

Fostering dialogue: recommendations for Lebanon's petroleum policy

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Abstract

This working paper outlines recommendations to increase participation towards developing a petroleum sector strategy for Lebanon. Outcomes from the research suggest that the Lebanese state suffers from a limited capacity for policymaking in any context; the compounding factors include: (1) the limited consistency of generated policy; (2) the high turnover rate of prime ministers and their cabinets; (3) the lack of authority for policymaking and its implementation during periods of caretaker cabinets; (4) the limited input from stakeholders outside of government institutions; and (5) the nearly complete capture of policy decisions by political leaders. There is a need for long-term strategy development for Lebanon's emerging offshore oil and gas industry. To do this, organizational and individual expertise from external sources should be included in formulating policy, vision, and strategy for to maximize the potential of this sector: with objective outcomes to include: (1) provide capacity support and bridge the gap between policy and practice; (2) advance the development of studies and applications within the sector; (3) identify and articulate solutions to both short- and long-term technical and social challenges; (4) identify workforce training needs and drive employment; and ultimately, (5) engage international and local civil society organizations, universities and think tanks, the media, private sector companies, and government institutions in strategic conversation.

Introduction

In a country where everything from its economy to its social services provision is deeply politicized and where policy agenda priorities are set based on political interests rather than on socio-economic needs, the pace of development of potential gas reserves and proposed plans for the management of gas proceeds remain mainly driven and affected by the sectarian nature of the Lebanese political system, the country's unique policy dynamics, and the existing inefficient management structures. In the short term, the delay by the government to pass important decrees related mainly to the exploration and production model agreement, tender protocol and the block delineation has allowed an increased number of political figures to oversee policy direction. In the long term, political, regulatory, and administrative challenges must incorporate input from external experts. The following risks are to be considered: (1) environmental risks in terms of spillover, health and safety; (2) commercial risk resulting from the high cost of extraction; (3) legal and security risks related to expected regional conflict; and (4) resource risk as the proven reserves could be lower than anticipated. Lebanon can mitigate risk in the context of offshore oil & gas by fostering environments that increase participation by experts to outline and articulate long-term strategy development and facilitating knowledge creation and transfer to guide policy, legal framework, and strategy.

Theory

Using the Multiple Streams framework of John Kingdon (2003) the research sought to understand why the Lebanese government has yet to resolve two key policy issues: whether, and the extent to which, the Republic of Lebanon should regulate and manage the exploration, extraction, and utilization of its potential natural gas and petroleum resources. To this end, the research sought to map the policy interests and preferences of the critical stakeholders that operate within this policy domain. Although there is no one model designed to account for all the varying factors that affect political life in Lebanon, the author found Kingdon's Multiple Streams framework explains how policy

is formulated in ambiguous conditions– Lebanese public policymaking is generally complex and un-institutionalized. Interviews were conducted with stakeholders to generate findings; the methodology for this research can be found in the appendix.

Table 1

List of organizations and the type/position and number of key informants

Organization	Type of Informant: Position/Title	Number of Key Informants	Total
Ministry of Energy & Water	Advisor to the Minister	2	2
Ministry of State for Administrative Reform	Advisor to the Minister	1	1
Office of the Prime Minister	Economic Affairs & Development Advisor	1	1
Lebanese Petroleum Administration	Head of Department	1	1
Parliament of the Republic of Lebanon	Parliament member	1	1
Delegation of the European Union to Lebanon	Attaché – Programme Manager, Sustainable Development	1	1
Experts	Local Legal Framework / Oil & Gas Law	1	2
	Energy Economics	1	
Private sector	Energy Consultant – Global Planning & Strategy	1	2
	Energy & Political Risk Analyst	1	
Local Policy Institutes / NGOs	Lebanese Center for Policy Studies	1	2
	Issam Fares Institute	1	
Academicians/Researchers representing the major local universities	Geology Department	1	4
	Political Studies Department	1	
	Economics Department	1	
	Engineering Department	1	

