

## İSRAİL VE LEVANT HAVZASININ GAZ KAYNAKLARI

### ÖZ

Bir jeostratejik boyut olarak enerjinin önemi, Doğu Akdeniz ülkeleri arasındaki ilişkilere daha fazla perspektif eklemektedir. Bağımsız bir devlet olarak ortaya çıkışından itibaren İsrail, kendi doğal kaynakların yetersizliği nedeniyle enerjiyi ithal etmektedir. İsrail'in enerji arzına yönelik ihtiyacı, başta Mısır, Lübnan ve Güney Kıbrıs Rum Yönetimi (GKRY) olmak üzere komşu ülkelere yönelik dış politikalarını etkilemektedir. Ancak, İsrail'in kıyılarında dev rezervlerin keşfi, İsrail'in talihini ve bölgedeki jeopolitik güç dengesini değiştirmiştir. Dahası İsrail GKRY'nin açık denizlerinde doğalgaz sahalarının keşfedilmesi yeni ittifaklar için teşvik edici hale gelmektedir fakat bu durum bölgesel gerilimi de artırmaktadır. Ortadoğu bölgesinde yeni doğal gaz sahalarının keşfedilmesinin stratejik önemi hem enerji şirketlerinin hem de bölge devletlerinin dikkatini çekmektedir. Bu çalışma yeni doğalgaz sahalarını keşfedilmesinin İsrail üzerindeki etkilerini incelemektedir. Çalışma, İsrail'in bu doğalgaz kaynaklarına sahip olacağını, ancak eğer komşu ülkeler ile sorunlarını çözmez ise bu kaynakları çıkarmasının ve ihraç etmesinin zor olacağını iddia etmektedir.

*Anahtar Kelimeler: İsrail, Akdeniz, Levant Havzası, Gaz, Dış Politika*

### اسرائيل ومصادر الغاز الطبيعي في حوض لوانت

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خلاصة :

تضيف أهمية الطاقة كبعد جيوسياسي، منظورا أقوى على العلاقات بين دول حوض البحر الأبيض المتوسط. ان اسرائيل اعتبارا من ظهورها كدولة مستقلة، تقوم باستيراد الطاقة بسبب عدم كفاية مصادر الطاقة الكائنة لديها. كما ان حاجة اسرائيل الى الطاقة كمادة معروضة تؤثر على سياستها الخارجية نحو البلدان المجاورة لها وعلى رأسها مصر ولبنان ونظام قبرص الجنوبية اليونانية. غير ان اكتشاف مصادر طاقة هائلة على سواحل اسرائيل، قد غير خطوط اسرائيل مثلما أدى الى تغيير توازن القوى الجيوسياسية في المنطقة. واكثر من ذلك فان اكتشاف حقول للغاز الطبيعي في مناطق السواحل المفتوحة لنظام قبرص الجنوبية اليونانية، جاء عاملا محفزا للوصول الى اتفاقيات جديدة، غير ان هذا الوضع اضحى عاملا لزيادة التوتر الاقليمي في المنطقة. ان الأهمية الاستراتيجية لاكتشاف حقول جديدة للغاز الطبيعي في منطقة الشرق الأوسط، اضحى يجلب انتباه شركات انتاج الطاقة، مثلما يجلب انتباه دول المنطقة سواء بسواء. ويتولى هذا البحث دراسة تأثير اكتشاف حقول جديدة للغاز الطبيعي على اسرائيل. كما يتبنى مقولة ان اسرائيل ستسيطر على مصادر الغاز الطبيعي هذه، غير انها ان لم تتوصل الى حلول حول مشاكلها مع البلدان المجاورة لها، فانها ستلحق صعوبة في استخراج هذه الطاقة وفي تصديرها.

**الكلمات الدالة :** اسرائيل، البحر الأبيض المتوسط، حقول لوانت، الغاز، السياسة الخارجية.

# ISRAEL AND THE GAS RESOURCES OF THE LEVANT BASIN

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## ABSTRACT

The importance of energy as a geostrategic dimension adds more perspectives to the relationships between Eastern Mediterranean countries. Israel, from its beginning as an independent state, has imported energy because of a lack of its own natural resources. The requirement for energy supply affects its foreign policy with neighboring countries, particularly with Egypt, Lebanon, and the South Cyprus Greek Administration (SCGA). However, the discovery of huge reserves off Israel's coast is changing Israel's fortune and the geopolitical balance of power in the region. Moreover, gas discoveries off the shore of Israel and the SCGA have become an incentive for alliances, but have created regional tensions. The strategic significance for the Middle East region of the discovery of the gas resources draws the attention of the energy industry as well as regional countries. This paper attempts to analyze the potential impacts on Israel of these discoveries of natural gas. The argument is that for Israel, it will have its own gas resources; however, unless it solves its problems with neighbours, it will be very hard to exploit them and be an exporter.

