

## MALTA'S ENERGY PROSPECTS.

*Dr. Alex Sceberras Trigona*

The current mix of 'good', 'bad' and 'neutral' news on Malta's energy prospects risks being distorted beyond comprehension. That would be a terrible blow to any chances we have of developing a national energy strategy. There is such a high degree of spin in an increasingly polarized pre-electoral atmosphere that 'good' news could convincingly be portrayed as 'bad', and 'bad' as 'good' news by either side. One just has to see the different interpretations generated even by the relatively 'neutral' news, following the Libyan-Maltese Mixed Commission meeting in Tripoli last week. The news was that Libya is prepared to 'discuss' oil exploration with Malta in zones adjacent to the maritime boundaries of the two countries. Was that really a piece of 'good' news to government's advantage? Or was the delay in getting there (although not quite there yet) 'bad' news – a stick for the opposition to beat the government with?

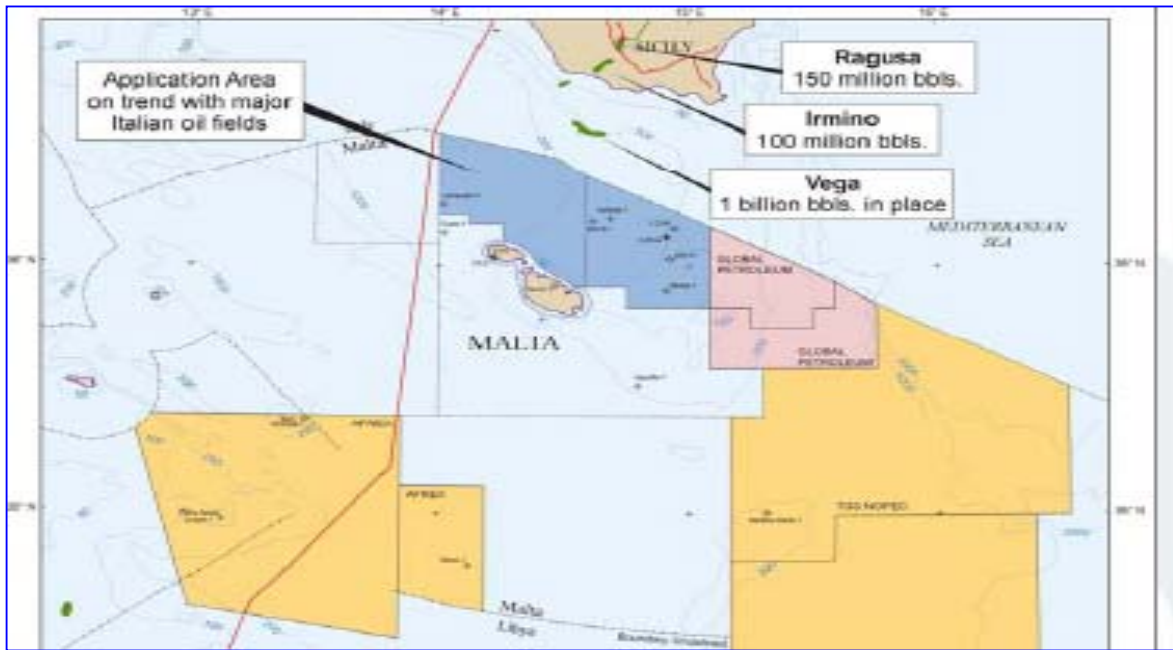
This risk of spin is particularly high because of the relative scarcity of objective local assessments of news and the national interest in the energy sector. This applies to alternative sources like wind, wave, solar, biomass, etc., but especially to oil and gas exploration and production prospects in and around Malta.

Besides, any international company with an exploration licence here will have its own vested interests colouring somewhat its public assessments of prospects thereon. Its true assessment stems much more from its global exploration strategies articulated together, or apart from, or even against other international companies' interests. This is why what might appear, or be made to appear by it, as 'bad' or 'good' news need not be so, in fact, from Malta's national interest perspective.

