

Post Event Report

22-23rd April 2013

Four Seasons Hotel Beirut, Lebanon

www.lebanonsummit.com



Lebanon Oil & Gas 2013 Summit



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... it's an iron Summit.

« Perfect for networking and discussing thoughts »

« Excellent venue for business networking »

« Good organisation, good number and quality of attendees »

« Combining substance and style, IRN conferences are an ideal way to branch out and network with participants in up and coming energy markets! »

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01 Introduction

IRN recently hosted the Lebanon Oil and Gas 2013 Summit on 22nd - 23rd of April in the 5* Four Season Hotel in Beirut, Lebanon.

Lebanon is a very promising and an underdeveloped region for oil and gas exploration and production, and recent surveys and data have highlighted the importance of new exploration strategies. Companies all over the world have expressed interest for investing in this area, and the Lebanon Oil & Gas 2013 Summit served to gather key Government officials, NOCs, oil and gas companies, economists, key service providers, law firms and scientists with expertise and experience in the region, to discuss the new geopolitical, legal, and economic situation in Lebanon. The Summit was a strong platform that allowed the key players of the oil and gas market to network and address the most pressing issues to allow the industry to further develop.

IRN brings to you this exclusive Post-Summit Report summarising key points and conclusions from some of the presentations at the meeting so you can better gauge the challenges, barriers and drivers to progress in the oil and gas exploration and production in Lebanon.

Our esteemed Speaking faculty at the **Lebanon Oil and Gas 2013 Summit** included:

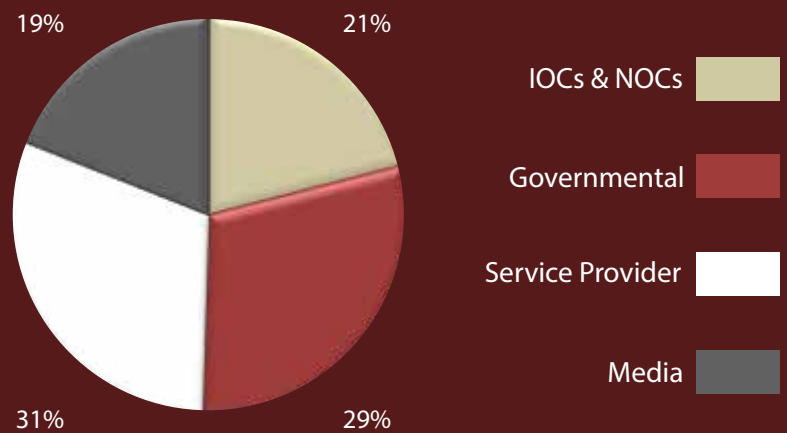
- **Nikolaos E. Farantouris**, Head of Legal, DEPA Greece
- **Mohammad Kabbani**, Chairman of the Parliamentary, Committee on Energy (Oil & Gas)
- **HE Svein Aass**, Ambassador of Norway, Lebanon
- **HE Tom Fletcher CMG**, Ambassador of UK, Lebanon
- **Hon Lord Howell**, former UK Secretary of State for Energy, former Minister of State in the UK Foreign Office and Personal Adviser to the UK Foreign Secretary, UK
- **Dr. Carole Nakhle**, Energy Economist, Surrey Energy Economics Centre, UK
- **Enzo Zappaterra**, Senior Exploration Advisor (EMED), PetroServ (CY) International
- **Ali Haidar**, Professor of Geology, American University of Beirut, Lebanon
- **Dr. Neil Hodgson**, Exploration Director, Spectrum
- **Ziad Obeid**, Partner, Obeid Law Firm, Lebanon
- **Max Torres**, Exploration Director, Repsol, Spain
- **Solon Kassinis**, Executive Vice President of Cyprus National Hydrocarbons Company, former Energy Director, Ministry of Commerce, Industry and Tourism, Cyprus
- **Dirk Cuthbertson**, Business Development Manager, Getech
- **Hosna Mustaphi**, Hydrocarbons Director, Ministry of Energy and Mines, Morocco
- **Kourosh Amiri-Garroussi**, Business Development Advisor, Kuwait Foreign Petroleum Exploration Company, Kuwait
- **David Johnston**, Managing Director, Daniel Johnston & Co., Inc
- **Dr. Sohbet Karbuz**, Director of Hydrocarbons, Mediterranean Observatory for Energy, France
- **Tonje P. Gormley**, Senior Lawyer, Arntzen de Besche
- **Fadi B. Nader**, Partner, Levant Law Practice, Lebanon
- **Daniel Meier**, Visiting Fellow of the Centre, Lebanese Studies Middle East Centre - St Antony's College, Oxford University
- **Michael J. Economides**, Professor of Chemical and Biomolecular Engineering, University of Houston, Editor- In-chief, Energy Tribune, USA
- **Alia Moubayed**, Director, Head of Research for the MENA Region, Barclays Bank
- **Fuad L. Jawad**, Geologist/Oil & Gas Consultant and Logistics, IRN Exclusive Representative in Lebanon



02 Event Overview

The Summit had international presence with attendance from more than 200 people from 27 different countries.

