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## **Political-Strategic Dimensions to Israel's Natural Gas Debate**

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In October 2011, the Israeli government appointed a committee headed by Water and Energy Ministry director general Shaul Tzemach to examine the government's policy on natural gas. The government is supposed to adopt the committee's recommendations, which were published in April 2012, immediately upon completion of the budget deliberations. On May 13, 2013, however, Knesset Finance Committee chairman Avishai Braverman stated that the Knesset would decide on the future of the recommendations – in particular, how much gas will be reserved for local use and how much will be available for export: since the Knesset was mandated to determine the royalties the state will collect on revenues from the sale of natural gas, so, MK Braverman contends, should it decide related aspects. The debate on the issue has heated up, and some who argue against export (of even a small percentage of the gas), because they believe it would harm the Israeli consumer, are currently demonstrating outside the homes of those directly involved in the issue.

How much gas to retain for domestic consumption and how much to export has political-economic and strategic ramifications. There is no argument about the fact that Israel is a special case in terms of energy security, and that it must maintain independence in the supply of a strategic resource such as natural gas – even though Israel has never enjoyed such independence, and conversely, even though Israel has never experienced any crisis in meeting its energy needs.

The Tzemach Committee looked at a period of twenty-five years. After examining a number of consumption scenarios, it recommended the one in which Israel's cumulative consumption up to 2040 would reach 450 billion cubic meters. According to estimates by the US Geological Survey, the quantities of recoverable gas in the area in which Israel has exclusive economic rights come to 1.4 trillion cubic meters. However, the committee was conservative, and calculated the total amount that could be considered recoverable to be 950 billion cubic meters. Accordingly, the committee recommended a 50-50 ratio between domestic consumption and export.

In the public debate too little attention has been paid to the political-economic and strategic aspects. Some of these are difficult to calculate, and hence it is hard to assess their benefit. Another problem involves the different timetables. The Tzemach Committee gave clear priority to ensuring that the Israeli economy's natural gas needs are fully preserved, and made export conditional on fulfilling these needs. This process will continue for several years, and it is dependent on both the discovery and the utilization of gas reservoirs. However, immediate export would have strategic and economic advantages, for example, realizing the Committee's conviction that export is necessary in order to obtain the essential financing for developing the gas fields and the associated infrastructures. The recommendation to allow export only after there is complete confidence that there will be accessible gas above 450 billion cubic meters could complicate obtaining outside financing for the periods of time associated with the investments.

Several other issues should be noted. Gas deposits in the Mediterranean are spread over the Exclusive Economic Zones of several countries: Egypt, Israel, Lebanon, Cyprus, and possibly Syria as well. It is nearly certain that there is natural gas in the maritime space of Gaza. The costs of building the infrastructures for exporting natural gas are enormous, and they invite regional cooperation. While it is difficult to expect direct cooperation in the current political circumstances in the region, it might be possible through third countries and companies. However, these would take the risks involved only if the amounts of available gas for export justified the risks.

Cooperation, even indirect, with other gas exporters in the region increases the regional players' interest in stability. Even sub-state actors such as Hamas and Hizbollah would be interested in this stability to ensure the flow of revenues that Lebanon and Gaza would enjoy if they developed the gas in their Exclusive Economic Zones. Although difficult, third countries and companies could theoretically aid in mediating between states that do not have relations with each other, but they would require agreed-upon management and use of joint reservoirs that cross borders. Such utilization of resources generally requires agreements between the states that have rights to the reservoirs.

Israel's immediate neighbors, particularly Jordan and the Palestinian Authority, need a supply of gas. Jordan's situation has worsened for the same reason that Israel's has been harmed, that is, the frequent sabotaging of gas pipelines in the Sinai. The difficulties in supplying energy have leveled significant pressure on the Jordanian economy, which faces enormous difficulties as a result of the need to handle half a million registered Syrian refugees and perhaps a similar number of unregistered refugees. The Jordanian

Ministry of Energy expects consumption of 4.5 billion cubic meters in 2015, and amounts of this magnitude would not substantially alter the Tzamach committee's considerations. Jordan can be connected to Israel's gas transmission networks in two locations – south of the Sea of Galilee and in the industrial region at the Dead Sea, and this could be implemented quickly. It has been postponed in part due to a delay in adopting the Tzamach Committee's recommendations and a lack of clarity concerning export of gas.

Connecting Israel to its neighbors through water, energy, communication, and transportation networks has greater strategic value than certain other elements of the normalization proposed to Israel in the Arab Peace Initiative. Such connections create a mutual balance of interests that opponents of normalization cannot ignore. Therefore, the government of Israel, with the approval of the Knesset, ought to act now to exclude the supply of natural gas to neighboring countries from the overall discussion of the domestic consumption to export ratio. Gas could be supplied to the Palestinians in the future, for example, in exchange for the gas that Israel would receive from the gas reservoir in the Gaza maritime space.

Israel has several potential markets for its natural gas beyond the small regional markets, including China, India, Turkey, and Europe, and the political component must be considered along with the economic dimension. Export of gas to each of these destinations could improve Israel's international standing, even though the quantities are small compared to consumption of natural gas in these potential markets. Furthermore, exporting to the east or exporting to the west could create regional cooperation in the field of gas transportation.

As far as cooperation on natural gas is concerned, Turkey is an enigma at this point, both as a large consumer and in terms of transporting gas to Europe. In spite of pronouncements by Turkish leaders that they will not cooperate with Israel in this domain, an internal discussion in an inter-ministry body could be held in order to examine all aspects of bilateral energy cooperation.

While it is difficult to quantify these strategic benefits, it is clear that they will not be realized without the prospect of significant export. Although the argument here is not to overrule the committee's basic assumptions, it would be appropriate to draft a long term plan to provide the Israeli consumer with energy security and a supply of natural gas and to allow exports to be utilized to improve Israel's strategic balance. Global commerce in natural gas involves commitments for 15-25 years, and the longer Israel delays making decisions about exports and the quantities to be exported, the more likely it is to find markets that are saturated or consumers that seek to buy at lower prices. In the time

periods the committee discussed, that is, twenty-five years or more, far reaching changes may take place in the field of energy, sources of energy, and utilization of energy. Changes such as these could also affect the ability to realize possible gains from export of natural gas in a ten-year period.

What is needed is a tool that allows ongoing updating and calibration of local and global market conditions; a determination of the necessary level of energy security for longer periods of time than twenty-five years; and calculation of political and economic situations so that gas export can be leveraged for strategic gains for Israel.