*Keywords: Israel, Mediterranean, Levant Basin, Gas, Foreign Policy.*

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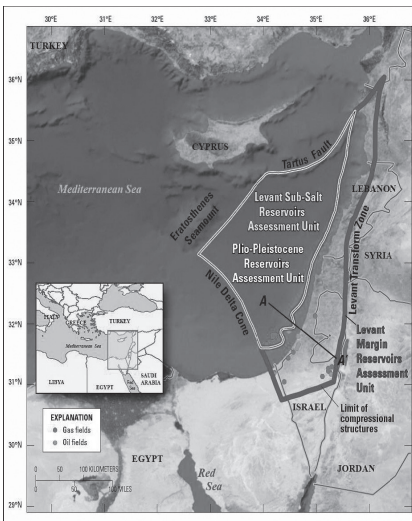
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## Introduction

Israel has one of the most developed economies in the region; however, it lacks secure and sustainable energy supplies and, has been dependent on energy imports since 1948. However, recent discoveries have changed Israel's energy perspective dramatically; the estimated gas reserves found in the eastern Mediterranean seem to be enough for Israel to be a net energy exporter. In April of 2010, the US Geological Survey (USGS) estimated that the undiscovered natural gas resources in the Mediterranean's Levant Basin area, as shown in Figure-1, to be between at least 122 to 227 trillion cubic feet (TCF) of technically recoverable natural gas.<sup>1</sup> The survey refers to an offshore basin that covers the territorial waters off the Palestinian Coastal Plain, Lebanon, and Syria. Additionally, according to the Israeli government's Sheshinski Committee, two-thirds of these reserves lie within the territorial waters of Israel.<sup>2</sup>

Figure-1 Levant Basin<sup>3</sup>



Israel is located close to the oil-rich and gas-producing countries in the Persian Gulf and North Africa. However, it produces much less oil and natural gas than it consumes and moreover political animosity has prevented it from cooperating with its close neighbours for most of the last several decades. As a result, it has been dependent on remote suppliers like Russia, as well as Central Asian and Latin America countries to replenish these energy resources. Israelis joke that when Moses led Jews out of Egypt, he took the wrong direction by turning left into Canan rather than right into the oil-rich areas and, as once Israeli Prime Minister Golda

1 US Geological Survey, "Assessment of Undiscovered Oil and Gas Resources of the Levant Basin Province, Eastern Mediterranean", p.3, <http://pubs.usgs.gov/fs/2010/3014/pdf/FS10-3014.pdf>

2 Ministry of Finance of the State of Israel, "Conclusions of the Committee for the Examination of the Fiscal Policy with Respect to Oil and Gas Resources in Israel", January 2011, p.17, [http://www.financeisrael.mof.gov.il/FinanceIsrael/Docs/En/publications/02\\_Full\\_Report\\_Nonincluding\\_Appendix.pdf](http://www.financeisrael.mof.gov.il/FinanceIsrael/Docs/En/publications/02_Full_Report_Nonincluding_Appendix.pdf)

3 Arab Center for Research and Policy Studies, "The Geopolitical Impacts of the Discovery of Natural Gas in the Eastern Mediterranean Basin", December 2012, p.2, <http://english.dohainstitute.org/release/b69fb5e1-b575-4ddf-a792-3aae0c3d189c>

Meir said, the only thing the Jews have against Moses is that he led his people to the only place in the Middle East without oil.<sup>4</sup>

Israel's fortune started to change in the 2000s. First it made an agreement with Egypt, under which Israel supplied large proportions of its gas needs.<sup>5</sup> Moreover, Israel discovered natural gas in the Tamar and Leviathan basins in 2009 and 2010. The Tamar field is estimated to contain approximately 9 TCF of gas, while Leviathan field is estimated to contain approximately 17 TCF of gas. These gas discoveries on the one hand created opportunities for regional cooperation but on the other hand created regional tensions with Israel's Mediterranean neighbours as well.<sup>6</sup>

There is a link between geopolitics and energy security in the eastern Mediterranean. As being key players in the region, gas findings of the shores of Israel and the SCGA give them sufficient energy resources and provide the opportunity to be energy exporters. This article examines the developments regarding the discoveries of gas fields off of Israeli shores and their implications for regional stability in the eastern Mediterranean. First, I discuss the discoveries off the shore of Israel. Then, I analyze Israel-Lebanese claims and disputes in the Levant basin and Israel- SCGA relations. In conclusion, I try to investigate the implications for Israel of the newly found gas resources. The analysis suggests that Israel will have its own gas resources; however, unless it solves its problems with neighbours, it will be very hard to exploit them and be an exporter.

## **Israel and Discoveries of Gas Fields**

Oil and gas exploration in Israel began in the early 20th Century; however no significant discoveries were made until the 21st Century, and the exploration outlook started to change with the discovery of several offshore gas fields in 1999. The largest of them was the Mari-B gas field, which has been supplying natural gas for Israel Electric Corporation since 2004<sup>7</sup>. In 2009, the Tamar field was discovered with enough gas to supply Israel's domestic needs for 15 years, and in 2010, an even larger discovery was made in the Leviathan field west of Tamar.<sup>8</sup> As soon as this gas field was discovered in October 2010, Israel

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4 Yacine Fares, "No Oil for Israel, Israel Mines for Natural Gas", *Harvard International Review*, Winter 2013, <http://www.thefreelibrary.com/No+oil+for+Israel%3A+Israel+mines+for+natural+gas.-a0316203912>

5 Gawdat Bahgat, "Israel's Energy Security: Regional Implications", *Middle East Policy*, Vol.18, No.3, Fall 2011, p.25.

6 Walid Khadduri, "East Mediterranean Gas: Opportunities and Challenges", *Mediterranean Politics*, Vol.17, No.1, March 2012, p.111.

