



Oil for Development (OfD) Programme Lebanon – Phase II

Third Annual Meeting

Minutes of Meeting

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| Date | Wednesday, 8 February 2017 |
| Location | Crown Plaza Hotel, Beirut |

Opening Remarks

Mr. Wissam Chbat, Chairman of the Lebanese Petroleum Administration (LPA) and Head of the Geology and Geophysics Department, opened the OfD third annual meeting by welcoming participants and by addressing the status of the oil and gas sector in Lebanon.

Namely Chbat recognised that this year's annual meeting comes at a very crucial time in terms of political developments and achieved milestones. More specifically, Chbat explained that the formation of a new government and the subsequent approval of the two decrees related to the blocks delineation and to the Tender Protocol (TP) and Exploration and Production Agreement (EPA) were instrumental in launching Lebanon's first offshore licensing round. In this regard, the LPA has put in place a road map to plan the licensing round in a way that is conducive to the award of EPAs to winning consortiums in designated blocks. Chbat stressed that the level of understanding and expertise that the LPA along with other line ministries achieved to date would not have been possible without the valuable assistance Lebanon received from Norway. Moreover, the necessary procedure has been initiated with Norwegian authorities for the renewal of the OfD programme beyond its end in 2017.

On transparency strengthening related matters Chbat said that most recently, the Government of Lebanon announced its intent to join the Extractive Industries Transparency Initiative (EITI). Additionally, Norway provided assistance in reviewing the draft transparency law aiming at promoting transparency in the oil and gas sector.

Finally, Chbat concluded by wishing to build more visibility on tangible outcomes that the programme provides and thanked Norwegian and Lebanese institutions for the rigorous work throughout the year.



Norway's Ambassador to Lebanon H.E. Lene Lind expressed her pleasure to be present at the meeting emphasising that the OfD programme is the most important bilateral programme between Norway and Lebanon. Lind recognised the real political breakthrough taking place in Lebanon saying it is significant to be part of the process and developments occurring in relation to the nascent petroleum sector. Lind turned to congratulate the Lebanese Government on its recent decision to join the EITI and the initiation of the long-awaited licensing round. Lind said that Norway will follow closely the EITI procedure and its implementation.

Lind elucidated that throughout these years Lebanon acquired the necessary skills that enable the country to be well placed to join other petroleum producing countries.. Lind went on to congratulate the Lebanese and Norwegian institutions on the work achieved to date and saluted the fact that the LPA included stakeholders such as civil society and media outlets in the organization of workshops in 2016. Indeed, the inclusive approach promotes further the EITI process.

Lind stated that the main goal today is to promote and finalise the licensing round in addition to the development of the law related to the Sovereign Wealth Fund (SWF) and the draft law for oil and gas taxation. Furthermore, the LPA capacity will be further strengthened to better handle the process, in addition to focusing on strengthening information and data management.

In turn, Lind explained that there is a need to focus on documenting and institutionalising what has been achieved as Norway would like to know what impact the OfD programme left behind.

Lind addressed the exit strategy, which is important to help establish some level of sustainability. Lind acknowledged the open and frank dialogue that has been taking place with all partners, which increases understanding within a complicated environment.

Finally, Lind wished on sustaining the direct dialogue among partner institutions and thanked participants for making the programme a success. Lind said she is looking forward to the Parliamentarians' visit to Norway in March and emphasised that the Norwegian Embassy in Beirut would argue in favour of an extension of the programme beyond its end date in 2017.

Mr. Assem Abou Ibrahim, Head of the Quality, Health, Safety and Environment (QHSE) Department at the LPA, presented last year's achievements that revolve around three outcomes, namely: establishing a strategic, legal and fiscal framework for managing the petroleum sector; government entities carrying out their assigned roles and responsibilities in accordance with petroleum sector strategic and legal frameworks; and strengthening accountability and transparency in the petroleum sector. Furthermore, Abou Ibrahim described the most recent developments in relation to the sector, listed the blocks open for bidding, presented the road map of Lebanon's first offshore licensing round emphasising on its milestones such as the launching of a new prequalification round and addressed an outlook for the year ahead.

Finally, Abou Ibrahim concluded with an overall assessment of the programme for 2016 highlighting the lessons learnt throughout the process such as the importance of the planning stage to clearly identify activities and to ensure mutual understanding of deliverables and needs; the importance of launching activities early on; the importance of tying activities to deliverables that are beneficial for the LPA at the current stage of development of the sector; and the importance of coordination among entities.

Ms. Mette Agerup, Assistant Director at the Ministry of Oil and Energy in Norway expressed her happiness and satisfaction to be working with the different parties involved in the programme especially when the

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learning experience is observed in a tangible manner across beneficiary institutions. Agerup wished that Lebanon would be lucky enough to strike gas and/or oil noting that the challenge for the LPA is to gain ownership of its own system and activities and be able to apply policy and legislations in a prudent manner so as to gain the confidence and the respect of International Oil Companies (IOCs). Additionally, Agerup explained that Lebanon has to exercise control over its petroleum activities and monitor IOCs in order to gain more knowledge from the sector, while engaging in a balancing act with IOCs and promote an investment friendly environment. Agerup concluded saying that this is an exciting new phase for the petroleum sector in Lebanon.

