

Putin Plays “Energy Chess” with Netanyahu

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On April 21 Israeli Prime Minister Benjamin Netanyahu flew to Moscow for closed door talks with Russian President Vladimir Putin. The media reported that the talks were over the situation in Syria, a theme where Moscow has made certain a regular hotline dialogue exists to avoid potential military clashes. It seems, however, that the two discussed quite another issue—potential Russian involvement in developing Israel’s giant offshore Leviathan gas field in the Eastern Mediterranean. Were the two to strike a deal, the geopolitical implications could be enormous for Putin and Russia’s strategic role in the Middle East as well as for the future of the US influence in the region.

Israeli press reported the Netanyahu-Putin talks as being about “coordination between forces in skies above war-torn country, status of [Golan Heights](#)...”

According to Russian state media reports, however, in addition, Netanyahu and Putin discussed the potential role of Russia’s state-owned Gazprom, the world’s largest natural gas producer and marketer, as a possible stakeholder in Israel’s Leviathan natural gas field. Russian involvement in the stalled Israeli gas development would reduce financial risk for Israeli offshore gas operations and increase the gas fields’ security, as Russian allies like Hezbollah in Lebanon or Iran would not dare target [Russian joint ventures](#).

If the Russian reports are accurate, it could portend a major new step in Putin energy geopolitics in the Middle East, one which could give Washington a major defeat in her increasingly inept moves to control the world’s center of oil and gas.

Russian interest

Many outside observers might be surprised that Putin would be in such a dialogue with Netanyahu, a longstanding US ally. There are many factors behind it. One is the leverage Russia’s President has through the presence of more than one million ethnic Russians in Israel, including a cabinet member in Netanyahu’s government. More importantly, since the Obama Administration went ahead, over vehement Netanyahu protests, to sign the nuclear deal with Iran in 2015, relations between Washington and Tel Aviv have chilled to put it mildly.

The situation is being skillfully mined by Putin and Russia.



Washington wants to force a political reconciliation between Netanyahu and Turkey’s Erdogan, including a deal in which Turkey would become a major buyer of Israeli offshore gas, making major purchase agreements from Leviathan. For Washington that would reduce Turkish dependency, today more than 60%, on imports of Russian gas. In return Israel would

agree to sell Turkey advanced Israeli military equipment with Washington approval.

However bilateral talks between Turkey and Israel are reportedly stalled over numerous differences. This opens a door for Russia to [enter](#).

Putin invited Israeli President, Reuven Rivlin, to Moscow on March 16 for talks following Russia's surprise decision to pull some of its forces back from Syria. Significantly, the visit was sanctioned by Netanyahu, who often is at personal odds with his President. One purpose was clearly to lay ground for the latest Netanyahu [Moscow visit](#).

Golan, Leviathan, Turkey

What is emerging is a complex realpolitik negotiation between Putin and Netanyahu of the highest geopolitical stakes for the entire Middle East and beyond.

The elements as they now appear include possible Gazprom partnership and investment in the development and marketing of natural gas from Israel's giant offshore Leviathan gas find. It includes some kind of arrangement between Russia and Israel to guarantee Israeli security from attacks by the Teheran-backed Hezbollah from forces in the Syrian Golan Heights. And it includes a deal in which Israel would walk away from Washington's desired gas and arms sales to Erdogan's Turkey, a deal which would weaken Gazprom and any Russian leverage over Turkey.

Israel's Leviathan

First Leviathan. In late 2010 Israel announced discovery of a massive "super-giant" gas field offshore in what it declares is its Exclusive Economic Zone (EEZ). It's located in what geologists call the Levant or Levantine Basin. The find is some 84 miles west of the Haifa port and three miles deep. They named it Leviathan after the Biblical sea monster. Three Israeli energy companies, led by Delek Energy, in cooperation with the Houston Texas Noble Energy announced initial estimates that the field contained 16 trillion cubic feet of gas—making it the world's biggest deep-water gas find in a [decade](#). For the first time since creation of the Israeli state in 1948, the country would be self-sufficient in energy and even in a position to become a major gas exporter.

If we flash forward some five or more years to the present, the world and Israel's entree as a major energy geopolitical player appear far different. The world prices for oil and natural gas have collapsed dramatically since late 2014 with little sign of serious recovery.

Internal Israeli politics have furthermore blocked the regulatory approval for development of Leviathan. On March 28, Israel's High Court blocked the Netanyahu government's proposal to freeze regulation changes in the natural gas industry, threatening to delay the development of offshore fields. The court objected to a proposed "stability" clause, which would have prevented major regulatory changes for 10 years. Lack of an approved government framework has delayed development of Leviathan. Noble and their Israeli partners, Delek Group Ltd. are the two major stakeholders in [Leviathan](#).

What has changed as well since Russia's earlier foray into Leviathan 2012 is the fact that Netanyahu and the Obama Administration are barely on speaking terms over Iran and numerous other issues. As well, the world oil and gas market is in a depression and Israel could urgently need significant outside investors to develop Leviathan.