7 Ministry of Finance of the State of Israel, "Conclusions of the Committee for the Examination of the Fiscal Policy with Respect to Oil and Gas Resources in Israel", January 2011, p.16.

8 Simon Henderson, "Israel's Natural Gas Challenges", 7 September 2012, <http://www.washingtoninstitute.org/policy-analysis/view/israels-natural-gas-challenges>

declared it to be in its Exclusive Economic Zone (EEZ).<sup>9</sup> Present estimates shows that Israel might go from a gas poor country to a gas exporter.



Figure-2 Israel's major gas fields<sup>10</sup>

Abundant reserves in the Tamar and Leviathan fields exceed Israel's domestic consumption. Three Israeli energy companies in cooperation with Noble Energy announced initial estimates that the newly discovered fields hold huge amounts of gas and that one gas field, Leviathan, holds enough reserves to supply Israel's gas needs for 100 years.<sup>11</sup> The Levant Basin Province is comparable to some of the other large provinces around the world. Israel can benefit from these gas fields (as shown in Figure-2) both domestically and internationally. Israel's electricity sector may switch from using mainly coal to natural gas and this move would improve Israel's trade balance. Moreover, these new reserves could transform Israel into a gas exporter, and given the geographical proximity and close political and economic ties, Europe is an attractive target. However, if Israel decides to pursue the option of exporting its gas to Europe, it has to compete with other gas exporters such as Russia, Norway and Algeria.<sup>12</sup>

Gas discoveries in the Levant Basin have the potential to change the geopolitics of the entire region, including the Aegean Basin off the shores of Greece, Turkey and Cyprus, and the Levant Basin off the shores of Lebanon, Israel and Syria. The entire region faces completely new geopolitical challenges and potentials for conflict. Securing foreign gas has been a national security priority for Israel as existing domestic gas supplies have dwindled dangerously low. Moreover, the so-called Arab Spring protests sweeping across Egypt into

9 F. William Engdahl, "New Mediterranean Oil and Gas Bonanza", 26 February 2012, <http://rt.com/news/reserves-offshore-middle-east-engdahl-855/>

10 Brenda Shaffer, "Israel: A New Natural Gas Producer in the Mediterranean", *Energy Policy*, Vol.39, No.9, September 2011, p. 5382, [http://poli.haifa.ac.il/~bshaffer/Shaffer\\_Israel\\_naturalgas.pdf](http://poli.haifa.ac.il/~bshaffer/Shaffer_Israel_naturalgas.pdf)

11 Charles Levinson and Guy Chazan, "Big Gas Find Sparks a Frenzy in Israel", *The Wall Street Journal*, 30 December 2010, <http://online.wsj.com/article/SB10001424052970204204004576049842786766586.html>

12 Bahgat, "Israel's Energy Security: Regional Implications", p.29.

Libya in early 2011 added to the energy crisis and Israel has become more than nervous about its future energy security.<sup>13</sup>

However, with the Tamar and Leviathan discoveries, Israel has begun to discuss how to become a major natural gas exporter, and the export of gas depends on the commercial viability and investment requirements. While Lawson Freeman, vice president of Noble Energy, stated that “there is a really compelling case for natural gas exports”<sup>14</sup>, Bini Zomer, director of corporate affairs at Noble Energy Mediterranean claimed that the Leviathan gas field “should largely be exported.”<sup>15</sup> In spite of the declarations of Noble Energy officials, the volume of gas available for export will depend on political decisions at different levels and between different countries. Based on the information above, the emergence of Israel as an exporter of natural gas to world markets is a realistic possibility. However, there are two rising questions about the export of the gas: where to export and how. Israel looks to cooperate regionally with the SCGA and Greece to export gas to the European market, either through siting liquefaction plants (Liquefied Natural Gas, or “LNG” plants) or by connecting Greek Cypriot, Greek and Israeli-controlled gas fields to each other through gas pipelines.<sup>16</sup> These sentiments are clearly expressed in the Sheshinski Committee’s Report:

The large-scale uncovering of deposits will also allow the export of Israeli gas to other countries, whether by its liquefaction and transport in tankers or through the laying of appropriate pipelines. The export of gas is likely to change the strategic status of the State of Israel.<sup>17</sup>

There are mainly three choices which Israel could prefer. One way is by building a pipeline infrastructure to supply the regional market (Palestine, Jordan and Lebanon) and connect it with the Arab Gas Pipeline as shown in Figure-3. As Israeli Energy and Water Resources Minister Uzi Landau claimed: “Naturally, the immediate export of natural gas will be to our neighbors the Palestinians and the Jordanians, and I believe that this connection will be an important step in building trust and peace in the region.”<sup>18</sup> However, this

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13 Avi Bar-Eli and Itai Trilnick, “Forecast Blackout Israel is About to Run Out of Natural Gas: Shortage Expected to Last at Least Until Next Year, When the Tamar Gas Field Starts Production”, *Haaretz*, 2 February 2012, <http://www.haaretz.com/misc/iphone-article/forecast-blackout-israel-is-about-to-run-out-of-natural-gas-1.410513>

