EASTERN MEDITERRANEAN BASIN AS A SOURCE OF REGIONAL COOPERATION

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Natural Gas Europe was pleased to have an opportunity to interview Michael J.Economides, Professor of Chemical and Biomolecular Engineering at the University of Houston and Energy Tribune Editor-In-chief, at the Lebanon Oil & Gas 2013 Summit organized by IRN in Beirut, LB.

Do you see natural gas in the Eastern Mediterranean basin as a source of conflict or regional cooperation?

I believe that the gas in the Eastern Mediterranean basin is and should be a source of regional cooperation. While conflict makes no sense whatsoever, cooperation benefits all the parties involved from both a geological and economic point of view. There is enough gas to make everybody rich. The Eastern Mediterranean countries should work together to develop an LNG plant. They will need at least three trains (about 20 MTPA) and two 36 in. pipelines. The LNG plant will cost between USD 15 and 20 billion.

What are the implications of developing Lebanon's O&G industry on the domestic economy?

Energy is the largest economic multiplier. For every dollar you make in selling gas, you develop the ancillary industry 3 to 10 times as much allowing reinvestment. Energy can generate a lot of wealth from economic activity and employment. However, when the government distributes the revenue straight to the citizens as giveaways, energy does not serve the country. Good examples of countries that have failed to develop their economies despite their O&G wealth would be Nigeria, Venezuela, Indonesia and, to a large extent, Russia.

What are the main challenges that could undermine the development of Lebanon's indigenous resources?

While on its path to develop its hydrocarbon resources, Lebanon must remember two things: Firstly, the Lebanese government must understand the size of the new found wealth: the Lebanese demand of energy is relatively small. The gas in Lebanon should be allocated to exports just like the gas in neighboring Cyprus and Israel. Egypt on the other hand, with a huge population, should have never been an exporter of gas. The only option for Lebanon is to export its gas via LNG. Pipelines offer little flexibility and are no longer the answer. Secondly, the Lebanese government must establish a national oil company that will be owned by the state of Lebanon but run as private company to ensure efficiency in the management of hydrocarbon resources. The chairman of the company could be Lebanese or foreign as long as he has the competences to run it. The funds should be used to finance the Lebanese infrastructure. Lebanon could use the Norwegian model as a starting point to build its own customised structure. Prof. Economides' recommendation is for that National Oil Company to be eventually publically traded (30% floated into the market), this could ensure greater transparency and governance.

We have seen a large amount of interest in Lebanon's O&G industry: 52 companies, from 25 countries, sent their applications to the pre-qualification round. How do you explain this?

Lebanon is more interesting than the Lebanese think. International companies would rather invest in Lebanon as opposed to Israel as they would not want to jeopardize their relations with the Arab countries. From a geopolitical perspective, Lebanon will also act as a magnet.

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