Lebanon's Petroleum Sector

Lebanon's First Offshore Licensing Round 2017

His Excellency Minister Cesar Abi Khalil

Lebanon Minister of Energy and Water

Houston : 6-July-2017

LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

OUTLINE

1- Lebanon’s Offshore Status

2- First Licensing round Characteristics

3- Challenges and Opportunities

4- Lebanon’s comparative advantage in attracting exploration investments

LEBANON OFFSHORE STATUS

WHERE DOES LEBANON STAND?

Clear Policies

Exploration and Production Policy

Enabling Laws

- Offshore Petroleum Resources Law (OPRL)
- Draft Petroleum Taxation Law

Enacting Regulations

Petroleum Activities Regulations (PAR)

Licensing Process

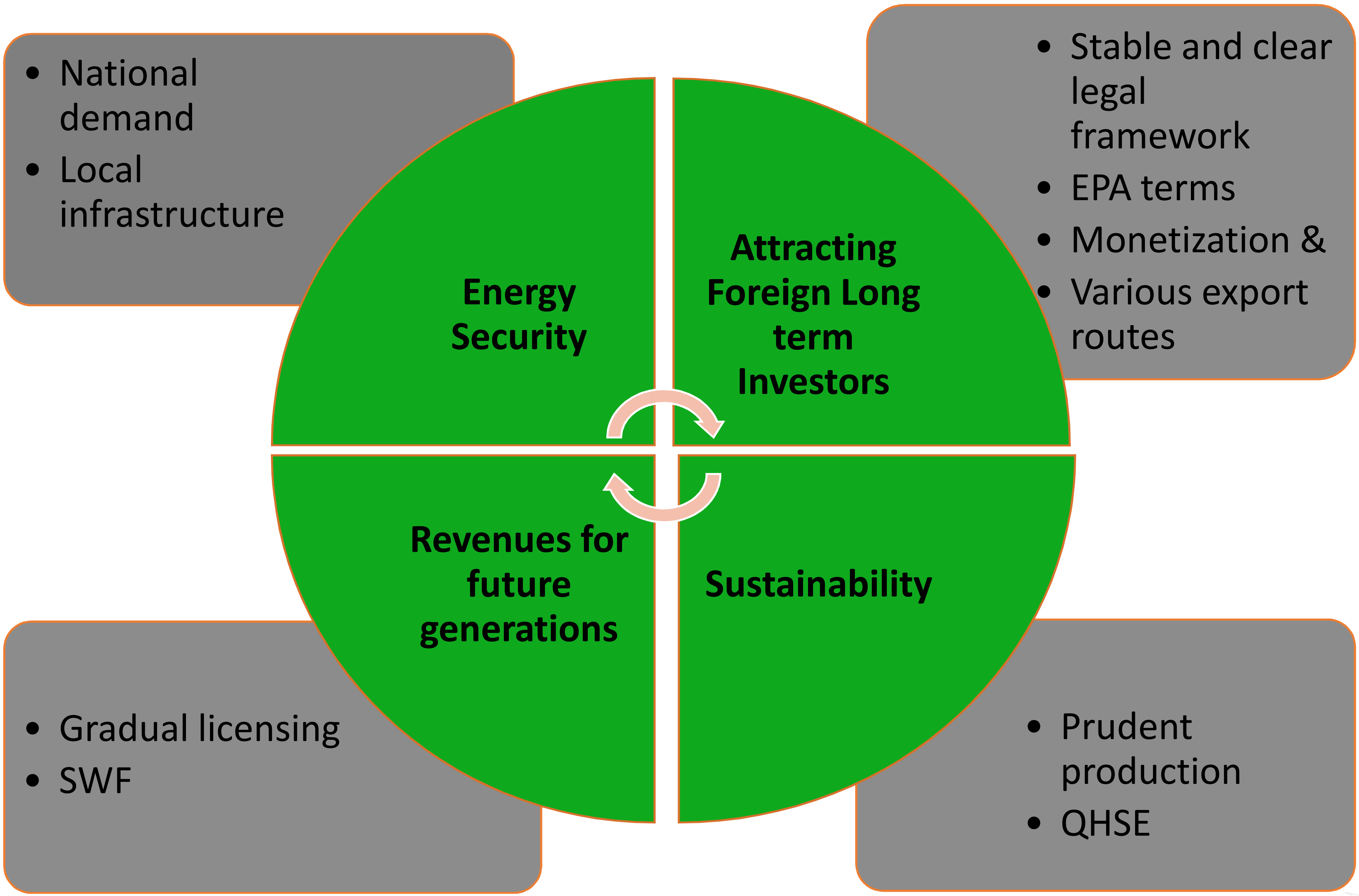
- **Licensing Strategy**
- **Tender Protocol (TP)**
- **Exploration and Production Agreement (EPA)**

