

# Building on Egypt and Israel's Uneasy Gas Deal

by [David Schenker \(/experts/david-schenker\)](/experts/david-schenker), [Simon Henderson \(/experts/simon-henderson\)](/experts/simon-henderson)

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## ABOUT THE AUTHORS



[David Schenker \(/experts/david-schenker\)](/experts/david-schenker)

David Schenker is the Taube Senior Fellow at The Washington Institute and director of the Linda and Tony Rubin Program on Arab Politics. He is the former Assistant Secretary of State for Near Eastern Affairs.



[Simon Henderson \(/experts/simon-henderson\)](/experts/simon-henderson)

Simon Henderson is the Baker Senior 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

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**Israel's approval of the delayed export agreement is a welcome development, but U.S. officials should view it as the start, not the end, of efforts to ease tensions between two key peace partners.**

On December 17, Israel announced the largest natural gas deal in its history—a \$35 billion agreement to expand exports to Egypt from offshore fields run by U.S. energy giant Chevron. Officials in Jerusalem and Washington quickly heralded the deal as a landmark success story, with the Trump administration calling it “a major win for American business and regional cooperation.” They also indicated it would be a topic on the agenda of Prime Minister Binyamin Netanyahu’s December 29 visit with President Trump in Florida, even suggesting the possibility of a celebratory three-way meeting with Egyptian President Abdul Fattah al-Sisi.

No tripartite summit materialized, however, and Cairo publicly downplayed the new deal, with one spokesman [stating \(https://sis.gov.eg/en/media-center/press-releases/sis-chairman-gas-deal-is-strictly-commercial-with-no-political-dimensions/\)](https://sis.gov.eg/en/media-center/press-releases/sis-chairman-gas-deal-is-strictly-commercial-with-no-political-dimensions/), “The agreement in question is a purely commercial transaction concluded exclusively on the basis of economic and investment considerations and does not involve any political dimensions or understandings whatsoever.” Moreover, the absence of any mention of Egypt in Trump and Netanyahu’s post-meeting press conference or subsequent reporting suggests that neither the gas contract nor Egypt-Israel relations writ large were discussed at length, if at all. Yet despite the lower urgency of this file amid pressing matters elsewhere in the region, Washington should be concerned about the continued downward trajectory of Cairo and

Jerusalem's interactions since the Gaza war erupted. The gas contract may have delayed further deterioration for now, but the longer-term outlook is not reassuring.

## Signing Delay

The deal was originally signed in August, but for reasons discussed below, Israel delayed the final step—granting an export license—for months, much to Washington's frustration. In October, U.S. Energy Secretary Chris Wright canceled a six-day trip to Israel to signal the administration's displeasure, which appeared to stem at least in part from commercial concerns. American multinational Chevron owns large shares of Israel's Leviathan and Tamar offshore fields. It also operates the facilities that extract gas from these fields, as well as the underwater pipe (the East Mediterranean Gas line, or EMG) that transports it to Egypt, the top customer for these supplies.

Although Egypt is a bigger gas producer than Israel, it has been unable to meet rising domestic demand on its own for years. Today, Israeli gas accounts for nearly 20 percent of Egypt's total consumption, and this growing reliance was a sensitive political issue for Cairo even before the Gaza crisis. Much like Jordan—which is even more dependent on Israeli gas for power generation—Egypt has been trying to secure alternative energy partners to replace the supplies from Jerusalem. To wit, Cairo **signed a deal**

**(<https://www.reuters.com/business/energy/egypt-qatar-sign-mou-boost-lng-sales-import-cooperation-egypt-says-2026-01-04/>)** with Qatar on January 4 to purchase up to twenty-four cargoes of liquefied natural gas in 2026.

## Tensions Spike

The downturn in Egypt-Israel relations is especially glaring because they had reached historic heights in the decade before the Gaza war. Jerusalem not only lent substantial material support to Egypt's military campaign against Islamic State insurgents in the Sinai, it also allowed Cairo to flood the peninsula with troops and heavy equipment well in excess of the limits laid down by the security annex of their 1979 peace treaty. This approach continued even when certain aspects of these deployments became problematic.

