

Will Israel's Gas Hopes Come True? Accused of Stealing Gas from the Gaza Strip

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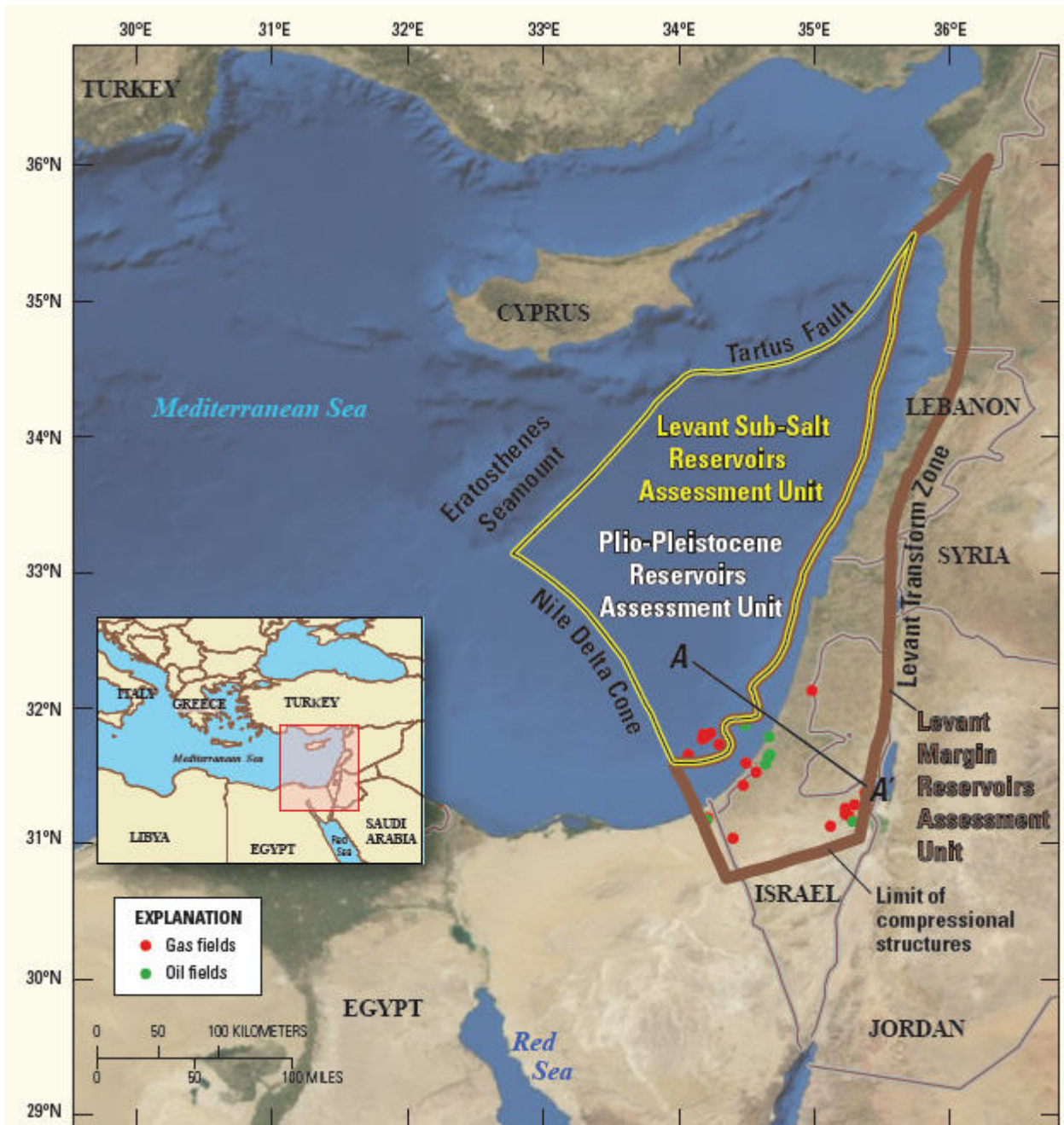
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Region: [Middle East & North Africa](#)

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The 2nd leaders' summit of the [Gas Exporting Countries Forum](#) (GECF) has taken place in Moscow. Experts say there is a candidate to enter the elite club of 13 members once the rich East Mediterranean deposits start to be developed. The vast sea bottom natural gas fields were discovered a few years ago. Israel is the leader in the development; it starts its activities without waiting for neither ultimate resolution of legal issues, nor settling the emerging disputes with neighbors.