### **BAD NEWS**

Let us take a piece of 'bad' news first. It was announced on the 15<sup>th</sup> February, 2007, by MedOil plc in its Final Results for the Period till 30 September 2006. It had signed a one year Exploration Study Agreement (ESA) in May 2005 with the Malta Government on the two blocks numbered two and three (2, 3) of approximately 4,000 square kilometers in Area Three (3) situated North of Malta, on the maritime boundary between Malta and Italy. (See Map1)

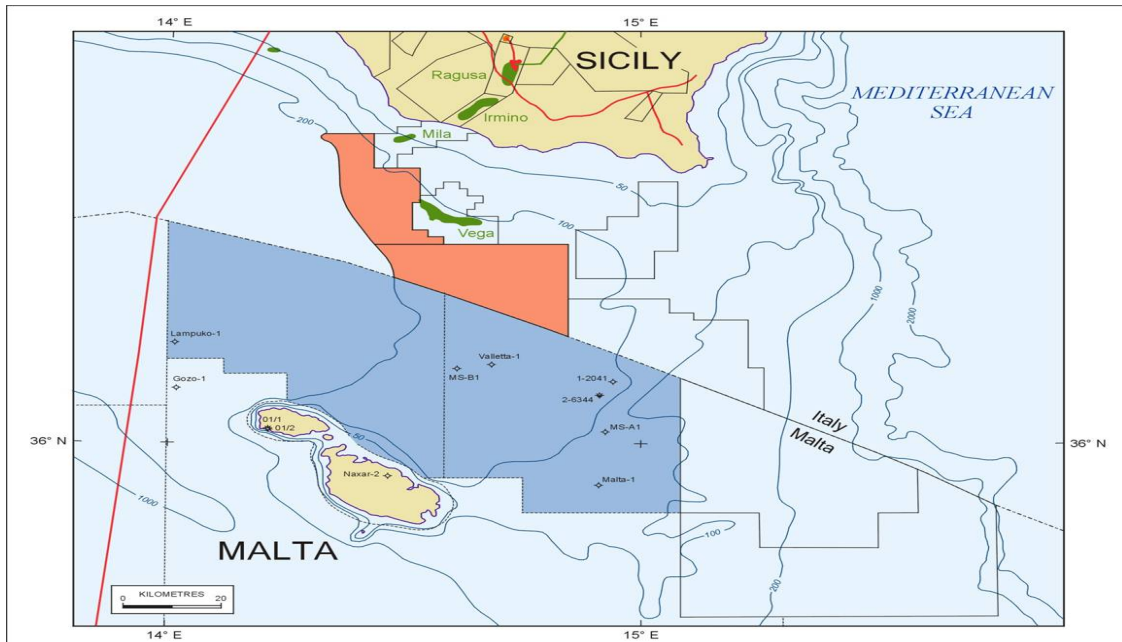
Chairman John Lander spelt out the Company's disappointment quite clearly in his Annual Statement laying the blame at Government's door, although without publicity here: "In Malta, we have been disappointed by the government's insistence that we commit to an exploration well on our acreage in this early stage of our exploration programme. As the Maltese government continues to insist on such a course of action, we cannot in the interests we believe of our shareholders renew our two permits on the government's terms. As a matter of financial prudence we have written off our Sterling £144,000 investment in the accounts. We will however maintain a dialogue with the Maltese authorities in the hope that we can persuade them to change their stance on the matter of the future work programme".



**MAP 1.** (Courtesy of MedOIL plc)  
**MALTA , AREA 3: BLOCKS 2 & 3 IN BLUE;**  
**MALTA, AREA 3: BLOCKS 4 & 5 IN PINK.**

The Review of Operations also went on to underline this disappointment “Malta has been a disappointment. During the one year Exploration Study Agreement (ESA) which expired in May 2006, we completed a thorough review of the available data and our technical conclusion vindicated the decision to select the two permits. We believe that the area has exploration merit, but an orderly technical work programme including some modern seismic acquisition is required to substantiate our new petroleum play ideas and to attract a farm-in partner”.

However the main justification to ‘drop’ the two Malta permits was presented in the Operations Review as due much more to Sicily’s enhanced attractions: “The positive results of our recent technical analysis offshore Malta coupled with our general petroleum geology understanding of offshore Sicily directed us to apply for two contiguous permits in the Sicily channel area, offshore Italy. (See Map 2) As there was no counter application post gazetting of these permits, we expect award of these permits in the near future. We will have a 100% interest in the licences. We plan to exploit the prolific petroleum generating capabilities of the organic rich ‘Streppenosa’ oil shale and the ‘Noto’ formation, which together are designated world class source rock packages. We believe there is a recognisable fairway of oil discoveries and oil fields leading from onshore Sicily into its southern offshore waters. The Vega oil field, with an estimated resource of 1 billion barrels of oil-in-place, is immediately adjacent to our Sicilian permit applications”.



