



An Integrated Energy Strategy for Lebanon

Initial Considerations

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Questions, more questions, and experiences from others

Setting out a framework of initial questions that would typically influence the determination and implementation of an integrated energy strategy

Outline

1. Background and objective
2. What questions could a pre-discovery country ask?
3. What does the private sector need to play an active role?
4. What are the cross-cutting issues to bear in mind?
5. Concluding remarks

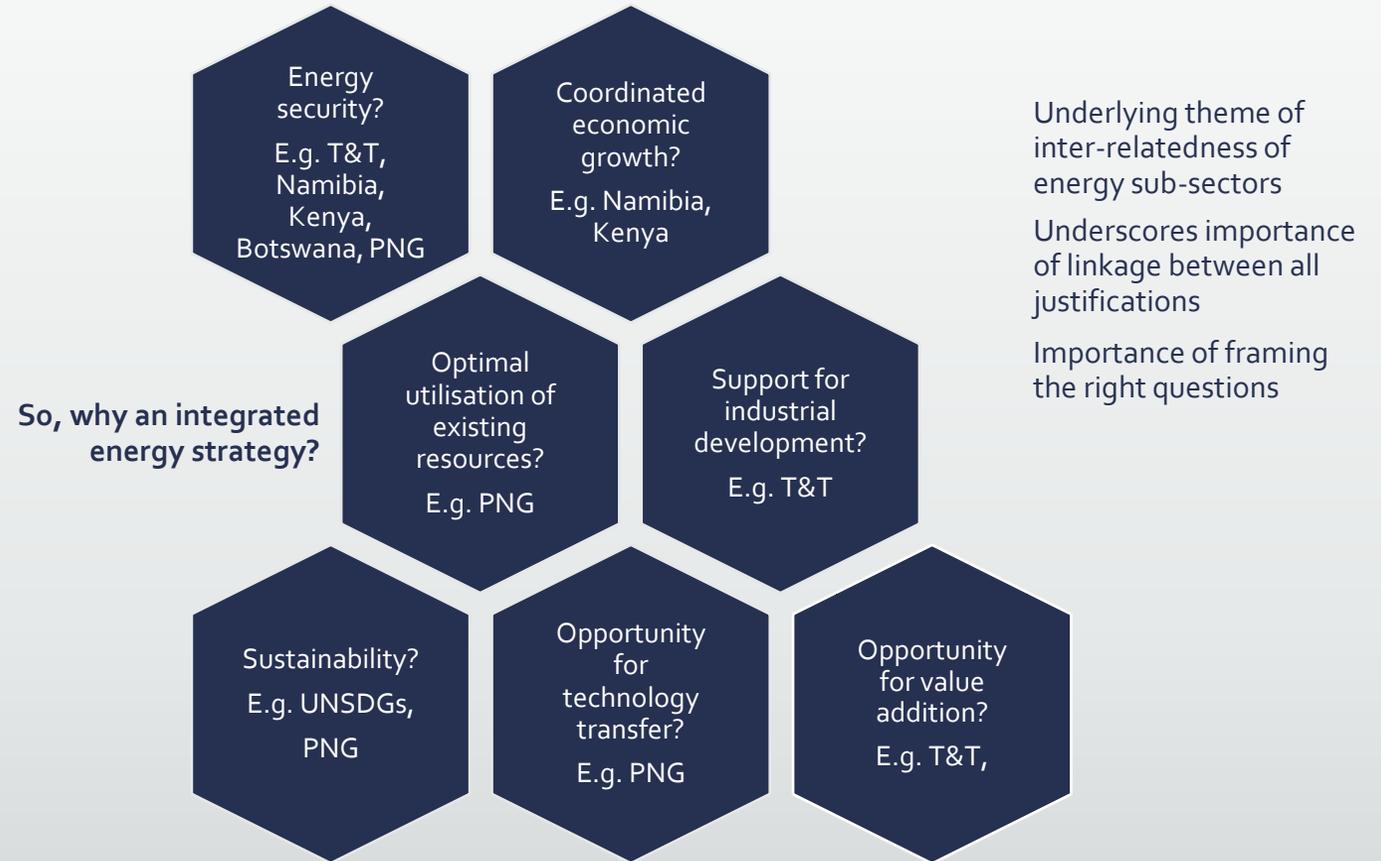
Background and objective

Why an integrated energy strategy?