Regulatory Agency

Lebanese Petroleum Administration (LPA)

1ST LICENSING ROUND CHARACTERISTICS

LEBANON RESOURCE MANAGEMENT PILLARS

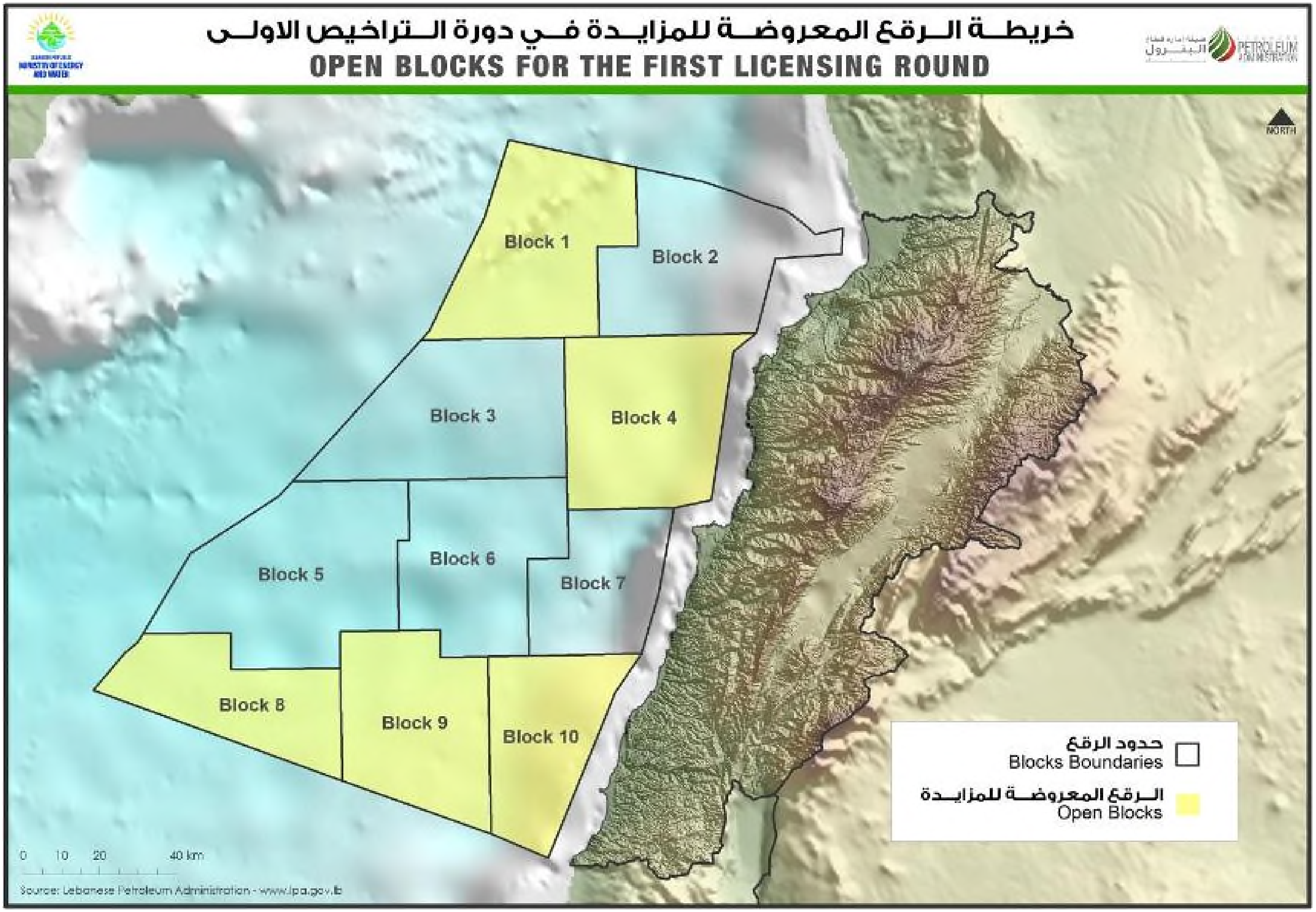


OBJECTIVES OF LEBANON'S 1ST OFFSHORE LICENSING ROUND

1- Striking a commercial discovery : re-shaping the Lebanese economy to develop this nascent sector

2- Preserving Lebanon's sovereign rights in developing its natural resources : taking into consideration the potential challenges on the southern EEZ border .

1ST LICENSING ROUND – OPEN BLOCKS



RESULTS OF THE 2ND PREQUALIFICATION ROUND – 28 APRIL 2017

Operators	Non Operators
ONGC Videsh Limited	PJSC Lukoil Sapurakencana Energy Sdn Bhd Sonatrach International Petroleum Exploration and Production Corporation (SIPEX BVI) Qatar Petroleum International Limited Petropars Limited JSC Novatek New Age (African Global Energy) Limited

- 10 new submissions received in 2017: 2 Operators and 8 Non-Operators.
- Not Passed: 1 Operator and 2 Non-Operators.
- Prequalified companies in 2013 still eligible to participate in the licensing round provided they still meet the eligibility criteria and submit financial statements for 2014 and 2015 (audited) and for 2016 (unaudited).