Attending Sectors



Al Bayan Magazine
Al Bayan Magazine
Al Bayan Magazine
Al Quadra Holding PJSC
Al Quadra Holding PJSC
Al Quadra Newline Oil & Gas
Alghanim International General Trading & Contracting Co. W.L.L.
American University of Beirut
American University of Beirut
American University of Beirut
American University of Beirut
American University of Beirut
Aqua Capital Invest
Arntzen de Besche
Arntzen de Besche
Australian Embassy in Beirut
B.B MANAGEMENT S.A.L.
Bank Audi S.A.L.
Bank Audi S.A.L.
Banque Audi
Barclays bank
BBC
BLC Bank
British Embassy
British Embassy
British Embassy
British Embassy
British Embassy
Cairn India
Cairn India
CGG
Challenges Magazine
Chevron
Clyde & Co / Kabalan Law
CNHC, Cyprus National Hydrocarbons Company
Daily Star
Daily Star
Daily Star
Daniel Johnston & Co
Danish Embassy
Deloitte & Touche
DEPA
Dragon Oil
Dragon Oil
Drilling Info International
Economides Petroleum Technology Limited (EPT Ltd)
Embassy of Belgium
Embassy of Brasil
Embassy of Brasil
Embassy of Chile
Embassy of Chile
Embassy of Cyprus

Embassy of Cyprus
Embassy of France
Embassy of France
Embassy of Greece
Embassy of Greece
Embassy of Greece
Embassy of India
Embassy of India
Embassy of Pakistan
Embassy of Pakistan
Embassy of Spain
Embassy of Spain
Embassy of Spain
Embassy of the Czech Republic
Embassy of the Czech Republic
Embassy of the Russian Federation
Embassy of the Russian Federation
ENI
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ENI
Ernst & Young P.C.C.
Executive Magazine
Executive Magazine
Executive Magazine
Financial Times
G Consulting Group
GEF AFTP
Genel Energy
Genel Energy
George Khoury & Co
Getech
Halliburton
Hypco S.A.L.
IHRDC
Integrated Geoscience Ltd
Interfax
IRN Exclusive Representative in Lebanon
IRN Operations Representative
Italy Kuwait Association
Japan Petroleum Exploration
Japan Petroleum Exploration
Korea National Oil Corporation
Korea National Oil Corporation
Kuwait Foreign Petroleum Exploration Company KUFPEC
Kuwait Foreign Petroleum Exploration Company KUFPEC
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Kuwait Foreign Petroleum Exploration Company KUFPEC
Kuwait Foreign Petroleum Exploration Company KUFPEC
Le Commerce du Levant
Le Monde/RFI (France)

Lebanese Centre for Policy Studies
Lebanese International University
Lebanese Oil & Gas Services SAL
Lebanese Oil & Gas Services SAL
Lebanese State Council (Conseil d'Etat)
Lebanon Opportunities
Lebanon Opportunities
Lebanon Opportunities
Levant Law Practice
Libyan Council for Oil and Gas
Linklaters LLP
L'Orient-Le Jour
L'Orient-Le Jour
Mediterranean Observatory for Energy, France
MEES
MEES
MEES
Ministry of Energy and Mines, Morocco
Moghaizel Law Office
MTV
MTV
MTV Lebanon
MTV Lebanon
MTV Lebanon
Mubadala Petroleum
Mubadala Petroleum
Mubadala Petroleum
Natural Gas Europe
Now News
Now News
Obeid Law Firm
Obeid Law Firm
Obeid Law Firm
Obeid Law Firm
ONGC
ONGC
ONGC
Oxford University
Parliamentary Committee on Energy (Oil & Gas), Lebanon
PetroLeb
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PGS Lebanon
Presidency of the Council of Ministers
Presidency of the Council of Ministers
Presidential Palace-Lebanon
Repsol
Repsol
Royal Norwegian Embassy
Royal Norwegian Embassy
Royal Norwegian Embassy
Royal Norwegian Embassy
RPS Energy
Schneider Electric
Seaway Heavy Lifting
Self Employed
Siren
Sky News Arabia
Sky News Arabia
Sky News Arabia
Sky News Arabia
Spectrum
Spectrum
Squire Sanders
Suncor Energy
Suncor Energy
Surrey Energy Economics Centre
Tenaris
The Business Year
The Business Year
Thyssen Petroleum
Thyssen Petroleum
Thyssen Petroleum
Totalserve
TPAO
Triangle Trading & Engineering Co.
Turkish Embassy
Tyan Zgheib Law Firm
Embassy of the United States
Embassy of the United States
Embassy of the United States
UK Government
UNDP Project
University of Houston
University of St. Joseph



Ziad Obeid

"Knowns and unknowns: Facilitating an IOC's successful entry in the Lebanese oil and gas Market, key points from a Legal perspective"

Ziad Obeid is partner at Obeid Law Firm, based in Beirut. The purpose of his presentation was to give the audience, who were already well versed in the "knowns", further insights into some of the "unknowns" of the up-and-coming Lebanese offshore oil and gas industry. He established that IOCs and policymakers can:

- Learn from the challenges faced in our neighboring countries and the ways in which they have been handled
- Ensure that international best practices are applied in order to achieve efficiency and to help avoid disputes
- Acquire an in-depth knowledge of Lebanese particularities from local, regional and international perspectives

Local Content Requirement

• Article 67 of Lebanese Offshore Petroleum Law

"1 – A Right Holder as well as its subcontractors shall give priority to Lebanese persons in the award of contracts for construction of a Facility and the supply of material, goods and services related to Petroleum Activities when terms and conditions offered by Lebanese suppliers are equal to their competitors.

