THE GEOPOLITICS OF OIL AND GAS DEVELOPMENT IN LEBANON

Summary
The Lebanese-Israeli maritime border dispute in an area potentially rich in oil and gas perfectly embodies the entanglement between economic interests and geopolitical stakes. This policy brief questions the prospects of Lebanon’s plans to exploit its offshore oil and gas reserves considering its dispute with Israel over an area of about 850 km². Since Israel has already started extracting natural gas from fields close to the Lebanese maritime borders, it has implicitly given Lebanon the opportunity to develop similar projects on its side of the borders. Our analysis suggests that despite the stalling legal process to resolve the dispute, working in the disputed zones, from the Lebanese side, is possible. The decision whether to operate in such a context is linked to the will and interest of international oil and gas companies to adapt to the pertaining geopolitical context rather than to Lebanon’s interest in developing projects in the disputed area.

Context and development of the territorial dispute
The main component of the maritime border dispute between Lebanon and Israel is the non-recognition by Lebanon of the State of Israel since its creation in 1948. It is the reason why the two countries never jointly delineated their maritime boundaries, but through bilateral agreements with Cyprus, following the rules of the United Nations Convention on the Law of the Sea (UNCLOS) of 1982 concerning the delimitation of their Exclusive Economic Zone (EEZ). This non-recognition and the way agreements were negotiated initiated the actual dispute. In October 2010, Lebanon sent its EEZ delineation to the United Nations to register its maritime border after an agreement with Cyprus in 2007 and a new delineation determined by the Lebanese Parliament in 2009. This delineation was then confirmed by the Law 132 of August 2010. Similarly, in July 2011, Israel officially adopted its own EEZ delineation to the United Nations to register its maritime border after an agreement with Cyprus in 2007 and a new delineation determined by the Lebanese Parliament in 2009. This delineation was then confirmed by the Law 132 of August 2010. Clearly, the Syrian government has been occupied with more pressing issues related to the country’s armed conflict, but Lebanon should also attempt to resolve this issue as soon as possible.

While the Lebanese-Israeli maritime dispute is highly intertwined with the region’s history and geopolitics, there is another, less pronounced, dispute between Lebanon and Syria of an area about 1,000 km². While not dismissing the idea, it is too early to talk about exporting Lebanon’s oil and gas resources. It is not clear that there is a ready market now, and the focus should continue to consider domestic use. Such a recommendation being conditioned on the effective discovery of hydrocarbons in blocks 4 and 9 in the near future.

MAIN RECOMMENDATIONS

▸ The Lebanese government should continue to demand its sovereign rights over the disputed zone with Israel. However, the dispute is not likely to prevent the development of offshore oil and gas projects in Lebanon. The economic stakes for both Lebanon and Israel are too high to be risked by an escalation of tension over the disputed zone. In a way, a byproduct of a large-scale oil and gas development in the East Mediterranean is to give extra incentive to keep things calm.

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discovered in Israeli offshore waters. In 2011-2013, more fields were discovered in deep waters including the Karish and Tanin fields, which are very close to Lebanese waters. Geographic proximity between Israeli and Lebanese blocks increases the confidence of experts and analysts that similar fields lie in Lebanese waters.

As shown in Figure 1a, the Karish and Tanin fields are a few miles away from Lebanon’s EEZ and have estimated reserves of 2.35 trillion cubic feet of gas and 33 million barrel of light hydrocarbons liquids.

Main fields are:
1: Leviathan gas field, under development
2: Tamar and Tamar SW gas fields, producing
3: Shimon gas field, under development
4: Mari B and Noa gas Fields, produced 25 BCM since 2004
5: Karish and Tanin gas fields, awaiting development
6: Dalit gas field, not developed
7: Aphrodite/Ishai gas field, not developed

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A nearly impossible settlement under international law
As the Mediterranean is a semi-enclosed sea, article 123, Part IX of UNCLOS, states that “states of this area have a general obligation to cooperate when facing a disagreement”. To avoid implicit recognition of Israel, Lebanon did not determine a triple point delimitation between its own territorial waters, Cyprus and Israel. Evidently, once this triple point has been located to the satisfaction of the three parties, the conflict, in its legal aspect, would be resolved. Lebanon’s continued policy of non-recognition towards Israel naturally blocks the use of legal procedures from international law involving direct negotiations between the two States, such as conciliation, arbitration, or submitting the case to the International Tribunal for the Law of the Sea (ITLOS).

Even the International Court of Justice is highly unlikely to be successful, as Israel does not recognize its jurisdiction. Additionally, soliciting the UN peace-
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negotiations take place under the UN oversight. There is no precise agenda yet, but the Lebanese side is confident that such indirect negotiations are going to happen soon. However, such mediation procedure under the UN umbrella would only be a first step of a lengthy process.

The position of oil and gas companies

One can safely argue that clearly defined borders of a “region of interest” is a key criterion for a company to invest in the region’s oil and gas resources. There are indeed some major risks that can be associated with investing in a disputed zone. These risks include failure of the host state ownership claims, increased expenditures, and possible escalation of tension, perhaps reaching the level of an armed conflict. Still, a consortium of three major oil and gas companies has shown a bid for Lebanon’s block 9 (see Figure 2), which is one of the zones containing a disputed area.

Is there a market for Lebanon’s oil and gas?

Since 2009 and the Tamar and Leviathan fields discovery, Cyprus and Egypt made similar discoveries, with the Aphrodite field in 2011 and the extraordinary Zohr field, in Egypt, in 2015. Such discoveries also lead to a number of propositions for multilateral projects and alliances such as between Egypt and Israel; Cyprus, Greece and Israel; Cyprus and Lebanon. Most of these propositions eventually aim to export gas to Europe.

So far there are no solid plans as to where or by which
means Lebanon’s oil and gas are headed, especially with all neighboring countries having their own plans and the international market seems saturated at this moment. It should be noted, however, that exporting natural gas to Europe is not the only option. If demand picks up in Asia, for example, Lebanese gas could potentially find new destinations.

Export potential and plans will depend on the proven reserves determined by exploration and drillings in blocks 4 and 9, and may not be considered as a priority by the Lebanese government. According to the LPA, Lebanon has an annual need for 0.2tcf. This means that if Lebanon is to rely completely on its own gas resources, it may require between 6 to 10 tcf for the next 30 years in the power sector. At this stage, one should be cautious about exploitation perspectives, but in any case, the domestic market will likely be attractive for companies, especially since the international gas market is saturated and Lebanon is already paying the market price.

**References**


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The Energy Policy and Security Program

The Energy Policy and Security Program at the Issam Fares Institute for Public Policy and International Affairs was launched in 2016 as a Middle East-based, interdisciplinary platform to examine, inform and impact energy and security policies, regionally and globally. The Program closely monitors the challenges and opportunities of the shift towards alternative energy sources with focus on nuclear power and the Middle East. The Program has been established with a seed grant support from the John D. and Catherine T. MacArthur Foundation to investigate the prospects of nuclear power in the Middle East and its potential to promote regional cooperation as a way to address the security concerns associated with the spread of nuclear power.

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