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NATURAL GAS IN EASTERN MEDITERRANEAN FUELS INCREASING TENSIONS

Francis Ghilès, Senior Associate Research Fellow CIDOB

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In November 1999, Palestinian Authority President Yasser Arafat signed a 25-year contract for gas exploration with the British Gas Group (BG), now Shell, which earlier that year discovered a gas field that it called Gaza Marine in Palestinian waters. Estimated reserves of 3.5 trillion cubic feet (tcf) were not large by international standards but absolutely vital for a financially stretched Palestinian Authority.

BG sought agreement with Israel to justify the economic costs of developing the field as Palestinian demand for gas was very modest. Eight years later, BG and Israel ended their negotiations on grounds of insurmountable disagreements. Gaza Marine has remained in limbo since.

Israel, meanwhile, has become a key gas player in the region following the discovery of large reserves of gas offshore: The Mari B field was discovered in 2000 and exploitation of the field began in 2004; in 2009 the Tamar field was discovered and gas piped onshore in 2013; in 2010 the huge field of Leviathan, which is estimated to hold 22 tcf, as against 12 tcf for the first two, was discovered.

Leviathan is part of a basin that extends into the territorial waters of Lebanon and Cyprus. The discovery of Leviathan handed Israel gas security for decades and the potential to export gas, a bonanza that was bound to exacerbate tensions in a region were border disputes are rife.

Control of land and water has arguably been, ever since the creation of the state of Israel, the essence of the Israeli-Palestinian conflict. Natural gas, which is increasingly significant in world energy markets, handed Israel more power economically. The second intifada, coinciding with the gas discoveries, has seen Israel reduce the maritime jurisdiction of the Palestinian Authority 85% since the Gaza Jericho agreement from 37 to 5.6 kilometres. Any hope that Israel and the Palestinian Authority might both profit from this gas windfall lies in tatters.

Its new-found gas wealth allowed Israel to cut its dependency on Egyptian gas. In 2005, following large discoveries that by the turn of the century had turned it into the second largest natural gas producer in North Africa (the first is Algeria), Egypt signed an agreement with Israel. By 2008, it was providing Israel with 40% of its gas requirement via a pipeline built between El Arish and Ashkelon.

After the overthrow of Hosni Mubarak, the pipeline was repeatedly sabotaged and, in April 2012, Egypt stopped delivering gas and the case went to international arbitration. Egypt lost. Luckily for Israel, gas from Tamar had started to flow.

Egypt is enjoying the benefit of the giant Zohr gas field, which will not only supply all the country's domestic requirements but allow for exports as well.

Despite the signing in December of a memorandum of understanding between Italy, Greece, Cyprus and Israel to set up an eastern Mediterranean energy corridor, the notion of an underwater pipeline carrying gas from fields off Cyprus and Israel to Europe seems far-fetched. The cost is estimated at $7.4 billion at a time when gas prices are low, no gas grid links Greece to the main European markets and the 2,000km seabed configuration poses major technical challenges.

Lebanon is stuck in a dispute with Israel about their common border, the so-called blue-line traced by the United Nations after Israel withdrew its forces from southern Lebanon in 2000. Maritime borders begin where land borders end; disagreement over the one feeds into the other and this concerns 860 sq.km at sea. The exclusive economic zones of Israel, Lebanon and Cyprus, which overlap, have not been demarcated. Further north, Russia once held rights to explore one block of Syrian waters but has given them up.

Cyprus has its own problems. Turkey this year sent a warship to block an Italian ship attempting to drill in waters whose jurisdiction is disputed by the Republic of Cyprus (which is an EU member), the Turkish Republic of North Cyprus (TRNC) and Turkey. The TRNC is recognised solely by Turkey.

The discovery of gas seems to have brought Cyprus and Israel closer together but the swirl of shifting alliances can spring surprises. A further rapprochement between Turkey and Israel cannot be discounted and an Israel-Turkey pipeline deal might become a realistic option.

In Cyprus, the offshore gas potential might have been used to revive efforts to resolve the long-frozen conflict over the division of the island. The exclusive economic zones of the two territories do not seem to offer an incentive to reconciliation.

Developing gas resources in the eastern Mediterranean would seem to offer the European Union more varied sources, at least of piped as opposed to liquefied natural gas, and thus diminish its dependence on Russia. Qatar offered itself as a source for piped gas to Europe but Syrian President Bashar Assad and the erstwhile Libyan leader Muammar Qaddafi strongly resisted any suggestion their countries would allow pipelines carrying Qatari gas to cross them.

Whether or not the complex web of conflicts between these different sovereign countries can be resolved only time will tell. Where the Palestinian Authority and Israel are concerned, the future looks bleak. The gas resources that lie under the bed of the Eastern Mediterranean will contribute for the time being to developing the economies of Israel and Egypt.