- The overall number of pre-qualified companies sums up to **51 companies.**

HOW ARE PETROLEUM LICENSES AWARDED?

Company interested in acquiring an EPA

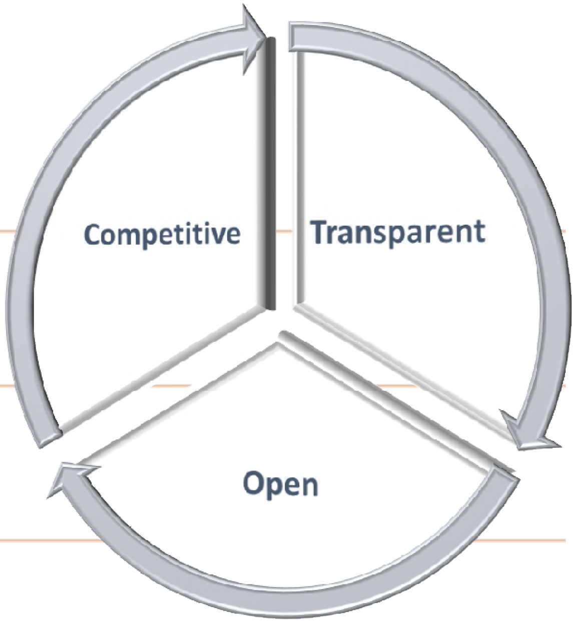
Pre-qualification process based on technical, legal, financial and QHSE criteria

Pre-qualified companies invited to participate in an open and competitive licensing round defined by TP

Prequalified companies provide technical and commercial proposals

LPA evaluates proposals based on TP and best offer is presented to the Minister of Energy and Water who will in turn present them to Council of Ministers for approving EPAs

THE LICENSING PROCEDURE



Model EPA **published** with **fixed provisions**

Tender Protocol **published** with **fixed terms**

Biddable parameters **defined**

Quantitative assessment of applications (Technical/Commercial)

Evaluation report and results submitted to CoM for award

License awarded based on CoM Decision

Petroleum Register – Licenses, Companies, Beneficial Ownership etc.

