UAE Wealth Fund to Buy Share of Israeli Gas Field

by Simon Henderson **(/experts/simon-henderson)**

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Brief Analysis

If the $1.1 billion deal goes ahead, it will strengthen Abu Dhabi's claim to be a player in the East Mediterranean.

On April 26, Israeli company Delek announced that it had signed a memorandum of understanding with the energy arm of Mubadala, the sovereign wealth fund of the United Arab Emirates, which tentatively agreed to take over the firm's 22 percent ownership stake in the Tamar offshore natural gas field. Delek has been trying to sell its stake for some time in order to meet government anti-monopoly requirements, since the company is also invested in Israel's larger Leviathan gas field. Earlier this month, media reports speculated that Cairn Energy of the United Kingdom was interested in the share, but now Abu Dhabi will become the partner if the deal goes through.

In March, the UAE announced it was setting up a $10 billion fund to invest in Israeli energy and other strategic sectors, and the Delek deal represents the biggest commercial agreement since the two countries normalized their relations last September via the historic Abraham Accords. Arguably, though, the gas deal's greater significance is its potential role in advancing the UAE's diplomatic profile in the Mediterranean.

Until recently, Abu Dhabi appeared to be scaling back certain aspects of its involvement in that region, such as reducing its military role in countering **Turkish support for Libyan authorities (https://www.washingtoninstitute.org/policy-analysis/reframing-libya-reluctant-administration)** in Tripoli. Last week, however, Greece hosted a multinational exercise in which Emirati aircraft flew alongside Israeli fighter jets. At the same time, the foreign minister of Cyprus hosted top diplomats from the UAE, Israel, and Greece to discuss regional cooperation.

On the energy front, the Emirati firm Dana Gas had previously obtained the "North al-Arish" concession off Egypt's Sinai coast abutting the Palestinian maritime zone. Exploratory drilling in 2019 failed to find hydrocarbons, and up until a few weeks before the Abraham Accords, observers were speculating that the company would give up its license. Yet Dana now claims the block may hold substantial gas reserves.

The UAE's Mediterranean push has met some resistance, however. When Abu Dhabi tried to join the Cairo-based East Mediterranean Gas Forum as an observer in March, its application was vetoed by the Palestinian Authority, which was upset by the Abraham Accords. And Israel has been careful not to appear complicit with the anti-Turkish sentiment that seems to drive much of the UAE's policy in the Mediterranean. At least some of this caution stems from the fact that Israeli oil supplies from Azerbaijan are transported via tankers loaded at a Turkish port.

Despite a global environmental preference to move away from hydrocarbons, the emirate of Abu Dhabi, which holds the vast majority of the UAE's huge reserves, is increasing production of oil and gas. Media reports suggest the Emiratis might even leave the OPEC cartel so as not to be limited by production quotas. The increase in gas production is also aimed at reducing the country's dependence on its rival Qatar, whose supplies have long helped the Emirati metropolis of Dubai generate electricity, even during the **long Gulf embargo against Doha (https://www.washingtoninstitute.org/policy-analysis/washington-pushes-end-qatar-rift)** . Notably, the Qataris have become a minor player in the Mediterranean as well, obtaining a 40 percent interest in a field that Exxon Mobil discovered in Cyprus's maritime zone.

Any Emirati investment in the Tamar field comes with potential political and security risks. Although the field itself lies fifty miles off Israel's northern coast, its gas is brought ashore at the southern port of Ashdod, a few miles from the Hamas-controlled Gaza Strip, while initial processing takes place on a platform thirteen miles out to sea, visible from high buildings in Gaza and within a mile or two of Palestinian waters.

A commercial problem is that Israeli fields already generate so much gas that additional export markets must be found to maximize revenues. Last week, industry newsletter MEES reported that Leviathan had produced record volumes in the first quarter of 2021, while production from Tamar slumped by nearly a quarter. Surplus Leviathan gas is currently pumped to Jordan for power generation **and to Egypt (https://www.washingtoninstitute.org/policy-analysis/israel-secures-egyptian-gas-export-route)** for domestic use and conversion into liquefied natural gas that is exported via tankers. Plans are being considered for a floating LNG facility in Israeli waters, but experts regard a proposed scheme for a seabed pipeline to Europe as fanciful.

The overall growth in East Mediterranean energy production is partly attributable to years of quiet U.S. diplomacy and, more recently, the arrival of oil major Chevron, which purchased Houston-based Noble Energy after the smaller firm made many of the initial discoveries in the area. Washington needs to continue its proactive role so that exploration and development are not imperiled by festering geopolitical issues, from the **maritime border dispute (https://www.washingtoninstitute.org/policy-analysis/us-officials-mediate-israel-lebanon-maritime-border-talks)** between Israel and Lebanon to Greek/Cypriot **tensions with Turkey (https://www.washingtoninstitute.org/policy-analysis/defining-realistic-policy-toward-erdogans-turkey-advice-biden-administration)** .

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