Findings

A petroleum policy outlining the sector was adopted by the Council of Ministers in October 2007. The policy was the result of collaboration amongst many individuals participating on the technical side including an appointed member of the Lebanese Petroleum Administration (LPA). One of the main criticisms of this policy was that it was not publicly discussed. As one local attorney familiar with the details of development in the sector stated, “It was certainly not put to debate, in terms of inviting scholars, economists, or legal [experts] in the country to give their opinion...and it hasn’t seen the light yet as an overall strategy.” One interviewee explained the lack of public debate on the petroleum policy in more general terms: “Looking at this policy does not answer our

question of what is the policymaking framework in Lebanon because the policy actors play in a different [field]. There is overlapping between the actors themselves, but the game of formulating a policy and deciding about policy courses happens elsewhere.” It is a layered issue consisting primarily of domestic deal making, with little to no input from local experts not explicitly connected to a political insider.

There was a consensus across participants of this research that a public policymaking framework in Lebanon is formally absent from the scene of both political planning and agency management development as one candid policymaker stated, “There is no policy in any sector in Lebanon.”

Petroleum developments over the past decade, more specifically over the past two years, paved the way for a window of opportunity to advance towards petroleum extraction – though not necessarily in the context of a policy window, as Kingdon’s MS framework would contend. While a window(s) of opportunity did open and significant progress was made towards the development a strategy related to oil and gas extraction, the problem remains. Since the 1990s with the launching a strategy for a general Master Plan for Lebanon Gas Utilization, the objective of the study was to tackle the upstream, the midstream and the downstream sectors, unfortunately this study never saw light. As with the previous Council of Ministers, it appears the opportunity to move forward toward the formulation of such a strategy is not a high-priority. Fattouh and El-Katiri (2013) postulate that despite the political complications that include the absence of a full-time government, and the sectarian divisions that make consistent policy formation difficult, strong international interest in the bid round has been shown. Two crucial decrees must be passed before the LPA can continue forward with the first offshore licensing round: the Exploration and Production Agreement model and the other delineating the offshore bidding blocks.

The findings suggest that the Lebanese state suffers from a limited capacity for policymaking in any context in general and in oil and gas in particular. The compounding factors include: (1) the limited consistency of generated policy; (2) the high turnover rate of prime ministers and their cabinets; (3) the lack of authority for policymaking and

its implementation during periods of caretaker cabinets; and, (4) the limited input from stakeholders outside of government institutions. The need to develop a comprehensive strategy addressing Lebanon's offshore oil and gas became evident. This strategy could be structured around two components: a short-term plan covering the exploration and extraction phases, and a long-term plan incorporating market delivery and economic development. Creating a comprehensive strategy would suggest the creation of a Ministry of Petroleum separate from the Ministry of Energy & Water. The ministry would be focused on the oil and gas resource, separate from electricity generation and distribution and the management of water resources as currently structured within the MoEW. One policy analyst representing an international organization framed the issue as an opportunity to separate electricity and water from petroleum, "[there are] a lot of problems in the electricity sector. By splitting the [MoEW] and having a dedicated ministry for petroleum is a good attempt; we need to build the confidence of the citizens towards the government. They need to trust the government that it will do a good job in this sector."

This proposal, though, brings the added political challenge of appointing someone as Minister of Petroleum because the portfolio would be highly influential and control a significant source of revenue. In realistic terms it is not a viable solution; a more appropriate approach would be to focus on inputs at the core of strategy development – framework, theory and models that help improve understanding of the relationship between the observed results and the incentives generated by Lebanon's institutions.

The government has outlined its vision for the sector centered on three main areas: upstream exploration and infrastructure, education and employment preparation, and a downstream petrochemical industry. Further thought leadership forums with politicians and government technocrats interacting, and sometimes disagreeing, with experts of their field, private sector leaders, students, and civil society will aid the government in articulating an overall strategy.

