

Lebanon International Oil & Gas Summit
Opening Ceremony
Keynote Address
Mr Jérôme Ferrier, President IGU

HE Engineer Gebran Bassil, *Minister of Energy and Water of Lebanon*,
Distinguished Delegates,
Ladies and Gentlemen,

It is a great honour and privilege for the *International Gas Union* and his President to have been invited to present the views of the Organization at the opening ceremony of the *Lebanon International Oil & Gas Summit* in Beirut.

IGU is representing the worldwide gas industry and covers 95 % of the natural gas and LNG global gas market. This Summit is an event of outstanding importance for IGU, which has recently welcome Lebanon as its 83rd member, and as recognition of the emergence of a new major actor in the geopolitics of the new Eastern Mediterranean Energy province.

" Towards the complicated Middle East, I flew with simple ideas. " So begins the chapter dedicated to the Middle East politics by General de Gaulle in his *War Memoirs*. It would be quite presumptuous to compare myself to the great man; however, I come today with a simple idea, which is that the development of the potential natural gas resources of Lebanon will be a success story, for the mere reason that, at a regional level, the market opportunities shall prevail on the geopolitical difficulties and risks.

The prize, for all the countries and parties concerned, is the development of a new gas corridor in the Eastern Mediterranean region and the prospect of becoming a significant global LNG supplier. Such a prize should indeed eventually generate political alliances and economic convergences among them for overcoming the geopolitical, regulatory and commercial challenges that they are facing.

The search for a comprehensive regional cooperation for the development and marketing of the Eastern Mediterranean existing and potential gas reserves will be triggered by a series of factors supporting a strong common view and architecture for their development:

- The Levant Basin, a geological structure that extends on the offshore acreages of Cyprus, Israel, the Palestinian Territories, Lebanon and Syria, with already more than 35 Tcf of discoveries and a much higher potential still to be explored, is a game changer not only for these countries that are now facing the prospect of long-term energy self-sufficiency, but also for international gas and LNG markets;
- Europe is more and more dependent on imported resources and is adamant to increase the diversification of its supplies. The Eastern Mediterranean (EM) region is closer to the large EU markets and pipeline infrastructures than Norway and Russia, which together account for 60 % of EU's gas imports in 2012. Given its geographic proximity, Europe appears as the major export market for EM gas;
- Asia is and should remain in the medium –term, a premium market for LNG and could be supplied via the Suez Canal. The future EM LNG resources will be in competition with the recent projects of East Africa, primarily Mozambique, but the growing demand of LNG is such that there is room, as from 2017, for the simultaneous development of the two gas provinces;

Unlike oil, which can be produced, stored and loaded almost on a field-by-field basis without necessarily sharing pipeline facilities, natural gas requires a set of common strategies at a regional level, to monetize the reserves in the most economic manner and optimize the development and transmission costs to the final markets. For any new gas basin, and obviously in the EM case where it extends over several countries having different cultures, religions and political regimes, the pace of

development of the reserves will be mainly driven by their capacity to find adequate solutions to the geopolitical, regulatory and commercial challenges.

The geopolitical front is clearly the most complex issue to be addressed. The international relations in the EM region have been shaped by decades of conflicts over land and borders and I will not insist on this element that you know all the more as it forms part of your day to day life.

However, unlike many commentators who see natural gas as another source of potential conflict, I sincerely think that the development of the Levant basin should be a strong factor of regional integration and should contribute to foster a more peaceful climate in searching a common economic goal.

Inter-regional pipelines have proved their useful role in enhancing a fruitful dialogue between countries that used to have distinct geopolitical goals and they often constitute the first step of regional energy integration ladder, both for the gas and electricity markets. It has been the case, for instance, for the *West African Gas Pipeline*, achieved by 2009, linking Nigeria, Ghana, Benin and Togo, allowing the development of the *Electricity Power Pool* between the same counties. Many more success stories can be reported, more recently in South America.

The interdependence of countries joining a gas scheme with common infrastructures can be part of the geopolitical solution if a fair balance of risk and reward is established between them. IGU is in a position to help the Eastern Mediterranean countries in elaborating a framework of strategies for the development of natural gas and LNG infrastructures ensuring a fair overlap of their individual and collective interests.

Under its present 2012-2015 triennium, IGU has developed a series of cooperation with UNO and its agencies UNESCO and UNFCC, with OECD and also with G20 on the ways and means to enhance the role of natural gas for a sustainable economic development, and as a major factor of peace among the nations joining in new infrastructure projects.

We have developed a Task Force devoted to geopolitics and I invite our members of Cyprus, Egypt, Greece, Israel, Lebanon, and Turkey to sit around the IGU's table and to elaborate scenarios and roadmaps for the development, transmission and marketing of the Levant basin resources,

which could be used as concrete cornerstones by policymakers in the region.

The regulatory challenge is also a major one, since no infrastructure project implying several countries and a large number of stakeholders is feasible and bankable without a set of framework agreements based upon common regulatory dispositions.

It took more than 10 years to the EU to implement its energy regulatory model and I will not suggest transposing it as such to the Eastern Mediterranean countries. However, IGU has gathered an extensive database and feedback on this model, as well as on other regulatory models in application for large natural gas and LNG infrastructures worldwide, and has a capacity to grant to the countries in the EM region the benefit of a transfer of experience on such models.

The commercial challenge is another factor of convergence among the countries and stakeholders in the region. The economics of natural gas are driven by a bottom-up approach in which no development is possible without a market ensuring a sufficient netback to the producers. This means that, in a situation where competition with other natural gas or LNG resources is severe, in particular from Russia and the Caspian region for Europe, and from Eastern Africa for LNG, there will be no profitable international project, beyond supplying the local markets, without a common commercial policy.

The Eastern Mediterranean Energy Corridor, which would connect Europe to the EM region via a pipeline to Greece and Italy, would constitute an element of diversification of the EU' gas supply pattern and therefore raises much interest at EU's level.

However, it is in competition with other pipeline projects from Azerbaijan and Turkmenistan and it is of utmost importance that the discussions initiated following the signature of an agreement in November 2012 between Israel, Cyprus and Greece, should progress, preferably in presence of observers from Lebanon so as to give the strongest possible basis to the project towards the EU. It is time for this project to reach the level of a real geopolitical and commercial "Great Game" in the mind of the EU Commission.

To conclude, I wish to say that IGU thinks that before 2020, East Mediterranean gas will be a game changer not only for the regional

energy systems, but also for the international gas markets. I also hope that Lebanon, our youngest member nurtured by centuries of civilization and inspired by the commercial dynamism of its Phoenician ancestors, will soon be an active participant to the “Great Game”.

I also invite you to join the next World Gas Congress of IGU, in June 2015 in Paris, where these important issues will be debated and their progress reviewed at the highest level of our industry and where I will be delighted to welcome you
