Lebanon far from gas riches even if deal agreed: Analysts

Authorities are widely blamed for corruption and mismanagement

BEIRUT: Lebanon is grappling to strike a deal with the Zionist entity over contested maritime gas fields, but even with an agreement the cash-strapped country faces multiple hurdles before tapping potential hydrocarbon riches, analysts say. "A deal would mark one step forward but it does not mean that Lebanon has become a gas- or oil-producing country," said Marc Ayoub, an associate fellow at the American University of Beirut's Issam Fares Institute. "We are talking of a timeline of five to six years... before the first gas" if commercially viable reservoirs are in fact found, the energy expert told AFP, describing the timeframe as "optimistic". With the demand for gas rising worldwide because of an energy crisis sparked by Russia's invasion of Ukraine, Lebanon hopes that an offshore discovery would ease its current unprecedented financial downturn. But more than a decade since it declared its maritime boundaries and an Exclusive Economic Zone, it still has no proven natural gas reserves.

One well drilled in 2020 by a consortium of energy giants TotalEnergies, Eni and Novatek showed only traces but no commercially viable gas deposits. Further test drilling, in a block near the border, has been hampered by the maritime border dispute between Lebanon and the Zionist entity, which are technically still at war. Following years of US-mediated negotiations, a draft proposal from Washington at the weekend was welcomed by both sides.

But the Zionist entity on Thursday said it would reject amendments to the proposal requested by Lebanon this week, further prolonging a final agreement. A final deal, however, would allow "offshore exploration activities to continue," off Lebanon's coast, Ayoub said. "But that doesn't mean that Lebanon has become rich... or that its crisis has been solved."

'First gas'

A 2012 seismic study of a limited offshore area by the British firm Spectrum estimated recoverable gas reserves in Lebanon at 25.4 trillion cubic feet. The authorities in Lebanon have announced higher estimates. Block 9 near the border with the Zionist entity contains the so-called Qana field or Sidon reservoir, and will be a major zone for offshore exploration by TotalEnergies and Eni that were awarded a contract in 2018. "This time next year, we should know if there is a commercial discovery in Qana or not," Ayoub said. "If we have a discovery, it will take... no less than three to five years after exploration" before production could start.

This time frame, according to Ayoub, assumes there are no delays by Lebanese authorities who are widely blamed for the corruption and mismanagement behind the country's financial crash. It took months for the Lebanese Petroleum Administration (LPA) regulatory body to name its board after it was formed in 2012, because of political disputes over nominations. Several bidding rounds for offshore gas and oil licenses have been hit by delays since they began in 2013. Already, Lebanon lags far behind the Zionist entity which has been investing in the offshore Karish field for years and is expecting its first gas within weeks.

NAQURA, Lebanon: A United Nations peacekeeping force (UNIFIL) vehicle drives on the coastal road to Naqura, the southernmost Lebanese town by the border with the Zionist entity, on Oct 3, 2022. — AFP

Risky investment

Roudi Baroudi, an energy consultant, said that gas or oil production could start within three years if commercially viable reservoirs are found. But to attract energy firms and benefit from potential discoveries, Lebanon desperately needs to undergo changes, he told AFP. "Lebanon is not a good investment unless the government implements reforms," the energy expert said. Reforms would provide "the basic assurances that international companies need to work with less risk".

State institutions in Lebanon have collapsed under the weight of the crisis, with strikes by civil servants adding to the paralysis. An economic recovery plan has yet to take off more than three years since the financial downturn began, despite mounting pressures from foreign donors and the International Monetary Fund.

And political gridlock has caused a months-long delay in forming a new government amid fears of a presidential vacuum after Michel Aoun's mandate expires at the end of October. With a bankrupt state unable to deliver more than an hour or two of mains electricity a day, energy firms may choose to work on their Lebanon projects out of Cyprus, according to Baroudi. "With no rule of law, Lebanon is a jungle," he said. "It's absolute chaos, whether judicially, financially or in terms of regulatory" bodies. — AFP

Libya PM defends undersea gas deal with Turkey

TRIPOLI: Libya's Tripoli-based prime minister Abdulhamid Dbeibah has defended a deal signed earlier this week with Turkey over oil and gas exploration in the Mediterranean, which angered European nations. The memorandum of understanding, three years after a controversial maritime border deal, sparked a sharp reaction from Greece as well as from Dbeibah's rivals in Libya, where two administrations are grappling for power.