It has been exploring the shelf area for many years. In 2009-2010 US Noble Energy discovered substantial natural gas deposits. According to first estimations, the deposits found were to contain 950 billion cubic metres of natural gas, the potential cost exceeding \$260 billion. The Tamar gas field (283 billion cubic meters) is located in Israel's exclusive economic zone, roughly 80 kilometers (50 mi) west of Haifa in waters 1,700 metres (5,600 ft.) deep. The Leviathan is located roughly 130 kilometers (81 mi) west of Haifa in waters 1,500 metres (4,900 ft.) deep in the Levantine basin, near the Lebanese shore, a rich hydrocarbon area in one of the world's larger offshore gas finds of the past decade. The Tamar is developed by Noble Energy and Israeli Delek Group, which belongs to Israeli billionaire Yitzhak Tshuva, the controlling shareholder. Australian Woodside Petroleum has won the bidding to become the leading developer of the Leviathan. Many gas industry majors kept away from bidding because of regional instability and co-ownership disputes. To avoid the reaction of Arab states Royal Dutch Shell energy giant sold down its major stake in Woodside Petroleum when it joined the Israeli project. (1)



Natural gas from the offshore Tamar field was pumped to Israeli shores for the first time on March 30, the day of the Passover holiday, in the presence of Energy and Water Minister Silvan Shalom. The ceremony took place against the backdrop of Orthodox rabbis protests; they said it was out of time violating the sanctity of holiday. The fact goes to show how significant the event was for the country and its people. Minister Shalom said, «This is an 'energy independence day' for Israel». «This breakthrough is the harbinger of the foray of additional private companies» into the Israeli energy market», he added. Yitzhak Tshuva said that one cannot overestimate the importance of the Tamar gas for Israel's economy. According to him, almost every superlative is appropriate in this case. Thanks to this and other offshore gas reserves, Israel will achieve energy independence for the first time in its history and will no longer have to go begging from other countries. The country has entered a new phase of its history. According to Tshuva, Tamar is a national pride of Israel. (2)

Indeed, the discovery of Tamar has turned the country into a potential energy exporter. There were hot debates, the developers wanted the maximum 55% export quota, but the Netanyahu government took a more balanced decision by the end of July raising the domestic consumption share from 450 billion cubic meters to 540. Some 260 - 360 billion

cubic meters are to be exported. It means only 40% of gas production will go abroad, while the remaining 60% will provide Israel with gas supplies during 25, or even 30 years to follow. «The decision balances between the need to ensure a cheap and available source of energy for Israelis and the need to export. This amount of gas will meet our energy needs for at least the next 25 years, « Prime Minister Benjamin Netanyahu pointed out. «We are not interested in becoming one of those nations that procrastinated and ended up without gas. We want to harvest the gas and produce billions of dollars in state revenue in favor of the country's budgetary needs. We have to drive growth forward and natural gas is a growth engine», he said, adding that Israel stands to receive \$60 billion in taxes and royalties from the sale of gas over the next two decades. The production will save around \$ 4 billion yearly, the sum spent on imports at present. (3)

Silvan Shalom noted the government planned to extend the period of energy independence from 25 to 30 years. Sarah and Myra gas exploratory licenses have failed to produce gas. It has made Israel increase the share destined for domestic consumption. (4)

✘ At that, the implementation of the plans may become a bumpy road. There is no clear sea economic zone delimitation of borders between the neighboring states. The Eastern [Mediterranean «gas pie»](#) is disputed by Cyprus, Lebanon, Syria, Egypt and Turkey, as well as Palestine striving for independence... The matter gets even more complicated because the states have disputes between themselves, as well each of them with Israel. Formally Lebanon and Israel are still at war. The Lebanese government has launched a complaint to the United Nations saying Israel is in violation of its continental shelf. Syria says the Leviathan stretches to its economic zone. Egypt insists the gas field is closer to its city of Damietta (190 km) than to Haifa (according to Cairo, the alleged distance is 235 km). It claims that the Tamar and Leviathan gas fields are situated on the southern part of an underwater slope that belongs to Egypt since a long time. Palestine accuses Israel of outright stealing the gas from the Gaza Strip. (5) Ankara is concerned over the plans to develop the deposits near the Cypriot shore, as well as to liquefy and transport the gas jointly by Israel and Cyprus. Turkey thinks the interests of unrecognized Turkish Republic of Northern Cyprus (TRNC) are ignored. There is a slim chance the countries of the region will effectively cooperate to develop the deposits. (6)

Israeli Prime Minister Benjamin Netanyahu has already ordered to create a special military force for gas fields protection. The formation includes missile craft and drones. Israel is in talks with Germany on acquisition of four frigates. Some estimates say the government will have to spend around half a billion dollars annually for gas fields and infrastructure defense. (7)

Minister of National Infrastructure Uzi Landau thinks it will affect negatively the production and cost effectiveness. (8) The existing contradictions with the neighbors will hardly stop Israel from extracting the gas for domestic use. The current instability in the region meets the Israel's short-term interests. Export sales are an imperative for attracting so much needed investments into deposits development and boosting influential international actors presence in the region. At that, the ambitious world market plans evoke serious doubts.