As well today the Houston, Texas company, Noble Energy, is feeling the negative impact of the energy price collapse of the past two years in the midst of the worst oil industry depression in years and is discussing sales of its stake in various international projects to weather the [storm](#).

In October 2015, Israeli sources reported that Vladimir Putin had reformulated a proposal for Gazprom participation in Israel's nascent offshore gas development. According to comments of senior Israeli journalist, Ehud Yaari, Putin had expressed renewed Russian interest in Gazprom's entering into the Israeli natural gas sector by taking a joint venture share of the huge and costly Leviathan project. Yaari, considered very well-informed in Israeli Middle East politics, also stated that Israeli Prime Minister, Benjamin Netanyahu, who opposed a previous deal 2012 with Gazprom, is now reconsidering his 2012 position.

In 2012 Gazprom had submitted the highest bid to buy a 30% stake in Leviathan. Noble Energy's Israeli partners in Leviathan, led by Delek Energy, then had decided to bring in a strategic partner because they lack the financial wherewithal, know-how, and connections to fully exploit the reservoir's potential as quickly as possible.

Cost of developing the gas discovery alone, including building a natural gas liquefaction (LNG) plant, was estimated at \$10-15 billion. At that time there was a split among the owners of the Leviathan bloc. Israeli billionaire Yitzhak Tshuva's Delek Group were enthusiastic about doing a deal with Gazprom, given their geopolitical power and marketing ability globally. The US-based Noble Energy was opposed, most likely at the urging of [Washington](#). Gazprom lost that one.

In October 2015, a month after initiation of Russia's military intervention in Syria, Yaari told the Sydney-based newspaper, The Australian, that Putin had recently told Netanyahu, in return for a Leviathan deal, "We will make sure there will be no provocation against the [Israeli] gas fields by Hezbollah or [Hamas](#)." Given Russia's recent military role in Syria, that was clearly no empty promise.

Turkey and Israel

Another component of a possible Grand Bargain on energy and security guarantees between Russia and Israel would involve an agreement for Israel to end US-backed negotiations with Turkey's Erdogan in favor of Gazprom investment into Leviathan and Russian security guarantees to Israeli offshore energy projects.

In early March this year, US Vice President Joe Biden, who has an uncanny knack to show up in areas where Washington's neo-conservatives want special concessions or agreements, showed up in Tel Aviv for a meeting with Netanyahu. In closed door talks between the two, according to Israel's leading daily, Haaretz, Biden pressured Netanyahu to strike a deal with Erdogan that would see Israel's Leviathan gas going to Turkey to replace Gazprom gas. Biden also pressed for Israeli advanced weapons sales to NATO-member [Turkey](#).

Since then, secret talks have been ongoing between Israel and Turkey with no tangible success. Israeli Defense Minister, Moshe Ya'alon, speaking on behalf of the Israeli military establishment told Israeli media several times in recent weeks that the IDF demands, as precondition for any detente between Israel and Turkey that Erdogan shut the Hamas command post in Turkey from which Israel claims terror activities against Israel were ordered. Turkey has not agreed. The Israeli military establishment reportedly prefers

maintaining military cooperation with Russia over that of any deal with the unpredictable Erdogan.

Clearly not by coincidence, only days after the Biden talks with Netanyahu, Putin extended his invitation, not to Netanyahu directly, but more diplomatically, with Israeli President Rivlin.

Rivlin was invited to Moscow on the ceremonial pretext of the 25th anniversary of the restoration of diplomatic ties between the two countries. He acted clearly as a discreet back-channel to prepare the most recent Moscow Putin-Netanyahu talks involving among other items, Gazprom stakes in Leviathan and the future of the Israeli-occupied Golan Heights where a suspiciously well-connected US energy company, Genie Energy, whose advisory board includes names such as Dick Cheney and Lord Rothschild, claims to have discovered, via their Israeli subsidiary, a huge new oil find.

Recent efforts by Netanyahu to get US President Obama to back a permanent Israeli occupation of the Golan Heights reportedly fell on deaf ears. Likely Netanyahu had in the back of his mind during his talks with Obama the reports of large oil discoveries by the Israeli subsidiary of the US-based Genie Energy.

In his Moscow talks, President Rivlin asked Putin to help reestablish the United Nations Disengagement Observer Force presence on the Golan Heights between Israel and Syria, noting that Israel is concerned to make sure Hezbollah and other Iranian-backed groups are not able to use the chaos within war-torn Syria and a power vacuum on the Golan Heights to set up a base near the border for attacks against Israel. The recent fighting forced the UN to [withdraw](#).

What is clear is that the ultimate geopolitical stakes for all sides—Moscow, Tel Aviv, Ankara, Washington, for US energy companies, Israeli energy companies and Russia’s Gazprom—are enormous. To be monitored...

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