Problems with lack of integration

Potential for duplication of effort	Pressure on limited resources	Inappropriate framing of questions/ grasp of challenges	Lack of clarity for investors	Stunted industrial development
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Evident in many fragmented policy frameworks e.g. earlier Nigerian energy policy which focused on the development of one sector at expense of others



Background and objective

What is the vision for the Lebanese energy sector?

- Not uncommon to base the vision on aspirations for socio-economic development
 - Strong link between energy and economic development, with energy as potent catalyst
 - Emphasis on articulation in an economic/industrial development plan
- Trinidad & Tobago
 - Evolving industry and vision, from oil to gas and beyond: *"... we have taken what may be the more difficult road and that is – accepting the challenge of entering the world of steel, aluminum, methanol, fertilizer and petrochemicals, in spite of our smallness and in spite of our existing level of technology"* – Dr E. E. Williams, 1st PM, 1976
- Tanzania
 - *"... further enhance provision of adequate, reliable and affordable modern energy services to Tanzanians in a sustainable manner"* – Energy Policy, 2015
- Papua New Guinea
 - *"... affordable, competitive, sustainable and reliable supply of energy to meet national and provincial development needs at least cost, while protecting and conserving the environment"* – Energy Policy, 2016-2020

What questions could a pre-discovery country ask?

Issues that could frame the strategy, from an oil and gas standpoint

- What resources do we have?
- How fast do we want to develop them? ✓
 - Assuming geology will enable us make this choice
 - Can influence how aggressive the licensing strategy can be
- How much can our domestic market absorb? ✓
 - Influences how DSOs are worked into the strategy currently and in the future
 - E.g. Tanzania's ground-up assessment of domestic & industrial demand in order to set targets for volumes required from operators (useful for stability)
 - Influences pricing questions e.g. subsidy vs market price vs phase-out of subsidy through aggregator
 - Also useful for industrial planning

What questions could a pre-discovery country ask?

Issues that could frame the strategy, from an oil and gas standpoint

- How do we regulate operations? ✓
 - Self regulation? Prescribed? Both?
- How do we attract and sustain investment? ✓
 - Balancing attractiveness of fiscal regime with maximising revenue
- How do we protect the environment? ✓
 - Linked to the regulatory question
 - What sets of rules & procedures are there?
 - OPRL, Petroleum Resources Regulations, Exploration & Production Agreement
 - How do we protect the interest of future generations?
 - Exhaustible resource argument
 - Transfer of assets from below-ground to cash
 - Savings, stabilisation, sterilisation, socio-economic development, investment
 - SWF? Debt repayment?
 - E.g. Guyana considering the establishment of an SWF, following significant oil discoveries made in 2016

What questions could a pre-discovery country ask?

Issues that could frame the strategy, from an oil and gas standpoint

- Should we refine/process/store? ✓
 - Links to the absorptive capacity question
 - Also links to the value addition justification for an integrated energy strategy
 - E.g. Trinidad & Tobago: drive towards steel, aluminum, methanol, fertiliser & petrochemicals
- Do we need transportation/distribution infrastructure? ✓
 - Links to the absorptive capacity question
- What pricing philosophy do we adopt? ✓
 - Links to absorptive capacity question & regulatory question
- What if we don't find oil/gas?
 - Should (ideally) not negate the need for an integrated energy strategy because of industrial development significance
 - Can have an import-hub focus
 - BUT underscores need to phase-in regulatory capacity, investment in infrastructure development, development of local content

What does the private sector need to play an active role?