Recommendations

Khodr and Hasbani (2013) acknowledge the evident capture of policymaking by the political leaders and the weak non-institutionalized link between policy research and policy highlights in Lebanon and highlight the opportunity to build capacity and establish systematic and effective communication channels and dialogue between institutional and external stakeholders. To foster long-term strategy development, promote public participation and awareness, and improve trust in leadership capability and accountability the establishment or expansion of program capacity targeting petroleum activity is recommended at three levels. Table 2 outlines the program recommendations to foster environments conducive to policy inputs. A recommendation also encourages the creation by Lebanese political parties of policy generating programs with emphasis on supporting political agendas and engaging constituencies.

- 1) Foster an academic infrastructure to enrich expertise and educate future leaders of this sector; coordinating programs, education, and training development; engaging institutional and external stakeholders in strategic dialogue; providing capacity support and bridging the gap between policy and practice; establish vocational programs to train technicians in certificate programs including: project management and financing; supply chain management; risk management; and contract management and negotiation.
- 2) Support civil society organizations (CSO) through capacity building and training for transparency and watchdog role and promoting inter-organization communication.
- 3) Advocate for the establishment of programs structured within political parties to generate intra-party policy conversation supplying political leaders with data, agendas, and policies for informed decision-making.

Table 2

Recommendations to boost expertise and open participation for strategy development

Recommendation	Agenda
Academic environment	Fostering expertise; educating future leaders; bridge the gap between policy and practice; establish vocational programs for technicians.

Civil society organizations	To represent the interest of citizens and communicate policy options on an array of social, economic, and governance topics; human capital development; monitoring & evaluation.
Political party policy generation	To support political leaders in developing policy ideas and proposals.

Fostering an academic environment

Figure 1 conceptualizes how these recommendations will foster interaction with the key interlocutor, the LPA, joining the policy- and decision-making environment. By fostering environments for research expertise and academic programs the LPA can develop: training and capacity building initiatives; policy and technical research output; strategic communications and external relations; inputs on long-term sector development; drive workforce training and preparation; and, inputs in the drafting of legislation and legal documents. Broadly, these recommendations would enable engagement with policymakers and stakeholders in priority-setting processes and establishing and disseminating a list of high-priority policy issues and related research priorities; writing policy briefs or ‘packaged evidence summaries’ to inform on high-priority issues; engaging in strategic dialogue inclusive of all stakeholders. Specifically, fostering an academic and research environment would drive an active approach to incorporate external (i.e. non-governmental) participation in the decision-making process featuring:

- Agenda and research autonomy;
- Facilitating research: inputting, and informing on decision-making;
- Coordinating programs, education, and training development;
- Engaging institutional and external stakeholders in strategic dialogue;
- Providing capacity support and bridging the gap between policy and practice.

While many of Lebanon’s universities have established academic programs to build expertise and prepare the Lebanese workforce for this sector, little attention has been shown for vocational programs. This detail has not escaped the LPA, though, who have been in discussions with local institutions to establish programs for technicians. Amongst the most needed certificates identified include: project management and

financing; supply chain management; risk management; contract management and negotiation; and energy law.

Civil society

To encourage a clear and accountable oil and gas sector for Lebanon, efforts should be made to facilitate an informed public dialogue so that individual citizens can have at least an elementary understanding of the many complex issues surrounding the petroleum sector, including transparency and anti-corruption programs. Several initiatives can promote the values of transparency by the government: implementation of the protocols of the United Nations Convention against Corruption (ratified by Lebanon in October 2008); adoption and implementation of the Extractive Industries Transparency Initiative (EITI) – a global effort calling for governments and oil and gas companies to make public their earnings from petroleum related sales;¹ compliance with the United States Security and Exchange Commission's (SEC)² reporting requirements for American oil and gas companies, and the European Union's rules³ for European companies to publish what they pay governments for natural resources. These measures, when fully implemented, allow citizens to see how much money their government receives for their resources and question how this money is used. Government institutions need to be persuaded to act and implement these protocols – this can be accomplished through a steady and consistent campaign to raise awareness and educate the population on the importance of accountability in this nascent sector focusing on addressing civilian concerns and future prospects including: environmental, education and workforce, and financial management.