2 – A Right Holder as well as its subcontractors shall employ qualified personnel of Lebanese nationality whenever available. Right Holder shall also organize and fund the training of Lebanese personnel associated with Petroleum Activities."



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Obeid first provided insights on the known elements of the legal framework surrounding the first Lebanese Offshore Bidding Round, and then focused on addressing the apparent 'unknowns', demonstrating in the process that we in fact know a lot more than we think we might expect at first glance. By examining the intricacies of Lebanese law, International law (impact of BITs and other international instruments), and taking into account the norms of the oil and gas industry, participants can be afforded a good insight into the coming stages. He specifically touched on the topic of stabilization mechanisms, and rounded off the presentation by offering a brief summary of the pending legislation, and the challenges and opportunities ahead, including border demarcation issues in context, and the potential for joint synergies with neighboring countries.

He concluded by noting that it is in everyone's best interests to resolve any outstanding issues and to harness the potential of these resources to help build economic and social stability in the Eastern Mediterranean.

Ziad Obeid is a dual-qualified dispute resolution lawyer and civil engineer with extensive cross-border experience gained through legal practice in Europe and the Middle East. Ziad has expertise in acting as counsel in international construction/energy disputes and arbitrations as well as foreign court and arbitration-related litigation proceedings. He has gained great experience in the energy sector, especially in the oil and gas industry.

David Johnston

"The relationship between National Oil Companies and International Oil Companies"

David Johnston, Managing Director of Daniel Johnston & Co., Inc., presented on the relationship between national oil companies and international oil companies. He argued that the relationship between the government and investors was simple but the last two decades have been more and more perplex. The negotiation power of IOCs is completely dependent on a government's need for the IOCs, so when this need is decreased, the IOCs are losing part of their negotiation power. David mentioned that today, the IOC involvement is more conceivable.

Early relationships were susceptible to the obsolescing bargain.

An IOC's relative bargaining power diminished with time, as the government's need for the IOC diminished.



Adapted from: Bosson, R., and Varon, M., The Mining Industry and the Developing Countries, Washington, DC: World Bank, 1977

The negotiation position of the government improves over time but there are still some restrictions:

- Stabilizing provisions
- Dispute resolution provisions
- Confidentiality provisions
- Basin mastery
- Rights of first refusal
- Sole risk provisions
- Area of mutual interest provisions
- Employment leverage
- Commerciality protocols
- Development plan approvals
- Duration and Relinquishment rights
- End-of-term problems

Usually International Oil Companies are the leaders in the field of technology and they have taken the leadership in enhanced oil recovery, shale gas and oil, oil sands, heavy oil pre-salt and sub-salt, tight gas and deepwater. He also outlined that today, there are more than 100 NOCs on the planet (divided into importing and exporting NOCs). Exporting NOCs are focusing on the control of known reserves; they control 90% of the world reserves. They also have important capital, direct access to the market and some of them have technical skills that are compared to IOCs. As far as importing NOCs is concerned, they are earning by relations and participation.

Additionally, he pointed out that in the fifth position of rank in that Ernst & Young's top ten opportunities is NOC-IOC partnership.

Ernst & Young's top ten opportunities:

1. "Frontier" acreage
2. Unconventional source
3. Conventional reserves in challenging areas
4. Rising emerging market demand
- 5. NOC-IOC partnerships**
6. Investing in innovation and R&D
7. Alternative fuels
8. Cross-sector strategic partnerships
9. Building regulatory confidence
10. Acquisitions or alliances to gain new capabilities

Johnston concluded by giving examples of particularly remarkable partnerships between IOCs and NOCs:

- BP China National Petroleum Corp. (CNPC) Iraq
- ONGC Videsh and ExxonMobil – Sakhalin 1, Russia
- BP and Statoil created (and dissolved 10 years later) a JV for international E&P
- Aramco during its initial phase was an alliance between the Saudi Arabian government and the Western oil companies
- Texaco set up downstream U.S. J.V. with the Saudis, the Star Enterprise venture and then (along with Shell) the Motiva venture
- ConocoPhillips acquired 9.9% of the common stock of LUKoil.
- Abu Dhabi National Oil Company (ADNOC) entered into an agreement with Occidental Petroleum in a 30 year deal to develop reservoirs in the Shah Field



- Eni and PetroChina entered into MOU to develop unconventional resources in China and elsewhere
- Rosneft and ExxonMobil to form a JOC to develop Black Sea oil and gas Sinopec to purchase a 15% stake in the Australia Pacific LNG project from ConocoPhillips and Origin Energy Limited
- ENI and KOGAS offshore Cyprus

And he continued by outlining the remarkable partnerships between NOC and NOC:

- China National Petroleum Company (CNPC) and Cuba's NOC, Cupet,
- Petroleos de Venezuela (PDVSA) and Ecuador's NOC
- ADNOC and KNOC JV for the exploration and development of three blocks with estimated reserves of 340-570 million barrels of oil in Abu Dhabi
- Sonangol Sinopec offshore Angola
- Korea Gas Corporation (KOGAS) and Uzbekneftegaz to build a network of CNG stations in Uzbekistan

David Johnston is an engineer from the University of Rochester, Rochester, New York and an engineering and petroleum industry consultant who has worked and lectured internationally on the subjects of energy and technology. He has worked with his brother Daniel for over 15 years, and began working full time in 2001. He is a director with Daniel Johnston & Co. Inc. and works with oil companies and governments on upstream exploration, development, enhanced oil recovery, design and analysis of petroleum fiscal systems, and marginal field development contracts worldwide.

