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Future of Lebanon’s energy hinges on LNG

By Elias Sakr

BEIRUT: The future of Lebanon’s energy market looks bright provided that plans to use Liquefied Natural Gas as an alternative fuel source to gas oil materialize, a ministry expert told The Daily Star Tuesday. “Once the necessary infrastructure and required import terminals are completed, Lebanon would save more than $1 billion in spending on its energy bill, with a $2 billion impact on the economy as a whole,” Zaher Sleiman, adviser to Energy Minister Gebran Bassil said.

Sleiman was speaking on the sidelines of the 2012 Lebanon International Petroleum Exploration Exhibition ahead of the ministry’s plan to announce the opening of the first licensing round for Lebanon’s offshore hydrocarbon exploration.

The usage of imported LNG to produce electricity among other usages should be possible by mid-2015, according to Sleiman.

Sleiman added that by the time Lebanon starts extracting natural gas from its offshore area, the infrastructure required to use it would already be in place and imports would be halted.

The Energy Ministry has already concluded the technical and feasibility study for the construction of a coastal gas pipeline stretching 173 kilometers from Beddawi to Tyre, as well as offshore import terminals known as Floating Storage Regasification Units, Sleiman said.

The construction of the coastal pipeline is set to commence in 2013 over a 28-month period, and it will take 22 months to complete the construction of the FSRU offshore import terminals, Sleiman added.

He explained that hiring FSRUs costs less than the construction of onshore terminals, and could be used for a limited period of up to 12 years when Lebanon is expected to start extracting rather than importing natural gas.

Lebanon has four power plants – Deir Amar, Zahrani, Tyre and Baalbek – already equipped to operate using LNG but which are currently running on gas oil. New units equipped to operate on LNG are expected to be added to Beddawi, Zouk and Jiyyeh power plants by 2016 with a respective capacity of 450, 180 and 80 Megawatts, Sleiman said.

The use of LNG rather than gas oil would dramatically cut the energy bill, according to Sleiman, who said the cost of fuel at Deir Amar power plant was down around $30 million per month in the 2009-2010 period when the plant was running on LNG supplied from the Egypt-Syria-Lebanon gas pipeline.

The supply, however, was disrupted due to the geopolitical situation, Sleiman added.

The coastal gas pipeline could also be used to provide LNG to power industrial plants, household heating and home appliances, as well as deliver Compressed Natural Gas for transportation means, Sleiman said.

The Energy Ministry has projected LNG consumption at 1.2 million tons in 2015, 1.7 million tons in 2016 and 3.4 million tons by 2020, Sleiman added.

The first licensing round for oil and gas exploration off Lebanon's coast will take place after the establishment of the Petroleum Administration – an administrative body to oversee the petroleum sector.

Back in August, parliament passed a law setting Lebanon's maritime boundary and Exclusive Economic Zone, after which it submitted to the U.N. a maritime map that conflicts significantly with one proposed by Israel.

Lebanon argues that its map is in line with an armistice accord drawn up in 1949, an agreement which is not contested by Israel. The disputed zone consists of about 854 square kilometers, and suspected energy reserves there could generate billions of dollars.

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