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# The Gas Framework: Regional and International Aspects

**Oded Eran**

The draft of the framework pertaining to the natural gas produced from the Tamar gas field and the development of other fields, especially Leviathan, has not yet been approved by the government or the Knesset. Nonetheless, it is already possible to discuss some regional and international aspects of the issue and their implications for Israel's relations with its neighbors, the United States, and other nations, e.g., Russia.

Ostensibly the proposed framework does not fundamentally change the basic data relating to regional considerations. The amounts of gas that the Tzemach Committee approved for export in Government Decision No. 442 on June 23, 2013 have not changed. These amounts limit the export potential to Israel's near geopolitical sphere, and do not necessitate large scale investments required for liquefying gas for transport over large distances without the use of a pipeline. Recently, the companies holding the Tamar field concession have held talks with Jordan, the Palestinian Authority, and Egyptian companies on supplying natural gas from the field before production begins at Leviathan. The decision to export to these markets before ensuring the entire amount determined to be indispensable to the Israeli economy stemmed from an understanding of the strategic importance of Israel providing economic assistance to stabilize the country's immediate political neighbors. On the other hand, contracts for selling gas from Tamar and, in the future, from Leviathan, are necessary mostly to finance the large Leviathan field and the smaller fields, Tanin and Karish. The framework, in its current draft, would force the present owners to sell the two smaller fields within 14 months after the proposal is approved.

The demand that Delek Group transfer all its rights to Tamar within 72 months to a third party and that Noble Energy reduce its holdings to 25 percent does not change the situation in any essential way. But the internal debate in Israel has delayed the completion of the talks with potential regional buyers, and this delay is playing into the hands of internal elements in those countries opposed to any contact with Israel, especially when it comes to infrastructures that involved long term contracts. Thus, for example, the first trial delivery of Qatari gas to Jordan arrived at the Aqaba Port on May 25, 2015. It was transported in liquid form in special containers and will undergo a reconversion to gas on a specially fitted ship anchored off the Aqaba shore. At the same time, Shell has reached an agreement in principle to supply natural gas to Jordan. Supplying Jordan with gas this way raises its price, and the Jordanian government prefers to realize the opportunity of importing gas from Israel (with symbolic imports of Palestinian gas from the field off the Gaza coast, which is very far from production with economic feasibility). Nonetheless, the existence of an alternative from Qatar, albeit more expensive, is liable to strengthen the argument of those, especially in the Jordanian parliament, opposed to any move that might mean dependence on Israel and an opened door to normalized relations. The willingness of Qatar or any external source to subsidize the gap in the price might delay the deal with Israel, or thwart it altogether.

The sale of the rights to Tamar might raise some international problems for Israel, because it may well be that there is no foreign buyer suitable to Israel either economically or politically. On the other hand, Noble Energy's ability to keep 25 percent of its rights to Tamar and all its rights to Leviathan (39.66 percent) will prevent a confrontation with the US administration and Congress. Noble Energy brought those and others such as the US Chamber of Commerce into the debate, to put pressure on the Israeli government to propose a deal that meets US interests.

According to the proposed framework, the concession holders will be able to export natural gas immediately to neighboring countries in quantities not to exceed 20 BCM. This applies to Jordan, Egypt, and the PA. It is doubtful that Turkey would be on the list; the nature of Israel's relations with Ankara is such that the sale of Israeli nature gas to Turkey would entail a high business risk. Still, a contract for providing Turkey with gas could improve the state of bilateral relations and possibly also help finance the development of Leviathan. Therefore, it would be best were the final formulation of the proposal to allow this option by increasing the export amount from 20 to 27-28 BCM. This would allow maximal political use of an export total of some 2 BCM a year going to the PA, 3 BCM to Jordan, and up to 10 BCM to the liquefaction facility (located west of Port Said in Damietta) belonging to Spain's Union Fenosa and Italy's Eni, leaving over 10 BCM for a possible deal with Turkey. This is all assuming that by the end of July 2019, as the current proposal stipulates, gas will start flowing also from Leviathan.

The proposal refers exclusively to natural gas. No reference is made to the not unreasonable possibility that underneath one or more of the natural gas reserves there are also oil reserves. Although Noble Energy initially planned to drill to test that possibility, it subsequently postponed the trial drill, in part because of its high cost. The discovery of oil is liable to disrupt the entire implementation of the gas framework in its current format. It would therefore be wise to examine the possible ramifications of such a discovery for the current deal. This would help prevent another round of public and international debate over legal and fiscal aspects that would undoubtedly arise should oil also be discovered.

It may be that reference to another pipeline for transporting gas to Israel in the draft of the proposal is sufficient for the purposes of the proposed framework and satisfies the regulatory aspect, but there is no doubt that the issue requires a more decisive and binding statement on the need for an additional pipeline. Moreover, the proposal doesn't touch on the question of strategic gas storage, despite the fact that if and when it is decided to establish storage facilities the companies will be involved in some fashion. Furthermore, for reasons, some of which are clear, the proposal does not deal at all with security arrangements for the infrastructures of search, production, and transport of the gas, and likewise ignores related complex legal and fiscal matters that demand regulation.

Israel is not unique as an entity in the eastern Mediterranean basin with energy resources in its economic waters. Lebanon, Gaza, Cyprus, and possibly even Syria have gas reserves in the sea. The amounts in each of these areas are not significant enough to make them into serious players in the large markets, and they cannot meet the high energy demands in Europe and the large Asian markets. Nonetheless, cooperation between natural gas holders in the eastern Mediterranean could strengthen their negotiating position vis-à-vis consumers. In the present regional political climate, such cooperation is not possible. But the entrance of a third party with clout in the energy sector could provide the foundation for cooperation among the nations involved in realizing the potential of a large producer and in reducing costs, especially of transportation, by avoiding redundancies in constructing expensive infrastructures. At this point, this scenario seems entirely hypothetical. Perhaps this too explains why the *deal did not* refer to it as a factor requiring reexamination.

Given that the public debate has already delayed approval of the framework, which might result in political damage, solutions to some of the issues raised must be proposed immediately. Other issues, such as the discovery of oil or a connection with an international third party to mediate among the regional states regarding gas export, require further study and decisions at a later date.

It has been more than a decade since natural gas started flowing from the reserves discovered in Israel's economic waters, but to date no models have been created and no government institutions established to address all aspects related to the topic. Similarly, decision making processes remain unregulated. National resources entail legal and economic considerations and constraints, both internal and international security-related – in the broad meaning of the term and the narrower meaning (such as securing the facilities), and of course environmental considerations. The public debate has touched on important parts but not all of these issues, and also does not provide an answer to the following questions: what institution in the State of Israel is supposed to integrate all these considerations, and by what process are decisions supposed to be made. These questions, too, underscore the need for a comprehensive framework.