14 Ari Rabinovitch, “Natural Gas Firms Call on Israel to Allow Exports”, *Reuters*, 29 November 2011, <http://www.reuters.com/article/2011/11/29/idUSL5E7MT21K20111129>

15 Sharon Udasin, “New Natural Gas Wealth Means Historic Change for Israel”, *National Geographic News*, 3 July 2012, <http://news.nationalgeographic.com/news/energy/2012/07/120703-israel-new-natural-gas/>

16 Shaffer, “Israel: A New Natural Gas Producer in the Mediterranean”, p. 5386.

17 Ministry of Finance of the State of Israel, “Conclusions of the Committee for the Examination of the Fiscal Policy with Respect to Oil and Gas Resources in Israel”, January 2011, p.20.

18 Sharon Udasin, “Natural Gas Will 1st Go to Arap Neighbors”, *Jerusalem Post*, 28 March 2012, <http://>

market may not be big enough to monetize the gas in a way that makes the investment worthwhile.



Figure-3 The Arab Gas Pipeline<sup>19</sup>

Another alternative is the construction of an underwater pipeline between Israel, the SCGA and Greece as shown in Figure-4. This pipeline would enable the export of natural gas to the European market; however, the execution of such a plan requires the cooperation of the European Union to secure both the investments needed and the demand for the gas. In addition, European governments may prefer to import natural gas without the involvement of transit countries due to the obligatory dependence which may result. In this respect, a number of potential obstacles to this project has been summarized by Shaffer:

Israel has not yet officially decided to export natural gas. Despite strong indicators of the existence of reserves that would allow the Israelis to export gas, they remain fixed in the stages of exploration and evaluation of proven reserves. The discovery of natural gas in the Eastern Mediterranean region coincides with a worldwide saturation-particularly in Europe-of the market for natural gas, including LNG. Moreover, energy companies in the United States have achieved major technical developments in the extraction and production of Shale Gas, providing the US with self-sufficiency in gas. The US could develop into a natural gas exporter in the short term. The increase in the supply of natural gas over the past 20 years has outpaced the growth in demand, resulting in a global decline in the price of natural gas worldwide (although to varying degrees across different regions). The present and medium-term financial and economic situation in the European Union prevents European investment in a network of pipelines that would tie Israeli, Cypriot and Greek gas fields to European markets. European countries prefer to rely on direct

[www.jpost.com/Enviro-Tech/Natural-gas-exports-will-1st-go-to-Arab-neighbors](http://www.jpost.com/Enviro-Tech/Natural-gas-exports-will-1st-go-to-Arab-neighbors)

19 Arab Center for Research and Policy Studies, "The Geopolitical Impacts of the Discovery of Natural Gas in the Eastern Mediterranean Basin", December 2012, p.13.

import agreements that would free them from transit routes that would otherwise leave them at the mercy of transit countries. Both Greece and Turkey lack the necessary infrastructure to export additional quantities of natural gas (to Europe). Developing such an infrastructure would require additional investments and the burden of expenditures, which the European economy cannot tolerate at this time.<sup>20</sup>

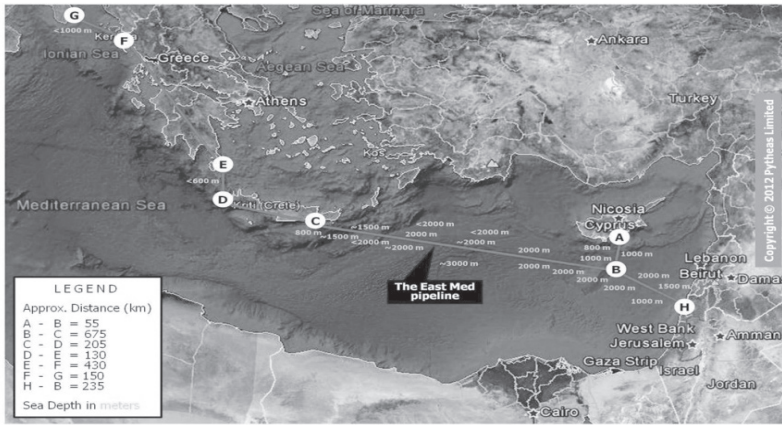


Figure-4 The proposed route of underwater natural gas pipelines<sup>21</sup>

The third possibility to export great volumes of gas is the construction of liquefaction plants. Such an infrastructure would transport large quantities of gas to European and global markets.<sup>22</sup> Discussions between the Greek Cypriot, Greek and Israeli governments have focused on the economic and technical feasibility of such a project. Figure-5 below presents a schematic diagram of proposed locations for the siting of such liquefaction plants. The Israeli government has laid down the condition that, for national security reasons, “export facilities should be located in Israeli territory;” if not, they should be built “in the framework of bilateral agreements between countries.”<sup>23</sup>

20 Shaffer, “Israel: A New Natural Gas Producer in the Mediterranean”, p. 5386.

21 Arab Center for Research and Policy Studies, “The Geopolitical Impacts of the Discovery of Natural Gas in the Eastern Mediterranean Basin”, December 2012, p.9.