¹ See the Extractive Industries Transparency Initiative for implementing standards and EITI requirements.

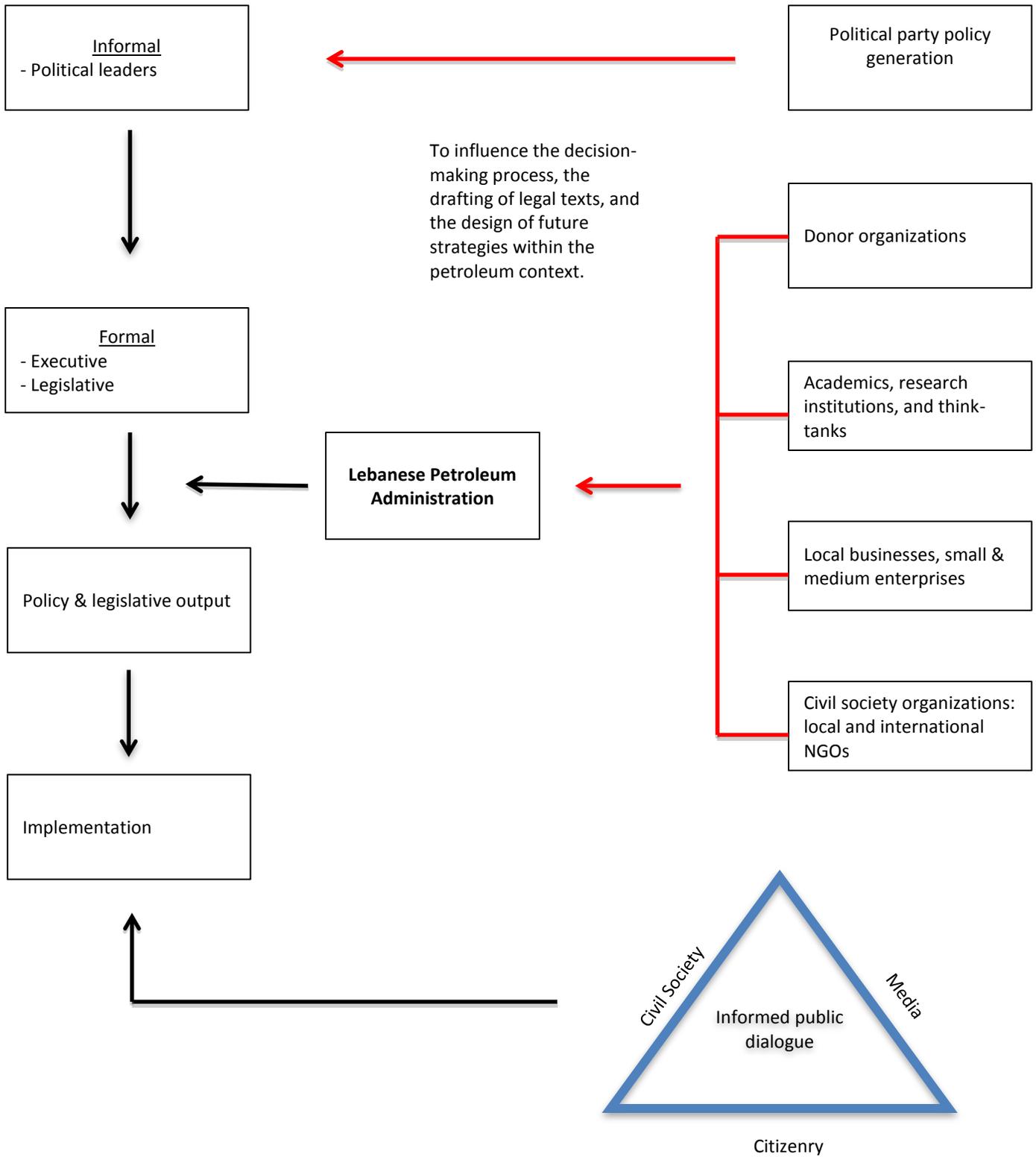
<http://eiti.org>

² See United States Securities and Exchange Commission's amendments (2010) to oil & gas disclosure, revising Regulation S-K and Regulation S-X under the Securities Act of 1933 and the Securities Exchange Act of 1934.