Sohbet Karbuz

"Eastern Mediterranean natural gas current situation and long term prospects"

Dr. Sohbet Karbuz, is the Director of Hydrocarbons, in the Mediterranean Observatory for Energy in France. He presented on the current situation and planning projects around Eastern Mediterranean natural gas. He indicated that energy is a very important issue that could change the entire region hence should not be handled only by politicians that usually that do not have an open mind and do not care about the impact of their actions. In his opinion progressive dialogue and the will to succeed are the ways to break the obstacles. He spoke about the USGS 2010 reports which estimate the undiscovered reserves of natural gas in Levant basin to 122 tcf and also about the disappointments and failed expectations in previous projects that include:

- Sarah & Myra
- Ishai
- Zion's Elijah #3
- will see Shemen Oil's Yam #3

That are combined with recent revisions:

- Tanin, Dolphin, Shimshon (down, 2.3 tcf)
- Leviathan, Tamar (up, 1.6 tcf)

Karbuz also referred to discoveries, exploration, and licenses in Cyprus, Israel and Egypt. He mentioned that in Syria, although the licensing round was extended to mid-Dec 2011 there were no bids reported. In Lebanon, the prequalification was from 15th February until 28th March and on 18th April they shortlisted 46 of the companies. The first offshore licensing round is in 2013 while the estimated bid time is between 2nd May and 2nd November and the contract awards will be around February-March 2014. The serious challenges that would need to be dealt with, in his opinion, are:

- Strained complex regional geo-politics/conflicts
- Maritime border disputes
- New tensions after large gas discoveries
- Poor/no infrastructure
- Large investments
- Security risks
- Lack of a comprehensive natural gas policy
- Blockades

Despite these elements, there are also great opportunities in this area that remain unexplored, that entail great economic benefit, and will be a catalyst for the peace process.

He also elaborated on the potential pipeline route from Lebanon to Greece and Turkey, and the potential LNG route from Lebanon to Egypt's, SEGAS, Agaba Free Trade Zone and to Vasilikos LNG.

He focused on existing exports in the Revynthousa LNG terminal Upgrade and the new Floating Storage and Regasification Unit (FSRU) and on the planned exports Interconnector Greece-Italy (IGI), Interconnector Greece-Bulgaria (IGB) and the East Mediterranean Pipeline.

He mentioned that Israel could hold Egypt and provide gas to Palestine and Jordan in short to mid-term

basis. Furthermore Israel with Palestine and one third party could help to Develop Gaza Marine. From mid to long term, the Arab gas pipeline that would be transfer the Egyptian Oil to Turkey should lead to a cooperation between Israel, Cyprus and Turkey.

He concluded by stating: "If you want to go fast, go alone. If you want to go far, go together"

Dr. Sohbet Karbuz currently works at Observatoire Mediterranéen de l'Energie (an energy industry association) in Paris as Director of its Hydrocarbons Division. Before joining the OME in 2004, he was with the International Energy Agency in Paris, where he worked for as head of non-OECD energy statistics section and as administrator in the energy technology policy division. Previously, he worked as Research Associate and Manager at several institutions in Austria, Turkey and Germany. His main areas of interests are oil and natural gas markets, geopolitics, energy security, energy modelling and scenario building.

Fadi Nader

"The emerging Lebanese oil and gas regime"

Mr Fadi Nader is a Partner in Levant Law Practise in Lebanon, and spoke about the status quo of the oil and gas industry in Lebanon. He started his presentation by outlining constitutions, laws and regulations in Lebanon. He specifically mentioned the Lebanese offshore hydrocarbon Law No. 132 that focuses on the scope, petroleum activities and petroleum rights.

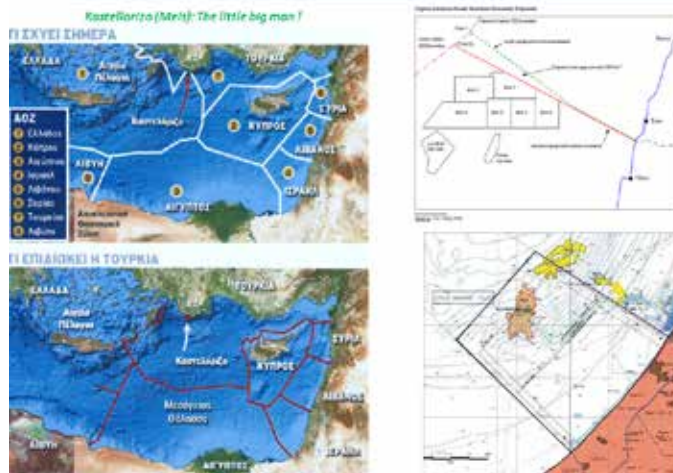
Lebanese Offshore Hydrocarbon Law No. 132

The Decrees already issued by the Lebanese Council of Ministers:

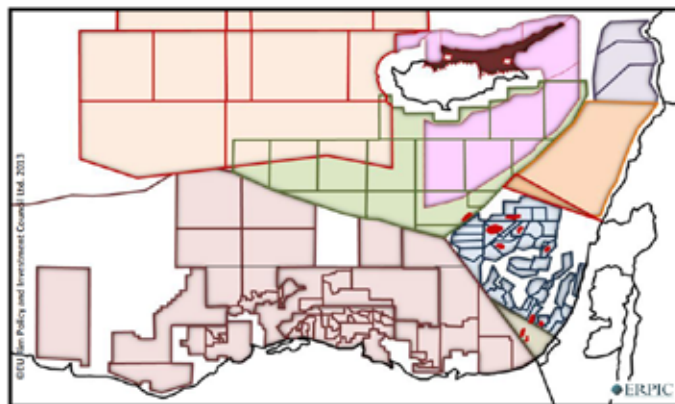
- Decree No. 7968 dated 07/04/2012:
Petroleum Administration Authority (PAA)
- Decree No. 9438 dated 04/12/2012:
Appointing the PAA Board.
- Decree No. 9882 dated 16/02/2013:
Prequalification of companies participating in Licensing Rounds.
- Decree No. 9975 dated 06/03/2013:
Determining remuneration of PAA Board members.

He gave a general overview and said that law defines pivotal conditions to lead private companies to the license for exploration and drilling of petroleum in Lebanon. He pointed out the meaning of 'reconnaissance', 'exploration' and 'production' in the context of the petroleum industry. The legislation notes that Lebanese Government has the right to take part in petroleum activities and create a National Oil Company and that the awarded licenses are 3 years for Reconnaissance, 10 years for exploration and 30 years for production.

Rising conflicts over the unresolved issues



If not managed carefully and with wisdom,
we may have Caspian-like knot of problems





The authorities of the Lebanese Petroleum Society in the Lebanese Government have ways to secure a clear procedure for reporting on EPA's operation, performance and projected income. Nader also advised right holders and their subcontractors to give priority to Lebanese nationals in the award of contracts for the constructions of facilities, for the supply of materials, goods and services, and also to employ qualified Lebanese personnel. He focused on the future action of Lebanese Ministers and on the Exploration and Production Agreement ("EPA") stating that EPA programs have two stages: the exploration phase (that will not exceed more than ten years and the production phase (that will not exceed more than thirty years). As an agreement, the EPA will be signed between the Lebanese State and at least three right holders and the council of ministers has decided to forward invitations for the pre-qualification stage.

The criteria for pre-qualification are of legal, financial and technical nature and the EPA will be granted only to those that are pre-qualified while the 1st licencing round is being planned for the 2nd of May 2013. The final version of the EPA will be approved by the Council of Ministers which will be signed by Ministers thereafter.

Nader pointed out that each Right Holder:

- Has exclusive joint rights to undertake Petroleum Activities
- Shall bear joint and several liability with other Right Holders
- Shall pay taxes on all its taxable activities in Lebanon

He also spoke about the production plans and he emphasized the fact that the right holder should inform the Minister and PAA about their decisions for production, their discoveries, and in case they decide to develop any reservoir, a development and production plan should be submitted. They also have to pay an Area Fee for the area covered by the EPA while the petroleum is being extracted which is divided into Royalty that the Lebanese state could receive in kind or cash, Cost Petroleum, and Profit Petroleum that should be agreed with a decree from the Council of Ministers. While Lebanon's activities and petroleum rights are part of the Lebanese tax system.

In his presentation, he also referred to the Petroleum Administration Authority as a financial and autonomic authority which is being supervised by the Minister. The PAA consist of six members, appointed for a period of six years. The criteria for their selction are nationality, degrees and expertise. This authority is focusing in any administrative activity around the petroleum industry. He also spoke about the list of expected degrees and he referred to some more regulations and activities of the Petroleum Administration Authority.

Nader focused his attention on the Production Sharing Contract (PSC), which is a contract agreed between the contractor (usually an oil company that takes the risk) and the Government. He raised two key points:

- Bonuses are a common feature of a PSC
- Royalty and participation are usually considered
- The Government is assured of a minimum level of revenues through the production split

He also referred to the differences between Service Contracts and PSCs. In addition, he spoke about Joint Ventures mentioning that they can take either an equity or a contractual form. He said that in a joint venture oil companies, government or one of its agencies would participate in oil field operations and have ownership of a specified part of the production. In a joint venture, the government has to share royalties, taxes, profit oil and the profit.

He also indicated the characteristics of the "Hybrid Lebanese Regime":

- Discretionary regime that awards production licenses in dedicated licensing rounds
- Minister/PAA announces licensing rounds, considers applications, negotiates with applicants, proposes final award to Government and prepares licensing documents.
- Production licenses are awarded to multiple Right Holders. This ensures plurality of geological and technical findings, checks and balances
- Council of Ministers approves the appointment of the Operator who shall execute the day to day management of Petroleum Activities
- Formal award by Government
- Condition for award: Companies to form a joint venture and to enter into a model EPA
- Copies of all data and materials should be submitted to the Government
- Assignments are subject to Government's consent to ensure control
- Cooperation agreements entered amongst Right Holders shall be submitted to the Minister & PAA
- Minister, after consultation with PAA, may at any time require amendments to cooperation agreements to ensure that they comply with Lebanese Laws

Nader also spoke about the targets of a petroleum regime. He said that it must attract efficient companies, ensure that the profit sections are being leveraged in the best way, and also that petroleum income is being counted effectively.