22 Cyprus Gas News, “Decision Already Taken for LNG Terminal”, 8 June 2012, <http://www.cyprusgasnews.com/archives/589>

23 Ministry of Energy and Water Resources of Israel, “The Natural Gas Inter-ministerial Committee Main Recommendations”, August 2012, <http://energy.gov.il/Subjects/NG/Documents/MainRecommendations.pdf>



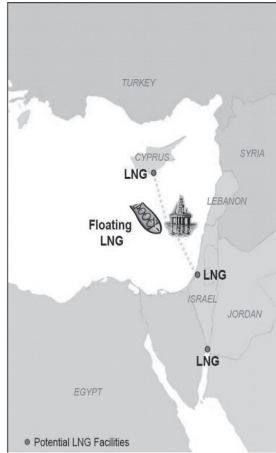


Figure-5 Options for the construction of natural gas liquefaction plants<sup>24</sup>

### Israel-Lebanon Offshore Disputes and Israel-SCGA Relations

Israel's natural gas explorations in the Eastern Mediterranean have not been without controversy. After the Leviathan field was discovered by Israel, a geopolitical conflict between Lebanon and Israel came into being. Israeli excavations have been disputed by Lebanon, and it has filed complaints to the United Nations claiming that Israel is encroaching on its maritime border. Lebanese politicians made a series of harsh statements, and Israel responded by saying that its military would not hesitate to protect the gas fields, as Israeli Foreign Minister Avigdor Lieberman stated, "we won't give an inch."<sup>25</sup> Moreover, as Israel has cooperated with the SCGA to effectively exploit the resources in the region, it further deteriorated its already soured relationship with Turkey.

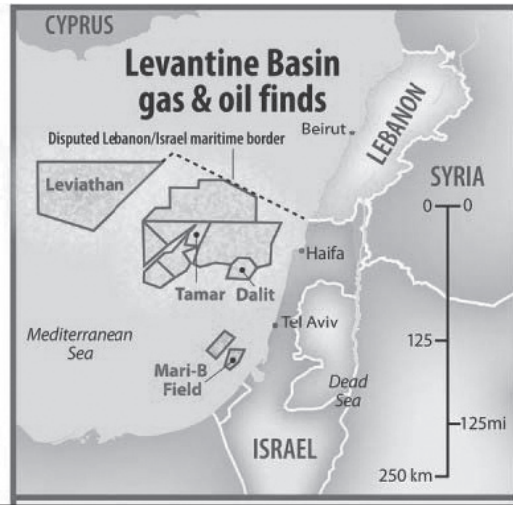
The disagreement over the gas fields in the eastern Mediterranean is not only between Israel and Lebanon, but also between Israel and Turkey as well. Gas discoveries came at the same time that foreign relations between Israel and Turkey deteriorated. As Turkish-Israeli relations soured, Israel has become increasingly intertwined with Greece and the SCGA. The rapprochement was put into practice with the maritime agreement between Israel and the SCGA of December 2010.<sup>26</sup> The agreement delineated the sea border between Isra-

24 Arab Center for Research and Policy Studies, "The Geopolitical Impacts of the Discovery of Natural Gas in the Eastern Mediterranean Basin", December 2012, p.10.

25 F. William Engdahl, "New Mediterranean Oil and Gas Bonanza", 26 February 2012, <http://rt.com/news/reserves-offshore-middle-east-engdahl-855/>

26 Agreement Between the Government of the State of Israel and the Government of the Republic of

el and the SCGA. However, Lebanon protested the Israel-SCGA Maritime Agreement at the United Nations in June 2011<sup>27</sup> and complained that the zone defined in the agreement infringes parts of Lebanon's EEZ.



*Figure-6 Disputed Israel-Lebanon maritime border*<sup>28</sup>

The dispute between Israel and Lebanon concerns the demarcation lines (as shown on Figure-6) of the maritime borders of two countries in the Eastern Mediterranean Sea. Both countries have been formally at war for years, and they have never agreed on a delimitation of their maritime boundaries. The Israeli gas wells in the Leviathan lie within Israeli territory as Lebanon affirms; however, Lebanon claims that the field extends over into the waters of its EEZ as well and it delivered maps to the UN to back up this claim. After Lebanon prepared a draft law in August 2011 to demarcate the maritime borders with Israel and SCGA, the Israeli government drew its own maritime boundaries with Lebanon. However, Lebanese authorities claimed that the maritime boundaries mapped out by Israel infringed on 850 square kilometers of Lebanon's EEZ.<sup>29</sup>

Cyprus on the Delimitation of the Exclusive Economic Zone, December 17, 2010, [http://www.un.org/depts/los/LEGISLATIONANDTREATIES/PDFFILES/TREATIES/cyp\\_isr\\_eez\\_2010.pdf](http://www.un.org/depts/los/LEGISLATIONANDTREATIES/PDFFILES/TREATIES/cyp_isr_eez_2010.pdf).