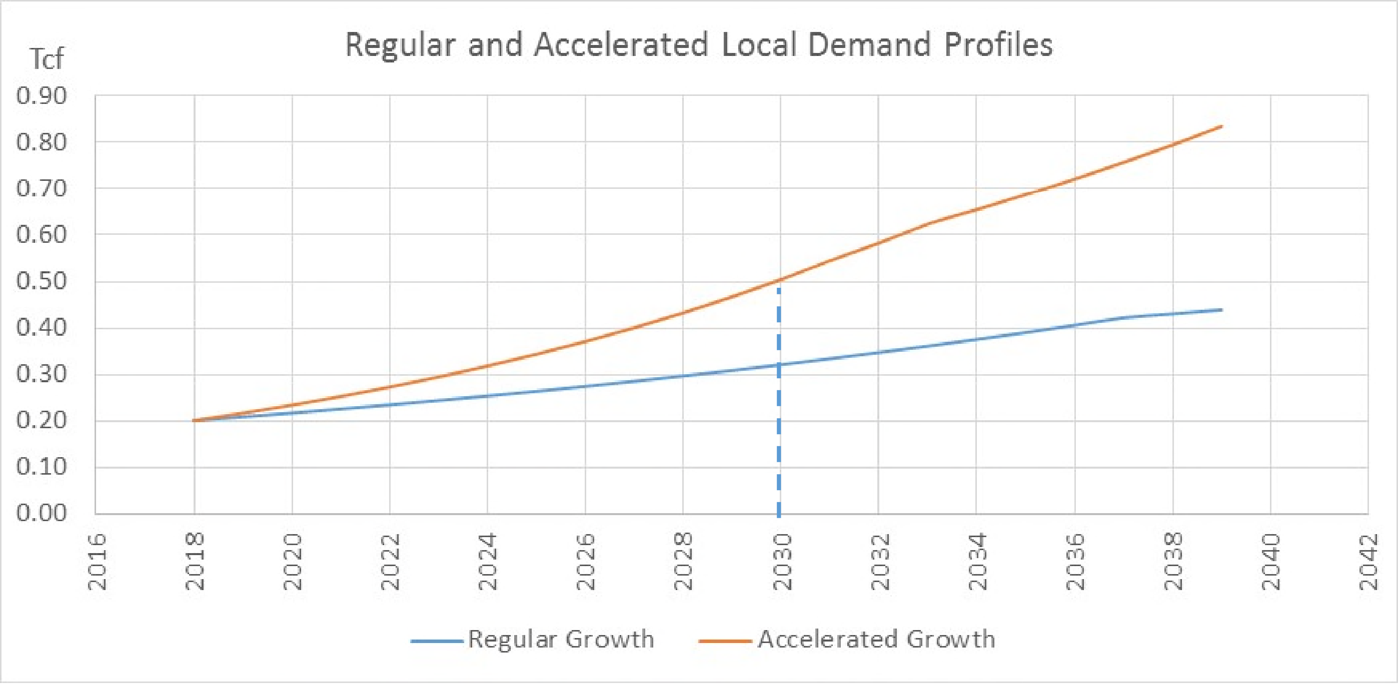
1ST LICENSING ROUND ROADMAP ADOPTED IN A TIMELY MANNER

23 February		Inviting oil and gas companies to participate in a **consultation workshop** in Lebanon
From 2 February to 31 March		Launching a **marketing campaign** to promote the first licensing round
		Inviting oil and gas companies to participate in a **prequalification round**
		Issuing the **tax law** related to the petroleum activities by the parliament
		Answering questions received from the oil and gas companies and publishing the clarifications on the LPA website
15 September		Receiving bids from prequalified companies on the blocks open for bidding
22 September		Publishing the list of applicants per block
16 October		LPA prepares an **evaluation report** per block
15 November		CoM decision to approve awards and signature of EPAs with winning consortiums
		LPA to follow up on the contracts awarded and the commencement of the exploration phase