He finished his presentation by advising Lebanon to focus and invest on gathering and monitoring information, to design simple procedures on tax, licensing and royalty systems, to create policies that will

motive companies to give accurate and clear information and avoid policies that increase project risk and reduce transparency.

He concluded by mentioning that Lebanon must adapt an efficient exploration procedure to create an attractive regime for the exploration activities through knowledge.

Fadi Nader is a partner at the Firm Levant Law practise. A former Regional General Counsel for ALICO-AIG in the Middle East, Africa & South Asia region (2000-2008), Fadi was a Partner & General Counsel at The International Investor ("TII"), a Kuwaiti based investment company with offices in London and Doha (1993-2000). Earlier in his career, he worked as an Associate Counsel at Samir Saleh & Associates Law Firm in London and as Area Representative for Universal Bank (Switzerland) in Greece and in Private Banking with Credit Commercial de France (London).

Alia Moubayed

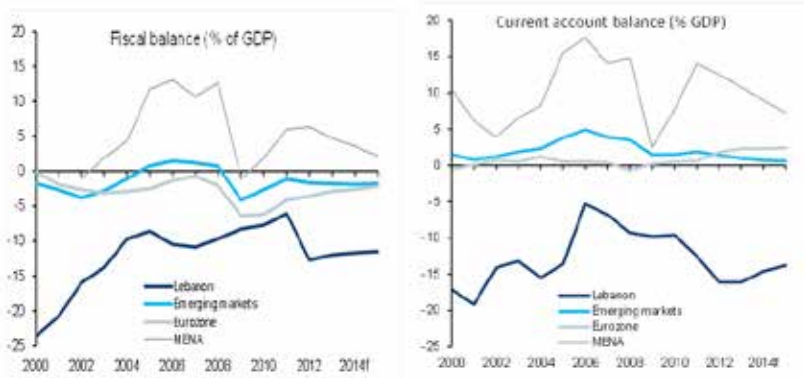
Gave a presentation on the macroeconomic implications of Lebanon's gas reserves and whether they were a blessing or a curse

Alia Moubayed is a senior economist in the Middle East and North Africa. Alia began her presentation with Lebanon's macroeconomic outlook, describing the results of gas exploration and reserves, the implicators for the economy, and mentioning ways of reducing cost and increasing benefits of the gas reserves. The growth of GDP rate in Lebanon has remarkably slowed down due to pivotal problems and obstacles in Lebanese society, telecommunications, business licenses, access to land, access to financing, customs, and trade regulation. She presented diagrams which show that the fiscal deficit has grown to more than 12% of GDP in 2012 while the Current Account (CA) deficit widened reaching 15% GDP. She presented graphs on the Lebanese debt highlighting the importance of the energy sector as a way to cove the deficit.

Lebanon is grappling with large twin deficits

The fiscal deficit has widened to more than 12% of GDP in 2012

The CA deficit widened further reaching 15% GDP



Source: Haver Analytics, Barclays Research

Source: Haver Analytics, Barclays Research

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June 4, 2013

Alia also outlined that some progress is already been made around the timing also institutional frameworks, and mandates but there are still many unknown factors; the size of the economically recoverable reserves, who is going to have ownership, the fiscal regime, and the energy and gas policy objectives. She added that there are many possible economic benefits like further investments, job creation, financial impacts and balance of payments.

Alia outlined serious concerns about the "resource curse":

- The vulnerability to boom- bust cycles,
- The Dutch disease that means the exchange rate appreciation
- The loss of competitiveness in the corruption in management of resources
- The reform paralysis
- The Paradox of plenty: i.e, turning Lebanon into a resource rich country with poor development outcomes

She reaffirmed that there are some policies and principles to be followed:

- Open and inclusive approach to the development of offshore gas
- Clear and coherent energy policy and strategy and transparent
- Predictable and fiscally responsible fiscal regime



Moreover, Alia reassure that fiscal policies and institution will restore and preserve the fiscal sustainability, develop a medium term of economic and fiscal framework and strengthen institutions for transparency and accountability. Alia also referred to the need of moving towards fiscal rules, preparing possible Natural resources fund and rethinking current exchange and monetary stance. For this to happen, obstacles, such as poor infrastructure and barriers to entry must be removed, the public's goods supply must be increased (in the agricultural and manufacturing sectors), and the social safety net must be consolidated and increased.

Alia concluded that of course the benefits of natural resources are very important, but it is also of great significance to focus on Lebanon's need for social and economic development. The right rules, the correct knowledge, the creation of the proper institutions and a good development plan could lead to avoiding the "curse". She finished by mentioning that the hydrocarbon and wealth that comes with it is no substitute for continuous reform.

Alia Moubayed, worked as a Managing Director-Economic and Social Fund for Development at the Council for Development and Reconstruction. She held the position of the Senior Economist in The World Bank. Now she is the Director, in the Head of Research for the Middle East and North Africa Region of Barclays Bank.

Panel discussion: Assessing the geopolitics policies, fiscal and economics

IRN fostered a panel discussion on the second day of the Summit to address the wider issues of being involved in the Lebanon oil and gas landscape.

IRN hosted a panel discussion on the second day of the Summit to address the wider issues of being involved in the Lebanon oil and gas landscape. Carole Nakhle, Energy Economist from the Surrey Energy Economics Centre in the UK, moderated the panel that consisted of experts; Alia Moubayed, the Head of Research for the MENA region in Barclays Bank, Dr. Sohbet Karbuz, Director of Hydrocarbons in the Mediterranean Observatory for Energy in France, David Johnston, Managing Director of Daniel Johnston & Co. and expert in the relations of the IOC's with Governments, and Ziad Obeid, Partner of Obeid Law Firm in Lebanon.

