

Oil & Gas

The discovery of offshore oil and gas reserves in Lebanon is quite recent. The initial estimates indicate that there are over 180 trillion cubic feet of gas, and over 865 million barrels of oil.

In 2010, the Lebanese parliament passed law No. 132/2010 known as the Offshore Petroleum Recourses law (“OPRL”). In 2012, the Lebanese government established a new regulatory body to supervise the oil and gas sectors. This new regulatory body is known as the Lebanese Petroleum Administration (“LPA”). In 2013, the Lebanese government issued decree No. 10289 referred to as the Petroleum Activities Regulations (“PAR”). In the first week of January 2017, the Lebanese Council of Ministers approved the implementing regulations for law No. 132/2010.

The government agencies responsible for overseeing and managing the oil and gas sectors in Lebanon are:

- The Council of Ministers: It sets the general policy of the oil & gas sectors.
- The Minister of Energy & Water: He/she is responsible for the implementation of the policy set by the Council of Ministers and the relevant laws. He/ she is the person who will sign the agreements with any international oil company.
- The LPA: Its responsibilities include regulating, managing, and monitoring all petroleum activities.

The OPRL provides that the ownership of petroleum resources as well as the management thereof rests exclusively with the state. Therefore, no activity in the oil and gas sectors can be undertaken without first obtaining the proper authorization from the State. There are two types of authorizations that can be obtained:

- The Reconnaissance Rights: This authorization is granted by the Council of Ministers for a period of 3 years on a non- exclusive basis.
- The Exploration and Production Rights: This is granted on basis of an agreement called Exploration and Production Agreement (“EPA”)

which will be approved by the Council of Ministers. The rights granted under the EPA are exclusive.

The fees for an application for Reconnaissance License are \$20,000.

The fees for a Reconnaissance License will be set in Council of Ministers decree granting such license.

The fees for an application for Exploration and Production rights are \$50,000.

There is also an Area Fee paid to the State from the first year following the expiry of the exploration phase. The Area Fee is progressive and payable per square kilometer and set by the Council of Ministers.

The Exploration and Production Rights are awarded on the basis of tenders organized by the State. In order to participate, the interested parties should each form a consortium of three rights holders, who are jointly and severally liable. The consortium should consist of a minimum three, with one being the operator and two non-operators. The said three entities should establish a joint venture among themselves.

Exploration and Production Agreement grants the following rights:

- An exclusive right to explore, appraise, develop and produce oil and gas in Lebanon.
- A non-exclusive right for the construction, processing, transportation and storage of petroleum.

The oil and gas companies can pre-qualify as either an operator or non-operator. The requirements for each such categories vary, and are more stringent for the operator. In order to qualify:

- A foreign oil and gas company must establish a legal presence in Lebanon.
- An operator must have total assets of US\$10 billion.
- A non-operator must have total assets of at least US\$500 million.

- The operator must have had previous experience in operating at least one petroleum development in water with depth exceeding 500 meters.
- The non-operator must have had previous experience with an established petroleum production.
- The operator and non-operator must provide evidence that they have had previous experience with establishing and implementing health and safety environment.