POTENTIAL LOCAL DEMAND FOR NATURAL GAS

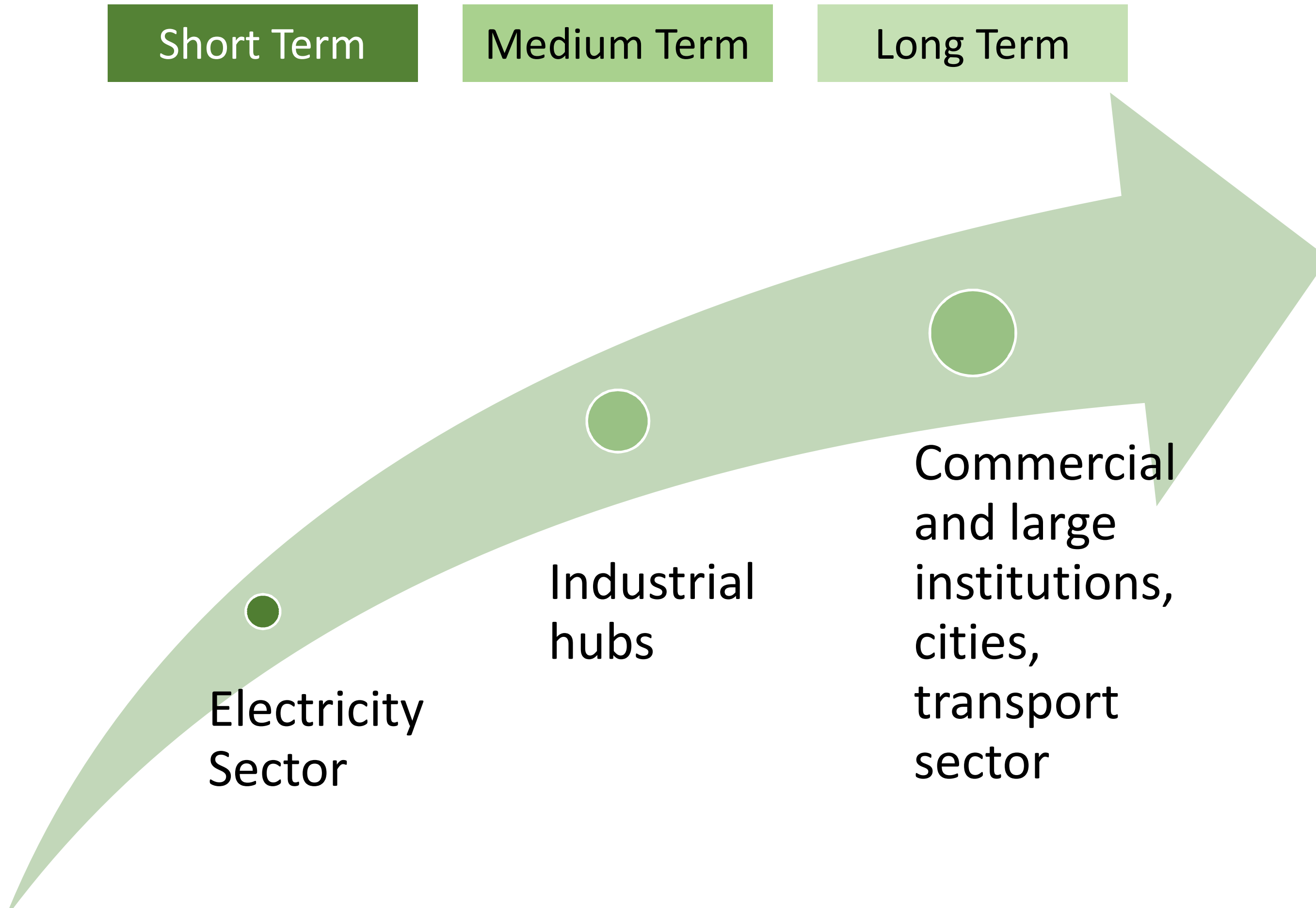
LEBANON HAS DEVELOPED VARIOUS NATURAL GAS LOCAL DEMAND FORECASTS ACCORDING TO NORMAL AND ACCELERATED GROWTHS.

