

HOW WILL SYRIA'S CONFLICT HINDER THE DEVELOPMENT OF EASTERN MEDITERRANEAN GAS?

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Two years after the start of the civil war, American forces await an order by President Barack Obama to strike [Syria](#) in response to the alleged use of chemical weapons by the al-Assad regime. U.S. Secretary of State John Kerry said Monday that it was 'undeniable' that the Syrian government used chemical weapons. President Francois Hollande said [France](#) was 'ready to punish those who made the decision to gas these innocent people', adding that 'everything leads us to believe' that Syrian President Bashar al-Assad's forces are responsible. British Prime Minister David Cameron called lawmakers back from their summer vacations to consider a response to Syria, as the [UK](#) military prepares contingency plans. The US administration stressed on the fact the use of 'a whole bunch of chemical weapons' was a 'red line' not to be crossed and that an appropriate punishment to Bashar al-Assad's regime was now necessary. Cameron did not dismiss the fact that such an intervention could cause further damage in the region, insisting that the motivation is solely the fight against any use of chemical weapons in the world.

The whole region is shaken by the escalation of the conflict and can't ignore the drums of war. [Lebanon](#) fears a reaction by Hezbollah that would draw further instability on its territory. Syria's political, economic and military links to [Iran](#) and [Russia](#) threaten a wider regional instability. The markets are reflecting a general sentiment of fear. As a result, investors have been moving into safe haven assets such as gold. The price of oil has surged more than 15 per cent in the past 3 months (earlier on Wednesday Brent crude oil had hit \$117 a barrel) as investors fear the violence could spread to important oil exporting countries or disrupt major oil transport routes. It remains uncertain whether the rise in the price of oil is sustainable but the general belief is that a collapse of production as the result of the Syrian conflict is unlikely.

But how will a Western intervention in Syria hinder the development of offshore gas in the Eastern Mediterranean neighbouring countries? Previously this year, Lebanon's pre-qualification round attracted a large number of international O&G companies who expressed their interest in participating in gas explorations in its waters. A total of 46 International oil companies were selected, 12 of which as operators and 34 as non-operators. Essential decrees that will delineate the blocks to be awarded, decide on the

model EPA and govern the tender process will have to be passed once a new cabinet is formed. The country's political stalemate have recently turned off investors frustrated with the country's inability to form a cabinet. The escalation of Syria's war only adds to the region's instability and although O&G companies are accustomed to operate in risky environments, gas developments might be put on hold for now.