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July 01, 2014

Interview with Mr. Farouk Al-Kasim: Lebanon Must Widen its Consultative Process to Ensure Success in its Oil and Gas Sector

With the support of the International Development Research Centre (IDRC), the Lebanese Center for Policy Studies (LCPS) and the Lebanese Petroleum Administration (LPA) organized a two-day workshop on June 19-20, 2014 on "Governing the Oil and Gas Sector" to discuss the challenges and opportunities for Lebanon given the prospects of finding gas off its coast.

On the sidelines of the workshop, LCPS conducted an exclusive interview with renowned Iraqi oil and gas expert, Mr. Farouk Al-Kasim to discuss the present situation of the oil and gas sector in Lebanon and solicit his opinion about the steps for moving forward.

Mr. Al-Kasim has been instrumental in establishing the Norwegian Petroleum Administration as well as the Norwegian Petroleum Directorate. He has also been working with a number of developing countries to improve the governance of their petroleum sector as well as ensure lasting benefits to their citizens.

What prerequisites must developing countries such as Lebanon establish in order to launch their oil and gas sector?

A country that has never considered oil or gas is in a very lucky position because it can start from scratch. Now that we have studied the performance of hundreds of countries around the world, they all feel that they have rushed into exploiting oil and gas without the complete necessary preparations.

The first step of these preparations is to decide what a country really wants to do with the oil or gas if it finds it. In other words, a country needs to set its objectives and formulate a petroleum policy. Since oil (or gas) is an irreplaceable and exhaustible resource, countries have only one chance of getting it right.

The second step is to build consensus around the petroleum policy. This involves getting a commitment from political parties as well as going through a consultation process with all stakeholders. This process of consultation between the government, people, and contractors actually applies in all stages of the oil and gas value chain. In order to make something substantial, you have to respect the need for consultation.

Once the policy has been adopted, the third step is to convert it into commandments by legislating and enacting laws. At this stage the parliament adopts the policy and approves the laws that are designed to implement it.

Fourth, a set of detailed regulations are needed in order to enact the law which usually does not delve into details. These regulations are very important for the negotiation process with the contractors. The module contract is really your way of saying that you don't want to negotiate every single item.

The fifth step would be for a country to choose the institutions that will be part of the policy implementation process. It needs to take a position regarding the regulator of the oil and gas sector. Will it be the ministry? Will it be a director under the ministry? Or should it create a new institution like Lebanon did, namely the LPA?

What are the policy objectives for Lebanon?

The first objective for Lebanon is to prevent potential income from coming in as a tsunami. It can drown everything, so there should be some kind of buffer mechanism. This is how the fund idea was elaborated.

The other objective is to maximize the technology transfer and local content. This could happen through the development of the Lebanese industry. Implementing such a policy leads to people learning new professions and entrepreneurs finding new areas to work in, which will add to productivity, regardless whether oil and gas are still surviving in the country or not. Increasing productivity in the

Lebanese society should be the sublime objective of utilizing these valuable resources.

What should the LPA do to contribute to achieving the objectives for Lebanon?

First, let me stress that LPA has two functions. It has a regulatory function to make sure that everybody obeys the rules and regulations. It also has an advisory function. It is an institution that helps the government make sure that things are professionally evaluated. Without such a professional authority in Lebanon, that is highly respected, the dialogue with the oil companies becomes very difficult and very confused.

In Lebanon, they have just staffed the LPA, and they have yet to fully develop their competences. The next step is to have a vision and a strategy for how to go about achieving the policy. The first strategy that has been put in place is the licensing policy. This should be followed by a development policy.

Finally, creating institutions is not just a matter of putting a label on a door. It is about selecting and appointing the right people, building their competence, and giving them capacity. An institution is a group of people that will work together to create joint products; therefore, it only starts functioning once a country has the adequate competences and creates the right management mechanisms.

To what extent has Lebanon met the prerequisites you have mentioned? Is Lebanon ready? And what are the next steps it should take?

I think Lebanon is ready, but it should not stop at this. The next step for Lebanon should be establishing a genuine consultative process. Believing in this process and getting politicians to accept that they should keep “hands off” is essential.

The parliament can be the guarantor of the integrity of the process. The parliament should feel that they own this system and it is their job to make sure that everybody adheres to it and not betray it. Including citizens is also extremely important. It can create a kind of fraternity of people from all of the public sector, private sector and civil society, who can talk openly about things, and be involved in all what is happening.

What are your words of advice to the Lebanese?

One big unfortunate fall back in all developing countries is that they look upon oil and gas as a savior from poverty and they think that all their problems will be solved once they get the revenues. So, they rush and do not give themselves time to learn the business.

My advice is not to be desperate, but rather go gradually, master the situation, learn from experience, give local industries the chance to learn the business and get into it, and increase the local content in providing services to these industries.

Lastly, I would say that political unity, political determination, and unwavering belief in the national policy that the parliament has enacted, are the secret to success. If you become divided, I can assure you that you will have problems. So, let's hope for solidarity and determination.

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