By 2030, the local demand for Natural Gas would range between 0.3 and 0.5 Tcf / year



Lebanese Petroleum Administration

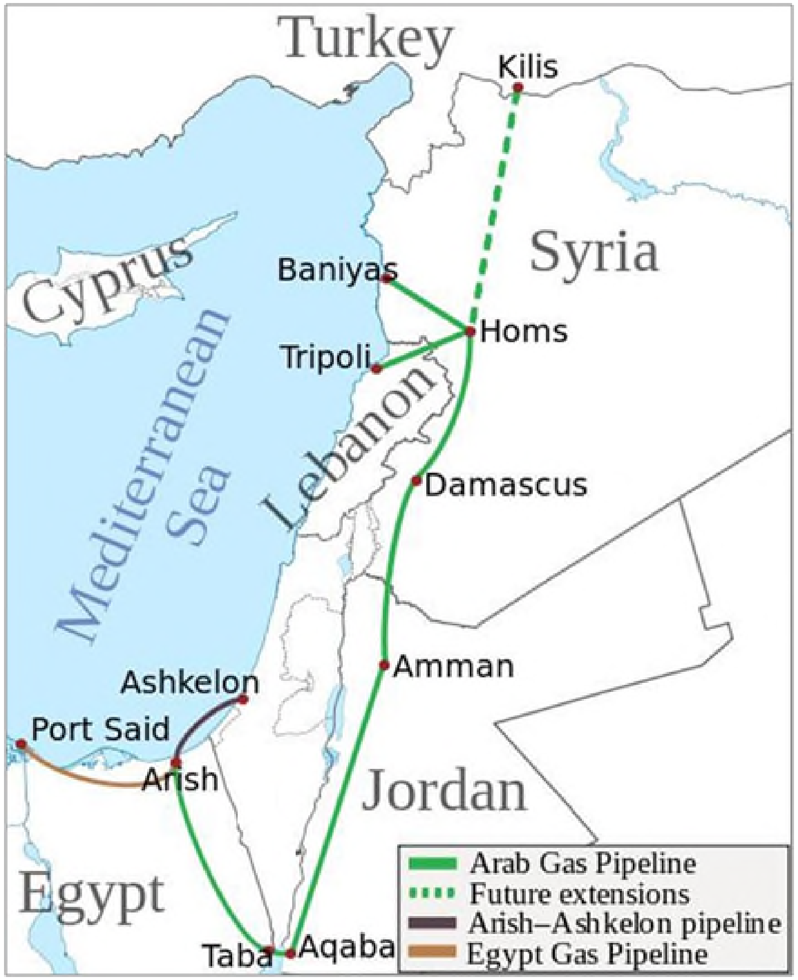
OVERALL, WE BELIEVE THAT THE ELECTRICITY SECTOR IS THE FIRST POTENTIAL LOCAL CUSTOMER OF NATURAL GAS.



EXPORT POTENTIALS

LEBANON HOLDS FRIENDLY RELATIONSHIPS WITH POTENTIAL MARKETS AND IS WELL CONNECTED IN THE REGION.

- Lebanon holds friendly relations with Cyprus, Greece, Syria, Turkey, Egypt, Jordan and the EU.
- Lebanese Natural Gas can easily reach Syria, Jordan and Egypt through the Arab Gas Pipeline.
- Turkey can be reached by an extension of the Arab Gas Pipeline or through an offshore shallow water pipeline.
- The EU markets can be reached through Turkey.
- Lebanon can collaborate with Cyprus on projects of common interest.



RESULTING ECONOMIC IMPACTS ON LEBANON

Potential economic benefits resulting from indigenous gas resources	Power generation and self-sufficiency from a relatively cleaner, cheaper and more efficient source of indigenous energy
	Lowering the financial burden resulting from energy imports
	Developing energy intensive industries, reducing production costs and improving productivity and competitiveness
	Creating investment opportunities and spillover effects to other sectors in the economy
	Improving welfare and standards of living through channeling investments towards diverse and productive economic activities

CHALLENGES AND OPPORTUNITIES

LEBANON'S CHALLENGES AND OPPORTUNITIES

- Frontier deep water.
- Insufficient infrastructure.
- Markets, prices and costs.
- Political factors.

- Availability of local market to monetize the gas.
- Economic impacts from a relatively cleaner/cheaper source of indigenous energy.
- Impact of local content on job creation.
- Opportunity to export gas to the region and the EU.