The panel began by indicating what is needed for a licensing round and exploration to be successful; they stated that it is highly important for the context to be depoliticized as usually the bidding and licensing processes are the basis for corruption. The panellists elaborated on the ways to overcome bribery issues frequently found in countries with a controversial political system, as they are very significant for a country with a newly discovered potential of natural resources. The creation of a sovereign wealth fund with a fixed exchange regime, safeguarded by the law, that outlines the rules and where the funds are invested, provides a good basis for a solution. Essentially part of that solution will be the law that will be drafted for the operations and will provide general sense.

One of the highlights of the panel was a discussion around the border dispute with the neighboring country Israel, and how much this will affect the interest of the IOCs to invest in the exploration offshore Lebanon. The panel felt that this issue may not pose as a direct problem for the 1st licensing round as the disputed area won't be included in the blocks available for bidding. In addition, the Levantine Basin may not extend as much as initially anticipated, so it may not be too much of a significant problem for future licensing rounds too.

With the political instability and the current situation that Lebanon faces, there are a lot of issues that international oil companies looking to get involved are considering. David Johnston, an expert in IOC behavior, believes that risk profile and initiating operations in high-risk regions is not something that will necessarily deter these companies as they are used to working around elements like this already. Representatives from Chevron, Shell, ENI, KUFPEC and Mubadala from the delegation joined the discussion from the audience and initiated some remarkably open dialogue, and discussing that they all need to pass some quality controls before a new project is approved; a timeline which could take anything from 2 hours to 9 months depending on the security and risk involved in each of the projects. The lack of information and transparency are factors that may lead the acceptable level of risk to a peak, leading to situations like the recent bidding round in Egypt.

The panellists concluded that the current situation not be overly positive, but this will improve and the next 3 months will be very critical for the credibility of Lebanon in the eyes of international oil and gas companies.

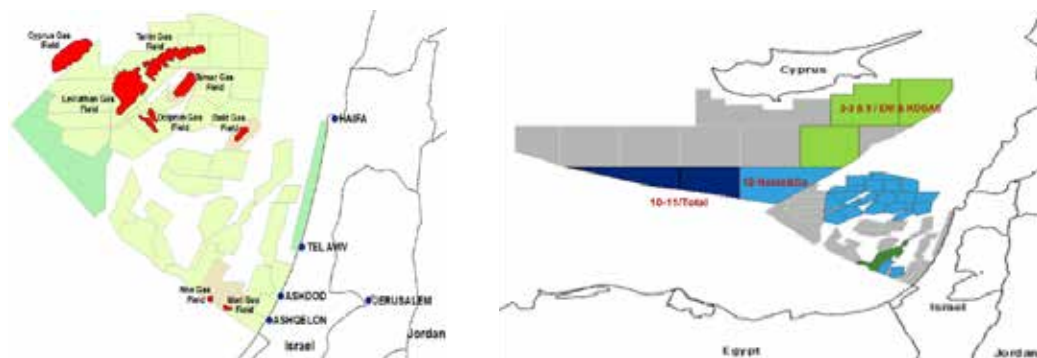


Fuad L. Jawad

"The New Lebanon – An Exporter of Oil & Gas"

Fuad L. Jawad is a Geologist and an Oil & Gas Consultant for PetroServ International Lebanon & Cyprus. Jawad presented on Lebanon as an oil and gas exporter. He began his presentation by dividing the oil business into two groups; the first being geoscientists, and the second being the investors and operators (those that have money and take the risk). He also emphasised the fact that those hired in oil and gas state business should be well qualified.

Jawad spoke about the history of the Levantine Basin; production began in 2004 from the Mari B field, and as the Tamar field was discovered in 2009, production started there in March 2013. The Leviathan field was discovered in 2010 and the Aphrodite/Block 12 in Cyprus was discovered in 2011. He gave an insight into whether the oil and gas target for Lebanon is realistic or not and went on to give an example to justify his opinion. He explained that the presence of 52 international oil and gas companies in the pre-qualification round shows the appeal of offshore Lebanon. There are great seismic surveys conveyed by Fugro, Spectrum and PGS, and in addition there are gas discoveries in neighbouring countries, that serve to highlight the potential Lebanon has. He mentioned that Lebanon has the most promising EEZ in the Levantine Basin and although it has not been proven yet, depositional environment(s) and trap mechanism have been recognized.



