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How much gas revenue will be stolen?

By Matt Nash



Lebanon is set to finish accepting pre-qualification applications from companies that want to bid on licenses to explore for offshore natural gas and oil on Thursday, effectively launching an oil and gas sector in the country. Given that Lebanon is perceived to be rampantly corrupt, it remains to be seen just how transparent this new sector will be.

A press aide to caretaker Energy Minister Gebran Bassil said no one could answer four questions from NOW before Thursday, and Bassil has banned the newly appointed Petroleum Administration – responsible for overseeing the sector – from speaking to the press. Further, a strategic environmental assessment looking at how the sector might impact Lebanon and its waters [conducted last year](#) by a British company is currently not a public document, the Minister of Environment told NOW.

That said, Bassil has repeatedly told other media outlets that the entire sector will indeed be transparent.

Sami Atallah, head of the Lebanese Center for Policy Studies, is spearheading a two-year project to study and push for transparency and best practices in the oil and gas sector in order avoid the so-

called “Oil Curse.” He told NOW that initial contacts with the Petroleum Administration (PA) have been positive.

“We have a good relationship,” he said. “The PA is amenable to working with us and show us their work.”

Publish What You Pay (PWYP), an international NGO that calls on oil and gas companies to reveal detailed accounts of what they pay governments and calls on governments to report their earnings, is currently operating in Lebanon.

Diana Kaissy, PWYP’s representative in Lebanon, told NOW that the group’s activities are focused on educating civil society groups and other NGOs about transparency in the oil and gas sector, and in turn, pushing them to keep the government honest.

She said that – given the sector’s infancy and the fact that revenues won’t start flowing in for another five to seven years, if not longer – many in civil society do not yet realize how important it is to push for transparency from the very beginning.

“You have to be ahead of the game,” she said. “You have to be aware of what other countries have done and what other civil society organizations have done.”

Kaissy added that “the crucial thing now is to advocate for transparency in the contracts that will be signed,” which is expected to happen in April 2014, if everything goes according to schedule.

Indeed, the contracts that will be signed next year will basically set in stone the development of the sector for the foreseeable future. Based on the 2010 offshore oil and gas exploration law, contracts will be valid for up to 40 years.

Kris Van Orsdel, an industry expert, recently told a training session in Beirut for journalists covering the sector that government can use contracts as a tool to demand that companies respect the environment and can even stipulate that some revenues from oil or gas sales get invested back into local communities. Kaissy noted that citizens will not know if the government is signing contracts with their best interests in mind if the contracting process is entirely secret.

Further, the law stipulates that in order to win a license to drill, at least three international oil and gas companies have to form a consortium to bid. A source familiar with the oil and gas sector, who spoke anonymously as he was not authorized to speak with the press, told NOW that one way politicians in developing countries get a piece of the pie is by establishing companies that join consortia as “carried partners.” This means they do not invest in building rigs and actually drilling for oil and gas – as the other partners do – but they do share in the revenues.

The source added that, based on the publicly available pre-qualification criteria the Ministry of Energy [has made available](#), carried partners would be able to participate in Lebanon’s oil and gas sector. The Ministry of Energy will not respond to a request for comment on carried partners until Thursday.

Atallah, from the LCPS, added that corruption in the sector also seeps in when it comes to service contracts – i.e., the companies paid to support, feed and house employees working out on oil or gas rigs.

Also, he noted that there are still unanswered questions related to governance of the sector.

“Who’s going to monitor and enforce the contracts between the PA and the international oil companies,” he asked rhetorically. “Can the PA enforce a contract it has negotiated? There’s a conflict there. You need a third party to enforce and monitor. These questions need to be addressed now.”

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