STATE AND INVESTOR CONCERNS

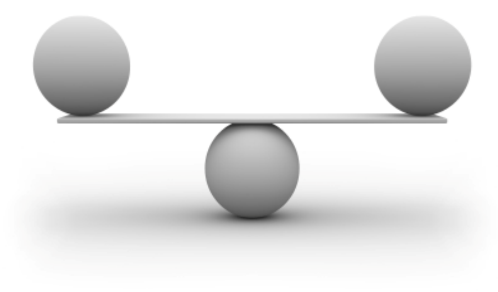
State Concerns | **Investor Concerns**

Transparency

Finding Commercial Discoveries

State Concerns

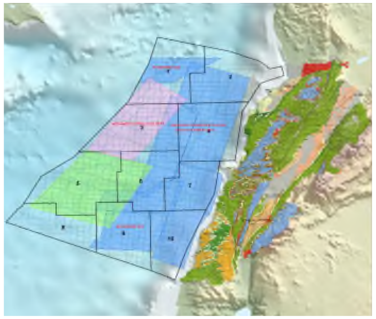
- Fair Revenue Share
- Prompt Exploration
- Environment
- Local Goods & Services
- Training
- Local Employment
- Activity Control
- Prudent Production



Investor Concerns

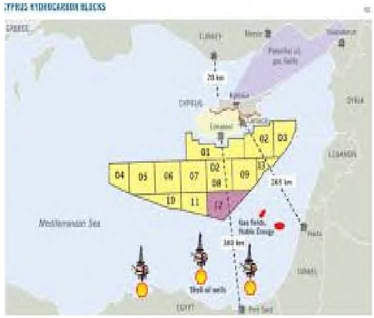
- Right To Monetize
- Stability
- Enforceability
- Legal System Predictability

LEBANON'S COMPARATIVE ADVANTAGE IN ATTRACTING EXPLORATION INVESTMENTS



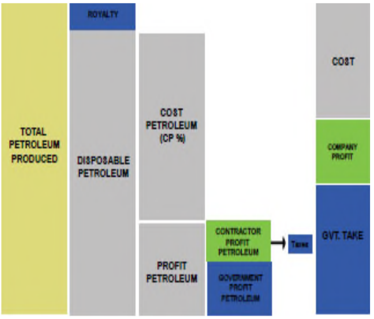
Attractive Blocks Offshore Lebanon are available for licensing

Advanced data available to possible investors (2D, 3D)

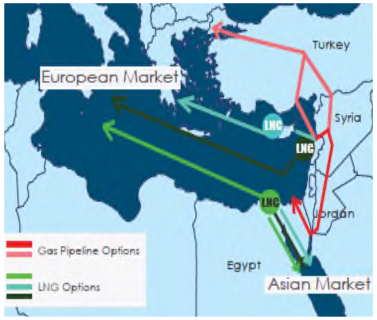


Oil and gas discoveries in neighbouring and similar basins

Modern Legal and Contractual framework



Progressive Fiscal system/ Transparent bidding



Proximity to Large Markets

STRENGTHENING COOPERATION: PUBLIC/PRIVATE AND COUNTRY TO COUNTRY

Tapping into new investment opportunities

- As per Lebanese regulations, the prospective sector provides an opportunity for IOCs and service companies to invest in Lebanon.
- Opportunity for IOCs to invest in new technologies, replenish reserves and secure market share.
- Invest in R&D, vocational training and provide goods and services in a competitive and open manner.
- Capacity building, information spillover and learning by doing opportunities.

Developing an integrated gas market

- Global nature of industry connecting countries.
- Facilitates gas exports and brings Lebanon to the regional and int'l scene as a significant energy producing country: the combined regional prospective gas could justify development and export investments.
- High cost industry requires the need to build transboundary infrastructure and address unitization frameworks where applicable.
- Invest in existing and planned infrastructure to develop wider networks and increase competition and market access and integration.
- Strengthen political ties across countries for the benefit of all – e.g. diversification of energy supplies.

SAVE THE DATES

Upcoming important milestones for Lebanon's first offshore licensing round	15 September 2017: Deadline for submitting bids
	15 November 2017: CoM decision to approve awards and signature of EPAs with winning consortium

THANK YOU

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