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Policy Analysis / Policy Alert

Israel Secures Egyptian Gas Export Route

by Simon Henderson

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Simon Henderson is the Baker fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute, specializing in energy matters and the conservative Arab states of the Persian Gulf.

Brief Analysis

A rare visit by an Egyptian cabinet official marks a significant upgrade in bilateral energy ties, though questions remain about Palestinian, Gulf, and environmental issues.

Energy Minister Tarek al-Molla's February 21 trip to Israel was the first by a senior Egyptian official since 2016, and the first ever by an energy minister. Over the previous fifteen years, Cairo had only officially sent its foreign and intelligence ministers for such visits. In addition to discussions with his Israeli counterpart Yuval Steinitz, Molla met with Prime Minister Binyamin Netanyahu and Foreign Minister Gabi Ashkenazi. But the moment that arguably captured the trip's real importance was Molla's brief side visit to the Chevron-operated natural gas platform six miles off Israel's northern coast, where supplies from the giant Leviathan field are processed before being pumped ashore.

Some Israeli gas already flows to Egypt via a pipeline across the Sinai Peninsula, but that line is vulnerable to being blown up by insurgents. A new pipe was announced during Molla's visit, but its exact route is yet to be decided. Schematically, it is depicted as heading directly across the Mediterranean seabed, but that would be hugely expensive given the depth of those waters. A more likely route would begin with an expanded gas trunk system running north-south on Israel's coast, both onshore and offshore, and then extend into a new, comparatively cheap line in the shallower waters off the Sinai coast. The destination of this flow from Leviathan will be one or both of Egypt's liquefied natural gas plants on the Nile Delta. Once converted into LNG, the gas can be loaded onto tankers and exported to anywhere in the world.

Molla was careful to give the appearance of balancing his agreement with Israel by also visiting the West Bank, where he signed a memorandum of understanding with Palestinian officials to help develop their offshore Gaza Marine gas field and a planned power station in Jenin. The long-discussed offshore initiative has been hampered by the projected cost of $1 billion and the fact that Gaza is controlled by the U.S.-designated terrorist group Hamas rather than the Palestinian Authority. Although Hamas need not be involved in the field's actual development, any such work would require the group's acquiescence, which is unlikely given its longstanding rift with the PA. So the new memorandum appears to lack real substance.

In the nearer future, Gaza's electricity supply will likely be improved by a new but so-far provisional deal for Qatar to buy Leviathan gas and pipe it to the Strip's lone power station, which currently uses fuel oil. Qatar and the European Union have been financing many projects for Gazans in recent years, and they are now pledging to pay for the pipeline connection from the Israeli network (Doha has promised $85 million, the EU $5 million). Mohammad al-Emadi, the Qatari envoy to Gaza, expects the first Israeli gas could flow in 2024. For now, Israel and Egypt already supply electricity to the area.

These developments may prompt environmental and diplomatic opposition. Despite natural gas drastically reducing Israel's dependence on comparatively dirty coal, new projects still tend to generate domestic controversy, particularly now when a giant oil slick has contaminated the entire Mediterranean coastline. The spill apparently leaked from a tanker far offshore sometime last week, but the government has banned any reporting that might identify the culprit. In regional diplomatic terms, Cairo is sensitive to the prospect of the United Arab Emirates exporting oil products to Europe via Israel's pipeline from Eilat to Ashkelon, which would diminish Egypt's earnings from the Suez Canal, Sumed Pipeline, or both. The UAE is likewise wary of potential deals involving Qatar given their ongoing regional rivalry.

In any case, Israel is now setting national records for gas production and exports. Even with the possibility of setbacks and the continued challenge of COVID-19, it has spare capacity and is well placed to take advantage of the global economic recovery.

Simon Henderson is the Baker Fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute. ❖

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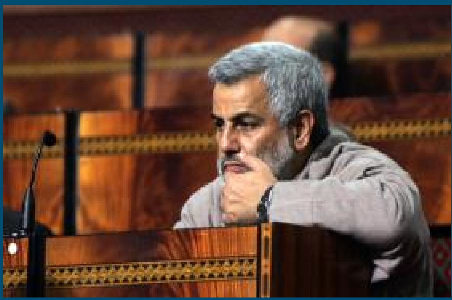

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