He continued by challenging USGS, claiming that offshore Lebanon holds 75tcf of Natural Gas which is translated in to \$500 billion. He emphasised the need of a well-organised NOC with highly educated staff and board, and for politics to be set aside soon so as to promote equal rights. He felt there is a need for an agreement between the NOC and the government about the awarded exploration blocks. Jawad stated that the 'worst nightmares' of International Oil Companies are:

- The Nationalisation of the discovered oil and gas fields: the ideology of nationalism of North Africa in the 1970's
- Disappointing changes in tax laws in the host country - most recent, in 2011, the bitter experience and now the fear by Noble Energy in Israel to reopen the Sheshinski Committee (higher levies on oil and gas profit)
- Diversion between the IOC and the NOC's evaluation of commercial discovery
- High cost of delays, usually not factored into the negotiation
- Violation of contractual terms between the IOC and the NOC whereby the NOC unilaterally terminate or worsen the conditions of the agreement
- The NOCs changing the Agreement retro-actively
- Unstable political climate leading to civil wars
- The infamous and unstoppable wild card of corruption: bribes, opacity leading to deception, complicated laws and fiscal systems, monopoly leading to dictatorship, and so forth

He gave advice to the local government by suggesting not to politicise the oil and gas in Lebanon, to instead focus on economic issues, further train employees, keep the procedures clear, and simply to help every investment happen faster, and to resolve the dispute with Israel through third-party private and business negotiation. He concluded by mentioning that Lebanese people are ultimately responsible for their choices decisions.

At the end of Jawad's presentation, Lebanese students from AUB and St Joseph University were able to ask questions about the future of Lebanon, the NOC, and the way forward.

Fuad is a Petroleum Geologist, graduate of the University of Texas (UTA), a Honorary member of the Texas Business Board, and has profound experience in the Exploration & Exploitation of Hydrocarbon. He is also the President/co-Founder of ETAsa-Eastern Hemisphere and PetroServ International, Cyprus and U.S. based companies.

These are just summaries of selected sessions from the Lebanon Oil & Gas 2013 Summit, that highlight the potential in the region and activity by a number of key companies to explore the opportunities on offer. You can follow news and progress by join IRN's dedicated network for Oil & Gas professionals on LinkedIn: **The Oil & Gas Network**

www.linkedin.com/groups/Oil-Gas-Network-4618146

Lebanon Oil & Gas 2013 Summit

Four Seasons Hotel Beirut, Lebanon | 22-23rd April 2013





03 Gallery

Lunch breaks sponsored by
Mubadala Petroleum

First day private Gala Dinner sponsored by
Obeid Law Firm

Second day private Gala Dinner sponsored by
Petroserv and Mtv

Party sponsored by
Petroserv and IRN



A Press Conference was held following the Summit, including Mr Mohammad Kabbani (Chairman of the Parliamentary Committee on Energy Oil & Gas), IRN and Fuad Jawad. Here, Mr Kabbani announced his intentions to form a Lebanese IOC that will be responsible for the petroleum industry in the country. Mr Jawad stated that the oil and gas potential in Lebanon is in fact, much more substantial than anticipated, and that the sensitive political situation shouldn't be hindering the licensing rounds. Mr Kabbani was asked whom he would potentially see leading the IOC; he stated that the Management of the IOC should be formed with experienced oil and gas experts that have extensive knowledge of the field. He also clarified that he is in discussions with the biggest law firms and petroleum experts in Lebanon. His Excellency, Mr Kabbani, warmly thanked IRN for organising the event which provided a forum for dialogue between the Lebanese executives and the IOCs that attended, and wished for a successful and fruitful second edition.





On the first day of the event, our Gold Sponsor, Mubadala Petroleum hosted the Lunch where guests enjoyed a wide selection of Lebanese food whilst continuing discussions on Lebanon's prospects.

In the evening of the first day of the Summit, Mrs. Nayla Obeid of Obeid Law Firm, official sponsor of the Gala Dinner, welcomed our 200 delegates to Beirut in her opening speech and invited guests to enjoy to traditional cuisine. As dessert was served, the live traditional folk Orchestra entertained guests, with many taking to the floor for traditional dancing.



Lunch Breaks
sponsored by



**Mubadala
Petroleum**

SECOND DAY PRIVATE GALA DINNER sponsored by Petroserv and Mtv



Mubadala Petroleum welcomed guests to lunch as the official Lunch sponsor, and following an afternoon of presentations, the Summit event concluded successfully with our Exclusive Representative in Lebanon, Fuad Jawad, inviting the entire delegation to the beautiful and picturesque Zaituna Bay for fish mezze and champagne. Following dinner, guests went on to enjoy the private party at the Cappuccino Bar.





04 Upcoming Events

Our upcoming Oil & Gas Summits include:

- ❖ **Ireland Oil & Gas 2013 Summit**
10-11 September 2013 | Dublin
- ❖ **2nd Annual Balkans Oil & Gas 2013 Summit**
24-25 September 2013 | Athens
- ❖ **2nd Annual Upstream Operations & Logistics 2013 Summit**
2-3 October 2013 | Oslo
- ❖ **Italy and Malta Oil & Gas 2013 Summit**
30-31 October 2013 | Rome
- ❖ **2nd Annual East Atlantic Oil & Gas 2013 Summit**
14-15 November 2013 | Madrid
- ❖ **Algeria Oil & Gas 2013 Summit**
18-19 November 2013 | Alger
- ❖ **Monetising Mature Oil Fields 2013 Summit**
December 2013
- ❖ **Arctic Oil & Gas 2014 Summit**
28-29 January 2014 | Oslo
- ❖ **Gulf Oil & Gas Security 2014 Summit**
January 2014 | Dubai
- ❖ **Russia Shale 2014 Summit**
January 2014 | Russia
- ❖ **Iraq Oil & Gas 2014 Summit**
Dates released soon | Iraq
- ❖ **Morocco Oil & Gas 2014 Summit**
Dates released soon | Casablanca
- ❖ **Turkey Oil & Gas 2014 Summit**
Dates released soon | Istanbul

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