In turn, Mr. Gunnar Sjogren, Project Director at the Norwegian Petroleum Directorate (NPD), mentioned that the necessary effort was exerted to ensure sufficient funding for the programme. In this regard, the achievements of the year 2016 constitute strong fundamentals for the year ahead. In conclusion Sjogren wished the best for both institutions in 2017, which is set to be an exciting one.

Mr. Paul Bang, Senior Advisor at the Petroleum Safety Authority in Norway, expressed that capacity building is being achieved and progress is being made through the bilateral cooperation across different institutions. The collaboration is built on confidence and trust among partner institutions, which helps to incrementally reach "state of arts and best practices in the industry". Indeed, this type of dialogue ensures successful outcomes and empowers institutions.

Mr. Ketil Larsen representing the Norwegian Oil Taxation Office (OTO) congratulated Lebanon with the recent achievements and progresses made to date in terms of relaunching Lebanon's first licensing round and hoped these milestones would be followed by the approval of the petroleum tax law in the Parliament. It was mentioned that although OTO was unable to provide a gas pricing mechanism in 2016, it will relay the duty to NORAD to provide a consultant and address this issue accordingly.

Ms. Hilde Knapstad Senior Advisor at the Norwegian Environmental Agency (NEA) recognised the year ahead is going to be a busy one and the work with partner institutions will target among other things QHSE governance, waste management, environmental data etc.

Mr. Per Andreas Larsen from Norad extended his gratitude for the warm welcome he received in Lebanon, and congratulated Lebanon for gaining experience through the OfD programme. Larsen addressed matters related to the 2017 work plan, revenue management, taxation and environmental related issues. Larsen recognised the activities that the LPA had undertaken in 2016 with Civil Society Organizations (CSOs) and the media. Additionally, Larsen stressed that joint activities between the LPA and line ministries constitute an important part of the programme. He appreciated that the work plan caters for the involvement of civil society and parliament.

Furthermore, Larsen reiterated that the focus should be set on deliverables. Norad recognises that events may develop in a fast manner in 2017, and the program must remain relevant for LPA. Therefore flexibility and prioritisation of activities is encouraged, as long as the applicable procedures are followed. .

Larsen discussed the procurement process saying that prior to any procurement of equipment or software, Norad asks the NPD to send a description of exactly what will be procured, and the procedure that will be used for the transfer to Lebanon. Norad kindly asks to receive this for approval before any procurement is initiated.



Finally, Larsen enquired about how the OfD programme compares to the support the LPA receives from the European Union (EU) and the United Nations Development Programme (UNDP). He emphasized the importance of adequate coordination and information sharing between the initiatives. Mr. Walid Nasr, Head of the Strategic Planning Department at the LPA, explained that there is one project with the UNDP entitled SODEL, which is complementary to the support received from the OfD. The recently approved EU funded project operates through a different type of assistance as the EU subcontracts services to a consulting company. The implementation of the EU project is delivered through Key Experts and Non Key Experts who have very specific Terms of Reference (ToR).

Mr. Wissam Zahabi, Head of the Economics and Finance Department at the LPA, mentioned that since we entered an operational mode, additional line ministries should be brought on board. Capacity building should continue with a focus on day to day operations.

Ms. Samar Malek from the Lebanese Ministry of Environment thanked partner institutions for their ongoing support without which it would not have been possible to reach the level of expertise and knowledge acquired to date.

Discussions

1. Work Plan, Budget and Financial Report

Norad acknowledged the receipt of the work plan.

Norad stated that the budget for 2016 was quite high, nevertheless most of it was spent and deviations from the work plan were justified. Norad noted that it is not a goal in itself to spend all the allocated budget. The proposed budget for 2017 is 13,485,362 NOK, it reflects the needs stipulated in the work plan which are set in a thoughtful manner to prioritise the needs of the first licensing round.

On its end, the LPA did not have any further comments on the financial report, and confirms that the activities have been undertaken in line with the work plan and the budget.

Conclusion:

The work plan and the budget allocated for 2017 have been approved, taking into account Norad's request for additional information prior to any procurement of software or equipment. The financial overview for 2016 was approved.

2. Progress Report 2016

Regarding the progress report provided by the LPA, which covered the activities completed throughout the previous year, Norad applauded the work and resulting outputs that both Lebanese and Norwegian sides achieved throughout the year, and thanked the Norwegian and Lebanese institutions for the efforts exerted during the past year. Norad expressed satisfaction with the report that is in line with expectations.

Conclusion:

The submitted Progress Report of 2016 is approved.