Between 2013 and 2023, for example, Egyptian forces in the Sinai built a naval port, aircraft shelters, and a deep underground operations center—all explicitly prohibited in the treaty, and none seemingly required for an internal counterterrorism mission. In response, Israeli officials tended to let these violations pass or, at most, mention them to the U.S.-led international peacekeeping authority without taking them further. During the heyday of their cooperation, an Israeli Air Force commander even paid an in-person visit to Egypt's Sinai airbase at Meliz—an unreported trip that symbolically blessed the proscribed facility.

Yet bilateral relations have steadily deteriorated since 2023 amid the rising death toll in Gaza and Cairo's concerns about mass Palestinian displacement into Egypt. Last May, for example, an Egyptian soldier was killed during an exchange of fire with Israeli troops near Rafah. That same month, Cairo joined South Africa's genocide case against Israel at the International Court of Justice. And at the Arab-Islamic Summit in September, Sisi referred to Israel as "the enemy"—reportedly the first time such language had been heard in Egyptian official remarks for decades. Partly in response to such events, Israel intentionally delayed the new gas deal, thereby threatening Egypt's energy security—the latest low-water mark in the troubled relationship.

## Israel's Political Calculations

When announcing the gas license last month, Netanyahu **stated (<https://www.gov.il/en/pages/spoke-statement171225>)**, "I approved the deal after ensuring our security interests and other vital interests, which I will not detail here in full." Although it remains unclear exactly what he secured beyond commercial obligations, the prime minister no doubt intends to gain some political concessions in exchange, such as de-escalation of bilateral tensions, reversal of Cairo's militarization in the Sinai, greater Egyptian cooperation on securing postwar Gaza, and a

summit with Sisi, all toward the broader goal of advancing Israel's integration into the region.

Official Egyptian remarks denying any political aspect to the deal suggest that Sisi has little interest in engaging with the current Israeli government, at least for the time being. Nevertheless, observers continue to speculate that the Trump administration may be able to secure a trilateral summit in the United States. Sisi has a track record of keeping his distance from Netanyahu, but President Trump has proven to be persuasive in similar situations. During his current term, however, the president has only met with Sisi on the sidelines of last fall's Gaza conference at Sharm al-Sheikh.

## The U.S. Role

**A**lthough the gas deal has stemmed further deterioration in Egypt-Israel relations for now, all is not well. Netanyahu and Sisi have not met in nearly eight years. As the Trump administration pushes forward with phase 2 of the Gaza peace plan, more active Egypt-Israel cooperation will be increasingly important. Absent an improvement in the working relationship, however, Gaza could escalate their bilateral tensions instead.

White House efforts were **reportedly (<https://www.timesofisrael.com/white-house-said-to-be-pushing-for-summit-between-netanyahu-and-egypts-sissi/>)** decisive in convincing Jerusalem to finally sign off on the gas agreement, and the deal was a win for the administration even without a trilateral summit. President Trump is correct that economic agreements can enhance regional stability, and this gas contract was a necessary first step. Yet it should be the start, not the end, of U.S. efforts to help repair relations between the region's first two peace partners. Cairo is understandably reticent about publicly embracing Israel after the war, but quiet American diplomacy can do much to improve the situation behind the scenes. With more intensive engagement, the administration can foster productive discussions between Egypt and Israel, transitioning from commercial matters to substantive talks about the political future of Gaza and the Sinai.

*David Schenker is the Taube Senior Fellow at The Washington Institute and director of its Rubin Program on Arab Politics. Simon Henderson is the Institute's Baker Senior Fellow and director of its Bernstein Program on Gulf and Energy Policy.* ❖

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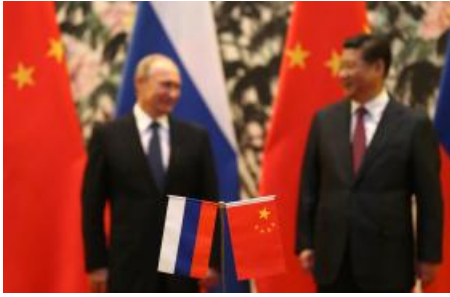


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