"The Turkish-Libyan MoU is based on previous deals even prior to 2011," Dbeibah said, referring to the year a NATO-backed uprising toppled dictator Muammar Gaddafi and plunged the North African nation into years of violence. "It's our right to sign MoUs, and we have signed hundreds of them in order to promote cooperation with other states." Dbeibah's government was installed in the capital Tripoli in the west of Libya as part of a United Nations-led peace process last year.

But he has been challenged since March by a rival government based in the east, which argues that his mandate has expired and that he has no right to sign international agreements. The question of rights to Libya's vast hydrocarbon resources has become more urgent this year as global energy prices have soared. "Global demand for gas has grown sharply since the Russian-Ukrainian war, and we will continue to explore for oil in our territorial waters in cooperation with other states," Dbeibah said in a speech late Wednesday.

Monday's deal builds on an agreement signed between Ankara and a previous Tripoli-based administration in 2019, at the height of a battle for the capital after eastern-based military chief Khalifa Haftar attempted to seize it by force. The delivery of Turkish drones to Tripoli-based forces shortly afterwards was seen as crucial in the victory over Haftar, who was backed at the time by Egypt, Russia and the United Arab Emirates. In the 2019 agreement, Turkey had laid claim to large areas of the eastern Mediterranean, angering Greece, France and the EU. On Monday, Greek Foreign Minister Nikos Dendias said he and his Egyptian counterpart "both challenged the legitimacy" of the deal.—AFP

VIENNA: Saudi Arabia's Minister of Energy Abdulaziz bin Salman speaks during a press conference after the 45th Joint Ministerial Monitoring Committee and the 33rd OPEC and non-OPEC Ministerial Meeting on Oct 5, 2022. — AFP

OPEC+ delivers diplomatic slap with output cut

WASHINGTON: US President Joe Biden got a diplomatic slap in the face Wednesday with the OPEC+ cartel's decision to ignore both his efforts at isolating Russia and desperate attempts to hold down fuel prices ahead of midterm elections. "The president is disappointed by the shortsighted decision by OPEC+," National Security Advisor Jake Sullivan and top economic advisor Brian Deese said in a statement. That sounded like understatement.

Biden has been trying for months to walk an economic and geopolitical tightrope in which he lowers fuel costs for Americans while simultaneously cutting major energy exporter Russia from revenues needed to finance its war on Ukraine. And with just five weeks before midterm elections where the Democrats hope to cling on to control of Congress, Biden was having some success. Average gasoline costs have fallen by more than $1 a gallon from politically damaging highs earlier this year, while the US-led Western coalition confronting Russia remains solid going into winter.

So the decision by Saudi-led OPEC and a set of Russian-dominated allies, collectively known as OPEC+, was a shock. Saudi Arabia is one of the closest US allies and the biggest single purchaser of top-end US weaponry. Biden himself spent considerable political capital in July by visiting the kingdom and meeting with Crown Prince Mohammed bin Salman. White House Press Secretary Karine Jean-Pierre reflected the administration's frustration, saying "it's clear that OPEC+ is aligning with Russia with today's announcement". Senator Chris Murphy, an ally of Biden, was blunter.

Price rise looms

Higher fuel prices have already inflicted severe damage on Biden's standing this year. Unlike other areas of inflation, fuel prices are literally emblazoned on large signs at gas stations, while motorists in many cases have no option other than to pay up. As president, however, there are limits on what Biden can do to fight the trend. The White House said Biden was ordering another dip into the country's Strategic Petroleum Reserve, with 10 million barrels set to be put on the market next month in an attempt to dampen prices rises.

