

# Netanyahu Fights for Israel's Energy Future

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Feb 11, 2016

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**Even with the low price of oil and natural gas, there are ample business and policy reasons for exploiting Israel's reserves quickly, so Netanyahu is pushing ahead despite ongoing political constraints.**

Israel is on the cusp of moving forward on its next stage of the development of its natural gas resources deep beneath the seabed in the eastern Mediterranean. Prime Minister Benjamin Netanyahu, meanwhile, is due to testify before the Israeli Supreme Court on why he is pushing through a so-called "gas framework" against political and legal opposition.

The arguments are complicated. Houston-based Noble Energy, which leads the consortia that have discovered all the gas in Israel's exclusive economic zone (EEZ), wants to know that its operations are not going to continue to be a political football in Israel before it starts work on developing the huge Leviathan field.

Noble Energy has already invested \$2.5 billion in Israel, supplying gas from the now-depleted Mari-B field off Ashkelon and now from the much larger Tamar field, which came on stream in 2013. Gas from the Tamar field currently produces more than half of Israel's electricity. The proportion will rise when the field is further developed. That development, along with bringing Leviathan on stream, will cost an estimated \$6 billion. Small wonder that Noble wants to be confident of the regulatory environment before going ahead.

Opposition within Israel ranges from the claims that the price being charged is too high -- even though it compares favorably with prices in Europe and Asia -- and concern about the impact on the environment. Public opinion is also against Noble's local partners, principally the Delek group of companies, which will profit from the deal. Such is the challenge facing Mr. Netanyahu, a one-time management consultant who no doubt understands the economic logic of moving forward quickly to take full advantage of Israel's energy good fortune.

With the planned extra production, Israel will have enough natural gas for export. (There may also be oil to be discovered, if geological evidence proves accurate.) Already later this year a small amount of gas is due to start flowing to two Jordanian industrial plants near the Dead Sea. Plans are also being discussed for Israeli gas to supply Jordan's main electricity power network, as well as a pipeline to Egypt, either for local domestic use or for conversion into liquefied natural gas (LNG), which can then be exported anywhere in the world on specially-built tankers.

Other options include gas exports to Cyprus, in whose water Noble has found another gas field, or even undersea gas pipelines to Turkey and/or Greece. There is also a possibility that spare Israeli electricity could be sent via seabed cable to Greece.

All these technical possibilities are pushing against political constraints. Last month the leaders of Israel, Cyprus and Greece met to sign cooperation accords. Israel promptly signaled to Turkey that its cooperation with Greece was not a barrier to also sending gas via pipeline to Turkey. On the Palestinian front, there is also the option to develop a field offshore Gaza, which makes no commercial sense unless its molecules are mixed with those of Israel gas.

Apart from the political good sense of regional cooperation, Israel's natural gas also boosts its energy security, a cliched term of various meanings, the best of which is probably the sense of giving Israel options. Instead of relying on dirty heavy fuel oil or diesel for its power plants, Israel can use cheaper, and cleaner, natural gas. At least one major power plant will still use coal, with special filters on its chimneys to minimize the environmental impact. Commercially, by using its own gas, Israel saves on foreign exchange and also boosts its revenues by taxing Noble and its Israel partners.

Politics can make matters more complicated, especially in Israel. The uncertainty of the Middle East, especially the future of Syria, whose own waters may also contain viable gas deposits, may prove at least a partial insurmountable barrier. But even with the low price of oil and natural gas, technically and in business terms, the exploitation of Israel's reserves makes sound sense.

*Simon Henderson is the Baker Fellow and director of the Gulf and Energy Policy Program at The Washington Institute. This article originally appeared on the [CapX website \(http://capx.co/netanyahu-fights-for-israels-energy-future/\)](http://capx.co/netanyahu-fights-for-israels-energy-future/). ❖*

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