The ambitions are there. For instance, the Institute for Policy and Strategy has come up with the report called Israel's New Gas Discovery: A Diplomatic and Geopolitical Nuance or Revolution? devoted to diplomatic and geopolitical implications of the gas deposits discovery. (9) Israeli experts make assessment based on obviously exaggerated estimates of the reserves; the figure three trillion cubic meters has been adduced by U.S. Geological

Survey without conducting more thorough exploration research. They say that if the present market trends continue, the supplies from Russia will make up half of European consumption by 2020. The European Union would like to bring it down to, at least, a quarter. If the deposit reserves estimations prove to be correct, then, according to the Institute for Policy and Strategy assessment, starting from 2016 Israel may become a reliable alternative energy supplier for, at least, 50 years. According to these calculations, Israel has the capacity to supply Europe with up to 30 cubic meters annually and bring the dependence on Russian gas down to 23%.

This is a rather optimistic forecast. It probably reflects the sentiments among some part of military and political elite, though it lacks solid indicators as convincing evidence that the conclusions are based on sound foundation. First, adding 30 billion cubic meters to the 500 billion European market will not result in abrupt reduction of Russia's presence. Second, the prospects for 30 billion cubic meters export are murky as yet; it could be around 10 billion cubic meters at best. That's what the Netanyahu government approved key indicators say. The assertions that the liquid gas supplies could improve ties with India, China, Japan and South Korea, and even make Georgia independent from Russia, sound more as a pure fantasy, as well as the plans to compensate the US supplies to American strategic European allies. (10) All this is presumed to be achieved thanks to only half a percent of world gas reserves.

Even very limited exports will engender the problems extremely hard to tackle. The disputes with neighbors hinder coming up with strictly defined gas export strategy. Israel had started to build a liquefied gas production facility along with Cyprus, but the plans were abrogated due to high costs and the protests of [Turkey](#). Then Ankara initiated a joint study of deep water route going through the Turkish territory around Lebanon and Syria. The idea was refused: the Israelis did not want to be dependent on Turkey, which along with the European Union, could demand making concessions related to the Palestinian issue. Then an idea to build a liquefied gas facility on Israel's own soil took shape. At first they even considered the possibility of involving Gazprom, and then the proposal was shelved due to «strategic reasons» in favor of French Technip. Now, according to the latest reports, the Israelis are getting back to the liquefied gas facility construction in Vasilikos, located on the Cyprus southern shore (near Limassol). By the end of June the Cypriot Aphrodite deposit owners (70% Noble Energy and 30% Israeli Delek Group) signed a preliminary agreement to build a \$6 billion terminal till 2019. The Israeli Leviathan is close to the Aphrodite, so after taking a final decision of Israeli gas exports, the companies will join in a pipeline construction to link the both deposits. (11)

There is no doubt Ankara will do its best to frustrate the plans. It can do it taking into consideration the fact of its military presence in the northern part of Cyprus. As a result, the only realistic option at present is starting gas supplies to Jordan according to the preliminary accord, which has already been achieved. The export will not exceed 1,5 - 2,0 billion cubic meters a year on the condition the Arab Spring will not spread to the Hashemite kingdom. That's how the hopes get dashed when you're not friendly with neighbors.

Notes

(1) <http://www.zman.com/news/2013/04/05/148490.html>

(2) <http://www.zman.com/news/2013/03/30/148085.html>

(3) http://www.herzliyaconference.org/eng/_Uploads/dbsAttachedFiles/GuySeemann.pdf

(4) <http://9tv.co.il/news/2013/06/19/152916.html>

- (5) <http://www.palestine-info.ru/ru/>
- (6) [http://cdn.www.inss.org.il.reblazecdn.net/upload/\(FILE\)1369310976.pdf](http://cdn.www.inss.org.il.reblazecdn.net/upload/(FILE)1369310976.pdf)
- (7) <http://www.newsru.co.il/finance/24mar2011/dohod305.html>
- (8) http://www.herzliyaconference.org/eng/_Uploads/dbsAttachedFiles/GuySeemann.pdf
- (9) http://www.herzliyaconference.org/eng/_Uploads/dbsAttachedFiles/GuySeemann.pdf
- (10) Ibid
- (11) <http://9tv.co.il/news/2013/06/30/153502.html>

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