However, those reserves are fast emptying out after record withdrawals ordered by the administration, starting back in March. The reserves are now at their lowest level since July 1984 and it is not clear when the administration plans to purchase a refill. The next releases will continue "as appropriate to protect American consumers and promote energy security, and (Biden) is directing the secretary of energy to explore any additional responsible actions to continue increasing domestic production in the immediate term," a White House statement said. In addition, the administration will "consult with Congress on additional tools and authorities to reduce OPEC's control over energy prices," the statement said. —AFP

IMF chief urges action as global recession risks rise

WASHINGTON: IMF chief Kristalina Georgieva urged global policymakers Thursday to take concerted action to avoid a "dangerous 'new normal,'" as the risks of a worldwide recession are driven ever higher by repeated economic shocks. In a speech ahead of the fund's annual meetings next week, the IMF's managing director said it was critical to "stabilize the global economy by addressing the most immediate challenges" - including rampant inflation.

Kristalina Georgieva

Policymakers need to act together to "prevent this period of heightened fragility from becoming a dangerous 'new normal,'" Georgieva said. But she warned the process will be painful - and that if central banks move too aggressively to tamp down price pressures, it could trigger a "prolonged" economic downturn. Finance ministers and central bank governors from more than 180 nations will gather next week in Washington for the first fully in-person meeting of the International Monetary Fund and World bank since 2019, prior to the COVID-19 pandemic.

Faced with the "darkening global outlook ... the risks of recession are rising," Georgieva said - announcing that the crisis lender plans to once again downgrade its 2023 forecast for the world economy, in the forecasts due to be published next week for the annual meeting. One-third of countries are expected to see at least two quarters of contraction, and "even when growth is positive, it will feel like a recession" because of rising prices eroding incomes, she said. The fund in July slashed its growth forecast for this year to 3.2 percent, and for next year to 2.9 percent - the third consecutive downgrade.

The meetings come at a difficult time for the global economy, with the pandemic largely under control, but soaring inflation and rising interest rates now threatening to reverberate around the globe and choke off nascent recoveries. "In less than three years we lived through shock, after shock, after shock," Georgieva said in her speech at Georgetown University. Global supply snarls already were a challenge as demand surged following the pandemic slowdown, fueling inflation worldwide, and strains worsened in the wake of the Russian invasion of Ukraine-which Georgieva called a "senseless war" - sending food and food prices soaring. "Far from being transitory, inflation has become more persistent," and acting before high prices become entrenched is a key challenge for policymakers, Georgieva said - warning that "the cost of a policy misstep can be enormous."—AFP

Truss fails to calm markets as Fitch lowers outlook

BIRMINGHAM: Prime Minister Liz Truss vowed to steer the UK "through the tempest" as she closed her party's tumultuous annual conference on Wednesday, making an unapologetic pitch for economic "growth, growth, growth". Since succeeding Boris Johnson, Truss has alienated voters, financial markets and many in the ruling Conservative party with a crash program of debt-fueled tax cuts to boost Britain's stagnant economy.

But she argued in her speech that the status quo was not an option, despite the botched rollout of her fiscal plan leading to a humiliating U-turn on a pledge to cut income tax for the highest earners. "In these tough times, we need to step up," she told delegates, taking aim at what she said was an "anti-growth coalition" holding back attempts to revive the economy. "I'm determined to get Britain moving, to get us through the tempest and put us on a stronger footing as a nation," she added, mentioning the word "growth" 27 times during the speech.

But her failure to flesh out her economic plan did not calm the jittery markets, and the pound slid 2.01 percent against the dollar, falling to as low as $1.1241. Early Thursday it traded at 1.1336. "She may have hoped that her triple promise of growth would have calmed markets further but with nothing new to offer the table, her words have not had the desired effect so far," said Susannah Streeter, an analyst at Hargreaves Landsdown. Global ratings agency Fitch on Wednesday lowered its outlook for British government debt from stable to negative, warning of "a significant increase in fiscal deficits over the medium term".

Despite only being leader for exactly a month, Truss's calamitous start, with a 10-day hiatus because of the death of Queen Elizabeth II, has already seen her fighting to keep her job. Former minister Grant Shapps, who supported Truss's leadership rival Rishi Sunak, said she could face a no-confidence vote by MPs if the keynote speech fails to start reviving the party's dismal standing in opinion polls. "In the end, I don't think members of parliament, Conservatives, if they see the polls continue as they are, are going to sit on their hands," he told Times Radio. "A way would be found to make that change."—AFP