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Lebanon passes gas law, paves way for exploration

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* Energy legislation approved after alarm over Israeli finds

* Long road ahead to catch up with Israeli drilling

BEIRUT, Aug 17 (Reuters) - Lebanon's parliament unanimously ratified on Tuesday a long-awaited energy law, paving the way for exploration of major natural gas reserves the country says it has off its Mediterranean coast with Israel.

The law had been discussed for many years but Israeli plans to drill for gas in the Mediterranean alarmed Lebanon -- which fears Israel may be encroaching on its own reserves -- sending Lebanese politicians scrambling to approve the law.

"The law organises the process of surveying, exploration and production of energy," said the Lebanese lawmaker who presented the draft law, Ali Hassan Khalil, an aide to Shi'ite parliamentary speaker Nabih Berri.

Lebanon has said it would "use all means" to defend its rights if Israel was found to be drilling within its borders, after a U.S.-Israeli consortium announced in June a potential find that could turn the Jewish state into a gas exporter.

The U.S.-Israeli consortium involved in the discoveries said the Leviathan prospect may have deposits of 16 trillion cubic feet (tcf) and is said to be twice the size of the Tamar field, which was the largest global gas find of 2009.

Khalil said the law calls for setting up an entity under the auspices of the energy minister in which a sovereign wealth fund would be created to manage and invest potential energy revenues.

Lebanon has said it has identified reserves that have promising quantities of natural gas, according to seismic surveys in 2006-2007.

Lebanon has stopped short of accusing Israel of violating its territory, but the mistrust between the two -- which were embroiled in a deadly border clash last week -- has exacerbated Lebanese fears.

Even though Lebanon has passed the law, it still has a long way to catch up with the Israelis. It has to identify blocs, supply data to interested investors, select bidders and have companies start exploration work, while the Israelis already have firms drilling for gas. (Reporting by Laila Bassam; editing by Sue Thomas)

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