they have been so far, Hodgson said 2019 or 2020 could be the year when Lebanon is expected to commercially produce gas.

Starting next week, Spectrum will acquiring a new 3-D survey offshore Lebanon, meaning data coverage will be increased to above 95 percent.

“Offshore Lebanon will be almost completely covered with 3-D seismic surveys and the [oil and gas] industry will immediately know exactly where to drill and will have all the tools to drill their wells,” Hodgson added.

While there are no proven reserves in Lebanon until drilling occurs, Spectrum estimates prospective resources in the 3000 sq km at between 30 and 40 trillion cubic feet of gas.

Onshore surveys focusing mostly on oil rather than natural gas are also expected to be launched soon.

Western Lebanon, including the west Bekaa Valley and northern Bekaa, is also very promising, he said, predicting the areas would have plenty of structures where source-rock reservoirs would be expected.

But as geologists expressed cautious optimism, economists seemed to be less sure.

“When it comes to the oil and gas sector, I usually advise people to keep their expectations low,” said **Carole Nakhle, Economist at U.K.-based Surrey Energy Economics Center**, told The Daily Star.

“It is very easy to get over-excited about a bonanza, something you receive like a gift. But we are talking about a huge sector which has high risk, lots of investment upfront and is capital intensive, which means that it will not be a big employer.”

What is even more important is how oil and gas revenues are poured into the economy, **Nakhle** added.

“This is where we have a big risk. Experience shows that in developing countries where you have weak institutions, like unfortunately in Lebanon, ... the risk of having a resource curse is more pronounced,” she said.

In such economies, high expectations come with high disappointment when governments start to spend money that they have not earned yet, **Nakhle** explained.

“Then they are faced with cost overruns or project, production delays. This delays revenues and governments find themselves stuck and renegotiate contracts into unfavorable conditions,” she said, highlighting Kazakhstan and other countries as examples that faced such dilemmas.

Lebanon has so far set international good practices but applying these standards when the drilling starts might be a different story if the country does not build its institutional capacities, she added.

Economic policymakers should keep in mind that the oil and gas sector itself will not create jobs for the economy but productive sectors that will benefit from it, **Nakhle added.**

A presentation by Alia Mobayed, economist at Barclays MENA, echoed **Nakhle.** Grappling with large twin deficits in its fiscal and current account balances, Lebanon should focus on restoring and financing, when oil and gas revenues are made available for the state, Mobayed said.

She stressed that a top priority for Lebanon should be avoiding falling into a Dutch disease scenario, when real exchange appreciation leads to loss in competitiveness across tradable sectors.

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