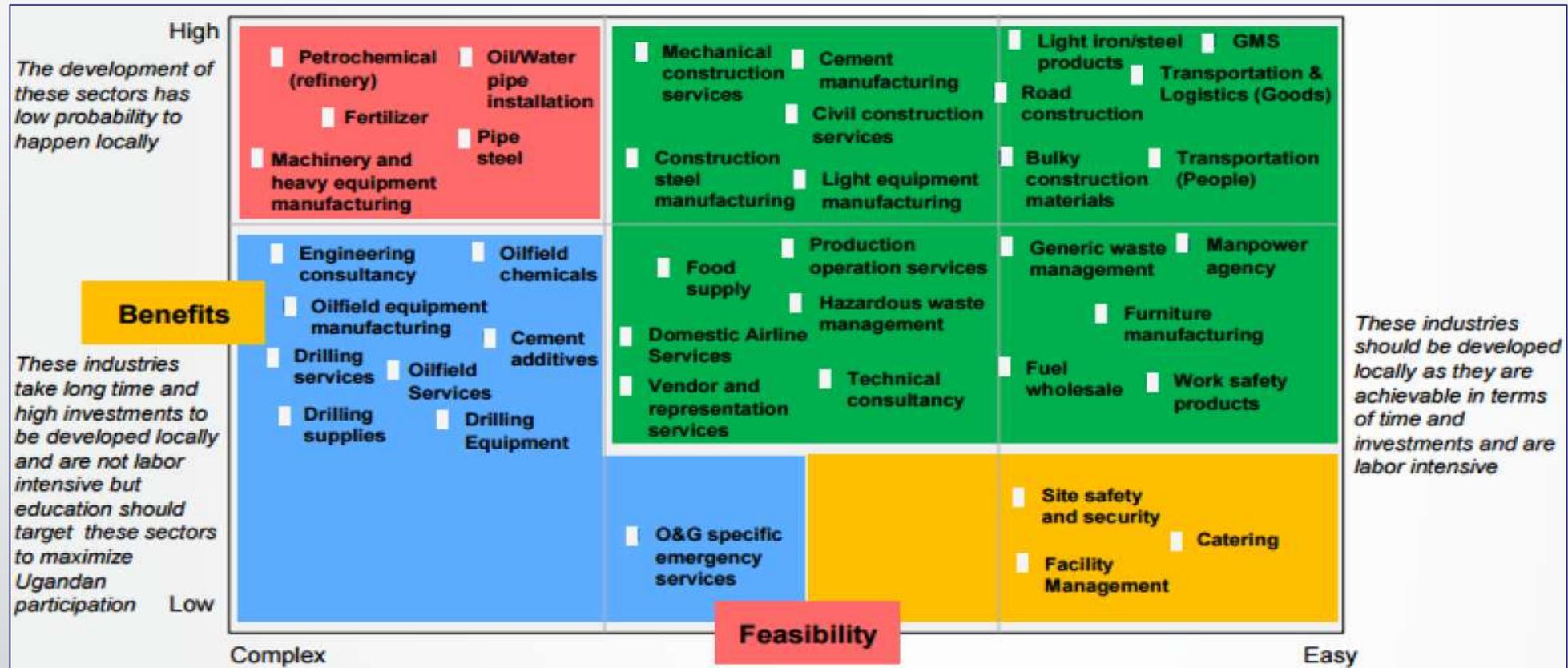
Issues that could frame the strategy, from an oil and gas standpoint

- Depends largely on the commercial & industrial makeup of Lebanon especially in terms of manufacturing & processing
 - Transformational power of these sectors in economic development
- Depends also on size & character of the financial services market
- What are the capabilities of Lebanese companies to participate in the energy development lifecycle?
 - Goods (e.g. rigs, platforms, FSRUs, subsea equipment, instrumentation & control)
 - Services (e.g. drilling, reservoir, well, completion, EPC, logistics, utilities)
 - What are the opportunities for scaling up capacity?
 - Strong entrepreneurial spirit, but typically short business cycles/lifespans
- Policy choice is required to stimulate private sector participation
- E.g.
 - Accelerated depreciation for targeted sectors?
 - Zero rating of or exemption from duty on importation of input material for manufacturing?
 - Transparently implemented SME special intervention schemes?
 - Capacity building interventions
 - Facilitation of access to credit?
 - Guarantees?
 - Removal of limits to carry-forward of losses?
 - Dedicated bond schemes?