27 Adnan Mansour, Minister for For. Aff. & Emigrants, "Letter to the Secretary-General of the United Nation, U.N. Doc. 2082.11D", June 20, 2011, [http://www.un.org/depts/los/LEGISLATIONANDTREATIES/PDFFILES/communications/lbn\\_re\\_cyp\\_isr\\_agreement2010.pdf](http://www.un.org/depts/los/LEGISLATIONANDTREATIES/PDFFILES/communications/lbn_re_cyp_isr_agreement2010.pdf).

28 Manfred Hafner, Simone Tagliapietra and El Habib El Elandaloussi, "Outlook for Oil and Gas in Southern and Eastern Mediterranean Countries", October 2012, p.11. <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?lng=en&id=154892>

29 Nizar Abdel-Kader, "Potential Gas Conflict in the Mediterranean", 16 March 2012, <http://www>

Tensions between Lebanon and Israel have been running high. Israeli Energy and Water Resources Minister Uzi Landau stressed that “We will not hesitate to use our force and strength to protect not only the rule of law but the international maritime law.”<sup>30</sup> Israel’s Prime Minister Benjamin Netanyahu declared in January 2011 that “there is no doubt these resources are a strategic objective that Israel’s enemies will try to undermine, and I have decided that Israel will defend its resources.”<sup>31</sup> Moreover, Prime Minister Benjamin Netanyahu stated that Lebanon’s boundary declaration “contradicts the line Israel has agreed upon with Cyprus, and what is more significant to me is that it contradicts the line that Lebanon itself concluded with Cyprus in 2007.”<sup>32</sup> As a result of this conflict over maritime boundaries, the Israeli Navy has begun to maintain a twenty-four hour presence over the site using drones to protect the offshore gas fields.<sup>33</sup> Statements by Lebanese officials have been equally strong. “We warn Israel not to touch this area or try to steal Lebanon’s resources” declared Hassan Nasrallah, head of the resistance group Hezbollah in Lebanon.<sup>34</sup> “We are determined to defend them, especially since we are fully committed to the law of the sea. If Israel violates this law, it will pay the price,” affirmed Lebanon’s Energy and Water Resources Minister Jibril Basil.<sup>35</sup> Lebanon’s President Michel Suleiman said in his speech at the 66th meeting of the UN’s General Assembly in New York that:

We emphasize that we strongly uphold our full sovereignty and economic rights over our territorial waters and exclusive economic zone as well as freedom of the exploitation of our natural resources, be they on land or in the deep sea, independently from any designs or threats.<sup>36</sup>

Both Israel and Lebanon believed that they could benefit from the natural gas found in the Levant Basin. Until 2012, Israel had imported forty percent of its natural gas from Egypt, and with the effect of the domestic turbulence,

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realclearworld.com/articles/2012/03/16/potential\_gas\_conflict\_in\_the\_mediterranean\_99965.html

30 Jonathan Ferziger and David Wainer, “Landau Says Israel Willing to Use Force to Protect Gas Finds Off Coast”, Bloomberg, 24 June 2010, <http://www.bloomberg.com/news/2010-06-24/landau-says-israel-willing-to-use-force-to-protect-gas-finds-off-coast.html>

31 “Netanyahu Vows to Defend Med Gas Fields”, *Cumhuriyet*, 19 January 2011, <http://www.cumhuriyet.com/?hn=209634>.

32 Herb Keinon, “Cabinet Approves Northern Maritime Border”, *Jerusalem Post*, 10 July 2011, <http://www.jpost.com/NationalNews/Article.aspx?id=228666>.

33 Yaakov Katz, “IDF Deploys Drones to Protect Gas Fields From Hezbollah”, *Jerusalem Post*, 9 August 2011, <http://www.jpost.com/Defense/IDF-deploys-drones-to-protect-gas-fields-from-Hezbollah>

34 Zeina Karam, “Israel-Hezbollah Dispute Emerging Over Mediterranean Resources”, *Huffington Post*, 26 July 2011, [http://www.huffingtonpost.com/2011/07/26/israel-hezbollahdispute\\_n\\_910224.html](http://www.huffingtonpost.com/2011/07/26/israel-hezbollahdispute_n_910224.html).

35 Wassim Mroueh, “Lebanon to Fight Israel at U.N.”, *Daily Star*, 11 July 2011, <http://www.dailystar.com.lb/News/Politics/2011/Jul-11/Lebanon-to-fight-Israel-at-UN.ashx#axzz1ZtdbDoni>.

36 H.E. General Michel Sleiman, President of the Republic of Lebanon, Address at 66th Session of the General Assembly of the United Nations, 21 September 2011, [http://gadebate.un.org/sites/default/files/gastatements/66/LB\\_en.pdf](http://gadebate.un.org/sites/default/files/gastatements/66/LB_en.pdf).

imports from Egypt had become increasingly difficult<sup>37</sup>, because Egypt, fresh out of the Arab Spring, cancelled its natural gas supply agreement with Israel in May 2012.<sup>38</sup> However, instead of importing energy, Israel could become an energy supplier, as the newly discovered gas resources have a huge potential for export to the EU<sup>39</sup> or to Jordan.<sup>40</sup> For Lebanon, the oil and gas reserves could help its economy recover and reduce its national debt as well.<sup>41</sup> However, the problem remains that they mostly need UN assistance to facilitate indirect negotiations between them to help demarcate the boundary line. Because such a process usually occurs through bilateral negotiations or mutually-agreed arbitration, no such opportunity exists, because the two countries are in a state of war.

