

Israel Plans to Hike Gas Output Despite Hezbollah Threats

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Jul 1, 2024

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Brief Analysis

The deal could eventually boost supplies to Egypt, though Hezbollah's robust missile arsenal and public threats against East Mediterranean energy targets may dampen broader regional investment in the sector.

On June 26, Israeli energy minister Eli Cohen gave a preliminary green light to a proposed \$500 million multiyear expansion project by the license holders of the Leviathan offshore natural gas field. Yet the proposal faces immediate challenges in the form of Hezbollah's bristling arsenal located just to the north in Lebanon.

Four days before Cohen's announcement, Hezbollah leader Hassan Nasrallah released a video threatening potential targets in Israel, many of them energy-related. One slide showed the latitude and longitude details of the Leviathan production platform along with photos taken from Google Earth or, perhaps, snapped by Hezbollah drones. The Leviathan field itself is deep below the seabed eighty miles off the coast of Haifa, but the production platform where the gas is processed lies on the surface just a few miles out from Zichron Yaakov. This and other facilities are readily reachable by Hezbollah's tens of thousands of missiles, which include types with sophisticated guidance systems.

Although Leviathan's majority license holders are Israeli companies, its operator is the American corporation Chevron, with a 39.66 percent stake. The field came into production relatively recently in 2019, so its recoverable reserves could last another two decades or more. Its current output is 12 billion cubic meters per year, with three-quarters sent via pipeline to Egypt and the rest to Jordan. The proposed expansion will boost this output to 21 bcm per year, mostly for export. Israel's domestic gas demand is satisfied by the smaller Tamar field further south—another potential target highlighted in Nasrallah's video.

Although these fields are significant locally, they are not a major factor on the global market. Israel's reserves are the

forty-fifth largest in the world, compared to regional heavyweights Iran (second) and Qatar (third), with Russia ranked first and the United States a distant fourth. Egypt would seem to be a bigger player at number 16, with reserves around eleven times larger than Israel's. Yet this gas wealth does not yield riches for Cairo because all of it is usually eaten up by domestic electricity demand, leaving none for the lucrative export market. And even these supplies are not enough—the country has experienced multiple blackouts this summer, forcing shops and restaurants to curtail their hours until late September. Hence, gas imports from Israel have been crucial and could help greatly if expanded.

Yet none of the East Mediterranean's current gas projects are poised to alleviate local (let alone global) energy crunches in the near term:

- In Israel, any extra volumes from Leviathan would take several years to come onstream. Ideally, at least some of these reserves could be exported as liquefied natural gas (LNG), which commands many more times the price of gas piped to Egypt. So far, however, Israel has not discovered the volumes needed to make this viable.
- Cyprus has discovered offshore gas, including a field that lies partially in Israel's exclusive economic zone (EEZ). But it has yet to bring the field onstream, and investors no doubt took notice when Nasrallah **recently threatened** (<https://www.washingtoninstitute.org/policy-analysis/hezbollah-threatens-cyprus-capabilities-intentions-and-potential-consequences>) the island. During the Gaza war, British bases located on Cyprus have aided U.S.-led efforts to strike the Yemeni Houthis, Hezbollah's colleague in Iran's "axis of resistance."
- Lebanon has not found gas reserves in commercially viable quantities so far despite some promising candidates, leading it to extend the bidding period for exploration licenses in its EEZ until 2025. Nasrallah's threats will likely deter prospective drilling companies.
- The wider East Mediterranean remains a tantalizing prospect for further energy exploration, but even if companies do manage to overcome local obstacles and discover major new offshore fields, they would probably need at least five years before they could exploit these resources.

For Washington, the challenge lies in supporting the long-term economic development of its Middle Eastern allies while simultaneously containing and countering current tensions in the East Mediterranean. The **escalating Hezbollah-Israel conflict** (<https://www.washingtoninstitute.org/policy-analysis/hezbollah-israel-escalation-prospects-war>) is the headline issue of the day, but U.S. diplomacy needs to stick with the type of long-term regional view required for multiyear energy projects. Israel's announcement welcoming further investment shows that despite rising tensions, there are still attractive development prospects in the area.

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

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