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Issues that could frame the strategy, from an oil and gas standpoint

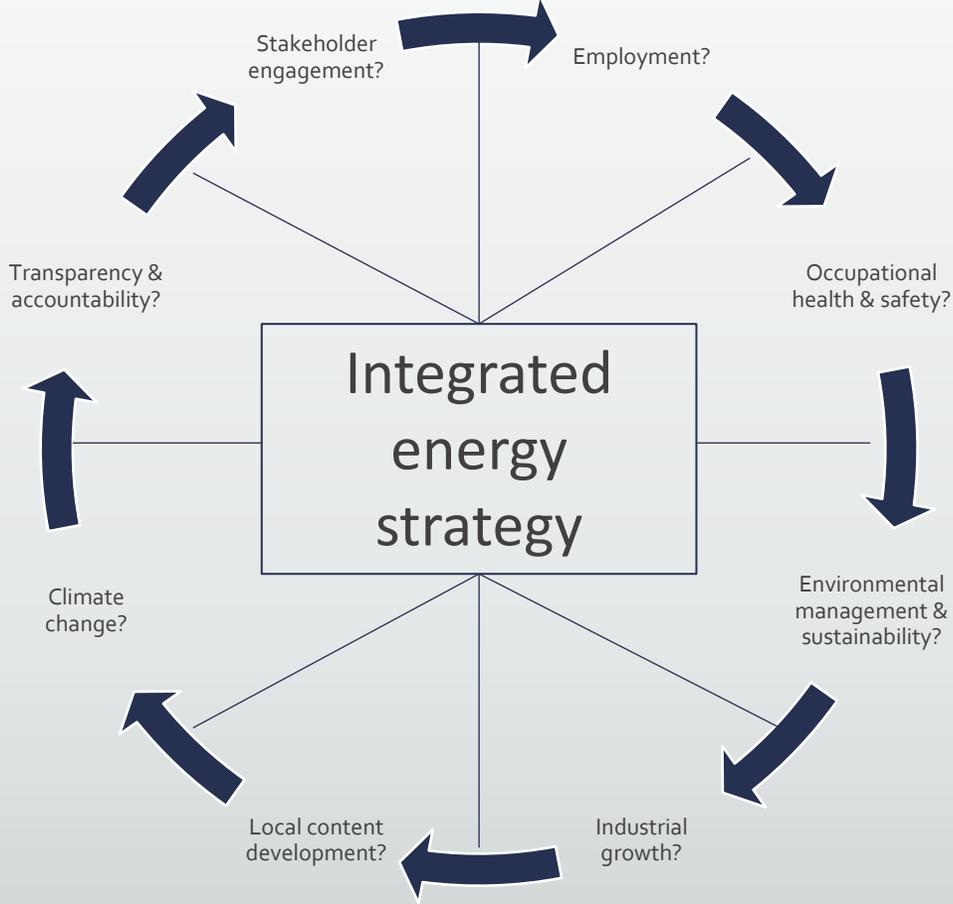
Illustration: Uganda – Mapping of selected industries based on benefits & feasibility



Source: UNCTAD (Hamman), 2014

What are the cross-cutting issues to bear in mind?

Issues that could frame the strategy, from an oil and gas standpoint



Concluding remarks

Implementation is (usually) the difference

- Worth noting that demonstrable evidence of answers to questions raised already exists in Lebanon
 - E.g. competitive bidding and strict criteria for big players with deep pockets
 - E.g. legislative & regulatory (including contractual) framework
 - E.g. envisaged energy spectrum changes
- Important component is progression using clear(er) delineation of responsibilities in a (more) scientific manner
 - Clear definition of the broad expected outcomes/targets e.g. natural gas-led energy mix by 2020
 - Clear identification of necessary outputs to get these targets e.g. delivery of gas supply and supporting infrastructure
 - Clear itemisation of necessary activities to deliver outputs e.g. contracting and procurement procedures for gas supply
 - Clear assignment of responsibilities, timelines and resources for the activities
- Management of expectations is critical!
- There is no right or wrong approach, but there is a right or wrong outcome
 - Context-appropriate questions **must** therefore be asked