3. Risk Assessment

Norad emphasized that risk management is part of the programme cycle and demands continuous follow-up and a high level of sustained trust in the partnership. Key external and internal risk factors that were



highlighted at the previous annual meeting include: political stalemate, security concerns, and individual rather than institutional capacity building. In 2017 there is a different context in place, the risk factors are identified as follows: political attention on the oil and gas sector, political tension and public debate. Other risk factors might be internal to the programme, and the LPA's availability during the bid round might cause priorities to be reassessed and reliance on consultants could be required. When dealing with the commercial aspects of the petroleum industry, commercial and operational risks should be accounted for.

The LPA reiterated that risks in 2017 are limited, however the main challenge remains on concentrating efforts on few areas of high priority during the licensing round. The main risk in 2017 would be availability and how to explain and communicate to the public about the first licensing round in particular and the sector in general.

Conclusion:

Norad recognised that the identified risks should be addressed in such a way to limit their potential impact and to safeguard the achievement of the stated objectives.

The LPA concluded saying that if throughout the year some activities or priorities need to be reassessed it will be communicated to Norad.

4. Exit Strategy

Norad mentioned that the Exit Strategy defined scenarios to address the mechanism of exiting the programme should unforeseen events take place. However, Norad hoped that no unfortunate issues will happen before the end of the programme.

Concluding Remarks

Overall, the programme was well-managed in 2016 and the set objectives were achieved. Norad and the LPA are undergoing a continuous learning process that forges stronger cooperation between the two institutions. In the next phase, all resources need to be planned and mobilised accordingly.

Regarding the way forward, it was recognised that approvals need to be taken in a timely manner in Norway and Lebanon. The plan and design of the programme and its objectives are driven by and in line with the recent developments in Lebanon's nascent petroleum sector. Accordingly, the earlier the LPA identifies tasks the better.

Norad is currently looking to see whether it would possible to continue activities that have been started beyond the end of the programme. Norad recognises that it is necessary to continue activities that have already been initiated.

All in all significant achievements were made through the OfD programme in 2016. Norad thanked all the involved institutions that contributed to make the programme a success. Norad plans to carry out an internal review with the purpose of documenting results and lessons learned from the cooperation. Norad emphasized that they require the active participation and frank opinions of all the concerned parties in Lebanon and Norway to be able to produce a useful report.

In conclusion, the following points were agreed as necessary:

- To build operational capacity at the LPA.



- To train CSOs and the public at large.
- To arrange a visit to Norway beginning of March 2017 for Parliamentarians so they can sharpen their understanding related to the sector.

As the current phase expires in 2017, Norway through its Embassy in Beirut received a programme renewal request from the Lebanese Minister of Energy and Water on which the OfD board will have to make a decision. Participants hoped that the extension request will be approved and the work continued beyond 2017. The OfD board does not have a specific date as for the approval of the extension request but it is hoped yet uncertain that a decision will be taken before summer time.

Walid Nasr
Head of Strategic Planning Department
Board Member
LPA

Per Andreas Larsen
Adviser
Oil for Development Section
Norad



Annex: List of Attendees

| Name | Organization |
|-------------------------|------------------------------------|
| H.E. Lene Lind | Embassy of Norway in Beirut |
| Ms. Ane Jorem | Embassy of Norway in Beirut |
| Ms. Mette Agerup | Ministry of Petroleum, Norway |
| Mr. Paul Bang | Petroleum Safety Authority, Norway |
| Mr. Gunnar Sjogren | Norwegian Petroleum Directorate |
| Mr. Ketil Larsen | Oil Taxation Office, Norway |
| Mr. Trond Hjorungdal | Oil Taxation Office, Norway |
| Ms. Hilde Knapstad | Norwegian Environmental Agency |
| Ms. Kathrine Idas | Norwegian Coastal Agency |
| Ms. Ida Aronsen | Norad, Norway |
| Mr. Per Andreas Larsen | Norad, Norway |
| Ms. Fadia Sakr | Ministry of Finance, Lebanon |
| Ms. Sarah Abou Atmeh | Ministry of Finance, Lebanon |
| Ms. Jocelyne Abdel Nour | Ministry of Finance, Lebanon |
| Ms. Samar Malek | Ministry of Environment, Lebanon |
| Ms. Manal Moussallem | Ministry of Environment, Lebanon |
| Mr. Wissam Chbat | Lebanese Petroleum Administration |
| Mr. Walid Nasr | Lebanese Petroleum Administration |
| Mr. Assem Abi Ibrahim | Lebanese Petroleum Administration |
| Mr. Gaby Daaboul | Lebanese Petroleum Administration |
| Mr. Wissam Zahabi | Lebanese Petroleum Administration |
| Ms. Olga Jbeili | Lebanese Petroleum Administration |
| Mr. Majd Olleik | Lebanese Petroleum Administration |
| Mr. Oussama Ghauch | Lebanese Petroleum Administration |