**MAP 2. (Courtesy of MedOIL plc)**  
**MALTA, AREA 3: BLOCKS 2 & 3 IN BLUE.**  
**ITALY, SICILY: NEW MEDOIL PLC PERMITS - IN RED.**

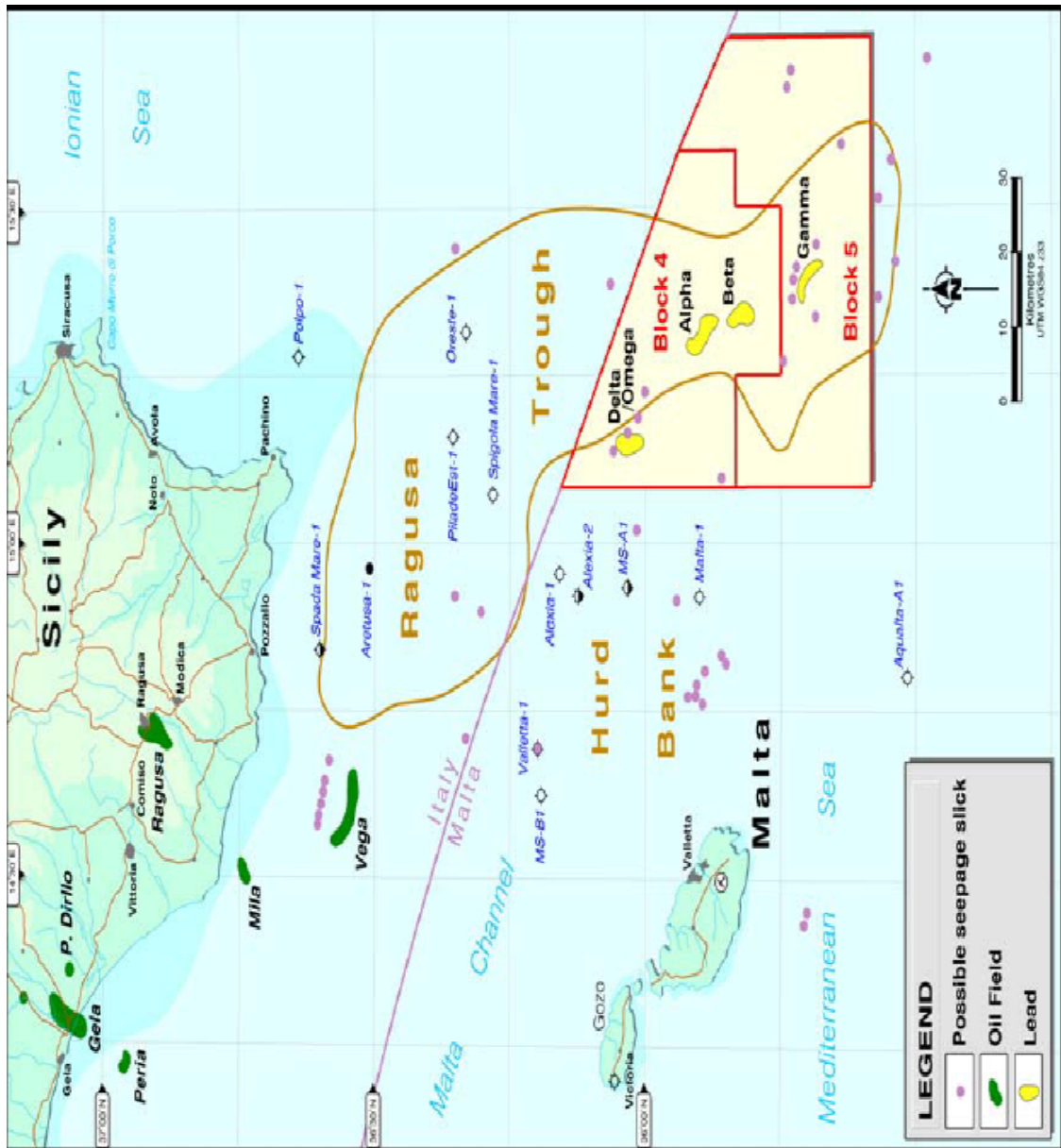
Up to December 2006 the going had been smoothly positive with MedOIL plc in Malta awarding a technical consultancy to Exploration Consultants Ltd (ECL) which according to AFX News Limited evaluated 5,600 km of seismic data finding that 'known petroleum systems and producing fields in southern onshore and offshore Sicily can be confidently extrapolated into Area 3, Blocks 2 and 3, and within the Ragusa ridge trends.