<http://www.sec.gov/>

³ See European Union's Accounting and Transparency Directives (2013) requiring European public and private companies to publish what they pay to governments around the world for natural resources, country-by-country and project-by-project. <http://ec.europa.eu/>

Figure 1: Increasing participation by fostering new environments



Political party policy generation

Given that policymaking in Lebanon is dominated by the political leaders, another recommendation is to promote the development of think tank-like research programs within political parties that supply political leaders with data, agendas, and policies allowing politician(s) to stay abreast of emerging issues by using the think tank as an interlocutor with the constituency. Lebanon has few political think tanks; the Middle East Prospect Forums promoting centrism is one example that serves in this capacity.

Conclusion

Establishing an academic environment, building ties with CSOs, and pushing political parties to generate intra-party policy conversation are all priorities to foster collaboration in developing sector best practices, consistent technical guidance, and proven methodologies to deliver greater strategic value for long-term growth, development, and employment. The academic community will be a center for petroleum sector learning facilitating new research and the training of future leaders. A CSO community focused on sustainable development of the petroleum sector, and working with government officials, will adopt ideals and know-how to address public concerns such as transparency and accountability and decentralize the decision-making process from policy conception through policy implementation. Finally, Lebanon's political parties should focus on generating intra-party policy conversation to supply party leaders with data, agendas, and policies for informed decision-making in this vital sector.

These recommendations will serve as a guide for Lebanon in building its vision to develop a sustainable industry. These recommendations strive towards the ultimate goal to coordinate all stakeholders to develop, plan, and implement long-term strategy, policy, and legislation to build the petroleum sector for lasting future growth trajectories and building trust and support amongst the citizenship.

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Appendix: research methodology

To explore how the streams of the MS framework flow, this research utilized a qualitative approach in which two complementary types of data sources are employed. The first set of data was generated by conducting a total of 17 in-depth, semi-structured interviews with primary stakeholders. A stakeholder analysis is, according to Schmeer (1999), a process of systematically gathering and analyzing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or program. This tool helps decision-makers coordinate in order to assure desired outcomes as well as to explicate the outcomes of future policy. The semi-structured research instrument used incorporated a two-level schedule. The first level involved a standardized schedule based on the dimensions from the selected theoretical framework. This level attempted to elicit information about the general context of the political environment that affects public policymaking influencing policy actors or corresponding stakeholders by asking: (1) What are the factors impacting policymaking in Lebanon? (2) To what extent do the legislative and executive bodies influence policymaking? (3) Who have been the primary stakeholders influencing petroleum policy?

At a second level, the interview instrument probed for specific information affecting petroleum policy including political, economic, social indicators as well as direct impact by policy actors and other stakeholders. Incorporating general context information acquired through first-level questions to address specific knowledge inquiries and provide direct assessment of key issues and themes concerning the petroleum policy included the following questions: (4) How do political actors impact petroleum policy and sector development? (5) In what ways will changes in legislative and executive bodies affect petroleum policy? (6) What are the significant events marking petroleum policy formation? (7) To what extent do domestic political actors affect petroleum policymaking? (8) In what ways have government technocrats, legal experts, researchers, or consultants, affected the course of petroleum policy? (9) How influential are non-governmental actors in affecting petroleum policy? (10) How have resource

estimations or revenue projections of petroleum affected petroleum policy?

Additional data was derived from a content analysis of news articles from major media outlets both local and international, government documents, institutional reports, expert analysis, and other petroleum publications and related research activities. This two-step approach made use of another methodological tool referred to as the 'stakeholder analysis' to identify the potential respondents associated with the Lebanese energy industry and classify the attitudes and abilities of stakeholders involved in the policy formation process.