Building on the agreement between Israel and the SCGA, the SCGA has licensed Noble Energy, the same company with large stakes in Tamar and Leviathan, to explore a block bordering Israeli waters. Turkey criticized these moves on the grounds that they disregarded the rights and jurisdiction of Turkish Cypriots on the island.<sup>42</sup> Turkey claimed that the Greek Cypriot government in the southern part of the island did not have the authority to sign deals with Israel.<sup>43</sup> Moreover, the cooperation deal also opened the way for Greece to fill the vacuum Turkey left in Israel's regional relations. High-level talks between Israel and Greece have taken place about the construction of an underwater pipeline to Europe which would make Greece the transit country for Israeli gas to reach Europe, bypassing Turkey, its traditional partner.

Both Israel and the SCGA greeted the announcement of gas discoveries offshore with enthusiasm and the Greek Cypriot-Israeli rapprochement initiated in March 2011 with the visit of SCGA president Dimitris Christofias in Israel.<sup>44</sup> Soon afterwards, both sides began to discuss how they could help each other take advantage of their new finds. Shimon Peres, the President of

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37 Abraham D. Sofaer, "Securing Israel's Offshore Gas Resources", 23 June 2011, <http://www.abesofaer.com/2011-pdfs/Offshore-Gas-Security-6-23-2011.pdf>

38 Michael J. Economides, "Eastern Mediterranean Energy: The Next Game", 5 June 2012, <http://www.energytribune.com/11093/eastern-mediterranean-energy-the-next-game>

39 Avi Bar-Eli, "Netanyahu Offers Natural Gas to Greece", *Haaretz*, 29 August 2010, <http://www.haaretz.com/print-edition/business/netanyahu-offers-natural-gas-to-greece-1.310761>

40 Nadav Shemer, "Analyst: Jordan to Buy Israeli Gas as Alternative to Egypt", *Jerusalem Post*, 6 October 2011, <http://www.jpost.com/Business/Business-News/Analyst-Jordan-to-buy-Israeli-gas-as-alternative-to-Egypt>

41 Petroleumworld, "Lebanon Parliament to Vote on Gas Rights Bill", 17 August 2010, <http://www.petroleumworld.com/story10081702.htm>

42 Bahgat, "Israel's Energy Security: Regional Implications", p.31.

43 Anshel Pfeffer, "Turkey to Deploy Warships Over Gas Dispute with Cyprus", *Haaretz*, 25 September 2011, <http://www.haaretz.com/news/diplomacy-defense/turkey-to-deploy-warships-over-gas-dispute-with-cyprus-1.386659>

44 Avirama Golan, "Friends on the East-West Seam", *Haaretz*, 11 March 2011, <http://www.haaretz.com/weekend/week-s-end/friends-on-the-east-west-seam-1.348565>

Israel, visited the SCGA in November 2011 and stated that joint natural gas projects could have positive effects in both economies.<sup>45</sup> In February 2012, Israel's Prime Minister Benjamin Netanyahu visited the SCGA to expand and formalize trade pacts between the two unlikely partners. Netanyahu's visit was the first by an Israeli prime minister to the eastern Mediterranean island.<sup>46</sup> Netanyahu traveled to the SCGA with a mission of twenty high-level government officials, including Energy and Water Resources Minister Uzi Landau and the directors of Israel's National Security and National Economic councils. He signed a cooperation agreement for the protection of natural gas platforms.<sup>47</sup> The deal is supposed to allow Israel to use the SCGA air space and territorial waters for aerial and naval search and rescue drills. Netanyahu's office said that the deal was inked as part of the two sides' efforts to "strengthen the improving ties between the two nations," as well as "to boost the cooperation in the fields of energy, agriculture, health and maritime research."<sup>48</sup> Netanyahu said at the signing that the gas could be liquefied in either the SCGA or Israel, and subsequently exported either to Europe through the SCGA or to Asia through Israel. In April 2012 Israeli Foreign Minister Avigdor Lieberman made a three-day visit to the SCGA to discuss the gas-sharing agreement to exploit reserves that fall on the maritime boundary between Israel and the SCGA. Lieberman later discussed the prospects of further expansion of cooperation between the two countries in the fields of energy, tourism and investment with Commerce and Industry Minister Neoclis Sylikiotis.<sup>49</sup> "It's really a win-win situation and we will use all possibilities to improve and strengthen our bilateral relations" said Lieberman.<sup>50</sup>

Given the recent deterioration in Israeli-Turkish relations and the prospect of economic benefits of cooperation, Israel and the SCGA have a mutual interest in the development of their bilateral relations. Israel might need the SCGA to export its gas resources and on the other hand, the SCGA, facing severe economic difficulties, might need both Israel's economic and political backing. Moreover, the long-standing conflict between Greece and Turkey

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45 Greer Fay Cashman, "Peres, Cypriot Counterpart Discuss Gas Cooperation", *The Jerusalem Post*, 3 November 2011, <http://www.jpost.com/Diplomacy-and-Politics/Peres-Cypriot-counterpart-discuss-gas-cooperation>