Indeed ECL identified a total of 24 prospects with two being hailed as particularly promising called 'Prospect D' and "Prospect M' as they were estimated to yield between 580-1080 million and 1100-1960 million barrels of non-risked oil-in-place resource respectively. At the end of its original one-year agreement, MedOil had the right to convert the ESA into a PSC with the right to drill exploration wells.

All these high prospects notwithstanding, when Medoil was pushed to 'drill or drop', it chose to 'drop'! 'Disappointments' were all around, except for its residual expression of hope to change the Government's stance on their future work programme through continued dialogue. Why? Because the confirmed Maltese prospects retain their profitable attractiveness anyway.

## **GOOD NEWS**

Let us now turn to a piece of 'good' news. It comes from the Australian based company Global Petroleum Limited. It was announced at the beginning of January 2007, although again without publicity here, that Global's ESA with the Malta Government for the two blocks (See Map 3) numbered four and five (4,5) in Area Three (3) of approximately 2900 square kilometers, has been extended yet again - although this time only for three months, until 31<sup>st</sup> March, 2007.



**MAP 3.** (Courtesy of Global Petroleum Limited)  
**MALTA AREA 3: BLOCKS 4 & 5 PROSPECTS IN YELLOW**

More significantly, this January 2007 announcement was accompanied by a similar extension up to 31<sup>st</sup> March 2007 of the 'Option Date'. Global had an option for entering into a Production Sharing Contract (PSC) with the Malta Government. Global's farm-in agreement with the German company RWE Dea AG now entitles RWE to earn up to 70% from its present 20%, reducing Global's present 80%, if the PSC option were concluded with the concomitant commitment to the drilling of the first exploration well by RWE at its expense. Here the signs indicate a more studied preparedness via the Joint Venture partner's farm-in agreement to convert the ESA into a PSC - to 'drill' and not to 'drop'.

Energy Venture Opportunities International (ENVOI) in its Project Synopsis P106a of November 2005 (revised) had estimated that in Global's interpretation of existing data, excluding the *Alpha*, *Delta* and *Omega Prospects*, two primary prospects viz. the *Beta Prospect* and the bigger *Gamma Prospect* are estimated capable of containing total STOIPs of 400 and 900 million barrels of oil respectively with around one hundred plus (100+) and two hundred and fifty plus (250+) million of barrels of oil recoverable (mmbor) reserve potential each. This "is well above the 20-40 mmbor estimated economic threshold calculated even at modest oil prices", it had concluded. ENVOI also confirmed Malta's favourable fiscal terms as ensuring excellent economics: Malta's oilfields commercial potential ranks as one of the most favourable in the world today with a government take of around forty per cent (40%) as the PSC does not include a royalty provision. The profitable attractiveness of these confirmed Maltese prospects is much more clearly confirmed here.

## **COST-BENEFIT REVISION OF EU MEMBERSHIP**

These profitable figures and volumes define the current value of Malta's petroleum assets in just these four Blocks in one Area of seven Areas around Malta open for exploration and production. Later, the current values of the other prospects there could also be estimated. Even without the resilient high price of oil, Malta's wealth and income could be so augmented as to knock it off its precarious position as a EU beneficiary to become a net contributor to the EU. A cost-benefit revision of EU membership, already required now, would surely be timely by then and should be well prepared.

Before that however Malta requires a national i.e. bipartisan energy strategy to be sustained by a constant flow of recruits from our own bright youngsters in petroleum engineering, petroleum economics and accountancy, petroleum geology, energy law and diplomacy, and related technical subjects. Meanwhile these youngsters could even start applying their learning in practice by servicing the rapidly expanding oil and gas fields in nearby Libya. In the Seventies and Eighties when I was a Councillor for the American University of Cairo (AUC) we had a small postgraduate unit at Wardija mainly for petroleum engineers and the above subjects were taught most professionally there. It is time to reopen that or a similar unit on an updated basis as I have been advocating for the last year in interviews hosted by CNI on Smash Television.

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