46 Palash R. Ghosh, "As Israel And Cyprus Ally Over Energy, The Rest Of The Region Feels The Aftershock", 2 June 2012, <http://www.ibtimes.com/israel-and-cyprus-ally-over-energy-rest-region-feels-aftershock-701215>

47 Michele Kambas and Ari Rabinovitch, "Netanyahu Discusses Energy Cooperation in Cyprus", *Reuters*, 16 February 2012, <http://ru.reuters.com/article/idUKL5E8DG3PS20120216>

48 Itamar Eichner, "Netanyahu embarks on historic visit to Cyprus", *Ynet News*, 16 February 2012, <http://www.ynetnews.com/articles/0,7340,L-4190731,00.html>

49 Cyprus Gas News, "Cyprus-Israel Close to Gas-Sharing Deal", 18 April 2012, <http://www.cyprusgasnews.com/archives/370>

50 Stefanos Evripidou, "Lieberman: Cyprus-Israel relations 'a win-win situation'", Cyprus E Directory, <http://www.cyprusedirectory.com/articleview.aspx?ID=20694>

may open the way for a tripartite partnership between Israel, the SCGA and Greece. This would constitute a major development in the strategic role and position of both the SCGA and Israel.

### **Implications for Israel of the Discovery of the Gas Resources of the Levant Basin**

The majority of discoveries of natural gas in the Levant Basin are located in the Israeli EEZ. With these discoveries, Israel would not only secure its energy supply, but also emerge as an energy exporter. There are two ways to export natural gas: by pipeline or by special LNG tankers. If the Middle East were a normal place, Israel would build a gas pipeline to its neighbours Jordan, Syria, Lebanon or Egypt. This choice would make the most commercial sense. However, it is impractical from both a security and political perspective. Other options would be to pipe the gas, via a pipeline to Greece, to connect with Europe's distribution system or export LNG to markets where prices are high. However, a pipeline would be longer, costlier and riskier; exporting gas by LNG terminals requires huge investment and a large coastal site. An LNG plant in Israel would be impractical, since space is limited, environmentalists unyielding and security hard to guarantee.<sup>51</sup> The SCGA is keen to invest in LNG, but doesn't have the cash and in case of the liquefaction in the SCGA, Israel does not want to give up control.

The discovery of natural gas off the Israeli coastline in recent years should have significant repercussions regionally and will doubtlessly impact Israel on a number of levels. From a security perspective, as these discoveries reduce Israel's reliance on imported sources of energy, they might allow Israel to enhance its energy security. Israel can substitute imported gas with locally produced natural gas. However, with the rising tension between countries in the eastern Mediterranean, Israel will need heightened security measures to protect its gas fields and the related infrastructure. Gas facilities are difficult to protect and the Israeli Navy has already been alerted to protect the newly discovered gas fields.

From an economic point of view, the use of domestic natural gas should end the Israeli dependency on foreign energy supplies and should reduce the cost of energy production in the Israel. This would lead to an increase in the competitiveness of Israeli industrial output. Moreover, indigenous gas supplies may contribute to sustainable economic development and improve the country's trade balance. Improvement in the economic condition may also lead to the development of military-security capabilities without recourse to foreign financial aid. Another economic aspect of the gas discoveries is related

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51 The Economist, "Gas in the Eastern Mediterranean Drill, or Quarrel?", 12 January 2013 <http://www.economist.com/news/business/21569452-politics-could-choke-supplies-big-new-offshore-gasfields-drill-or-quarrel>

to the dwindling water resources of the Middle East. If the natural gas is used to power water desalination plants, these discoveries may also have a positive impact on the conflict over water in the region.

The discovery of natural gas resources in the Levant Basin might result in a significant readjustment of the regional geopolitical map. Gas findings in the Levant Basin either destabilize the region or contribute to the improvement of the relations between related countries. Developing these resources shall require exceeding major challenges which might have geopolitical implications. Although Israel has reached agreement with the SCGA on its maritime boundary, disagreement with Lebanon is unlikely to be resolved soon. Additionally, Turkey has signaled its opposition to any Israeli-SCGA cooperation. It is likely that cooperation between Israel, the SCGA and Greece would be enhanced. The development of relations between Israel, the SCGA and Greece might help Israel overcome its regional isolation. However, Lebanon's disagreement with Israel over maritime boundaries has the potential to contribute to hostility and mistrust between two sides. For the time being, the discoveries of natural gas in the Levant Basin have exacerbated both the Lebanese-Israeli conflict and the conflict between Israel, Turkey and the SCGA. Any resolution of this dispute requires a cessation of hostilities and resolution of the disputes over maritime boundaries. As the uprisings in the Arab world continue and the dynamics of the Arab-Israeli conflict change, it is difficult for Israel to reach a comprehensive solution regarding its maritime boundaries. The Egyptian government's decision to end natural gas exports to Israel following the overthrow of the Mubarak regime shows this reality. Without solving the problems, it is true that the chances for a conflict increase with each new discovery of gas in disputed waters. Even though Israel will have its own gas resources, unless it solves its problems, it will be very hard for Israel to exploit them and become an exporter.

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