Gas Finds in the Eastern Mediterranean: Gaza, Israel, and Other Conflicts

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This article looks at the gas discoveries in the eastern Mediterranean since the late 1990s and how they have fueled—or otherwise intersected with—the various regional conflicts. About half of the article examines the fate of the 1999 gas discoveries off Gaza (within the maritime space set for the Palestinians by Oslo), and Israel's role in controlling the outcome. The other half is devoted, collectively, to the gas discoveries off Israel, Egypt, and Cyprus, as well as to the ensuing disputes and shifts of alliances involving these three states plus Lebanon and Turkey. Given the state of flux in the region, it is too soon to speculate on the ultimate geopolitical impact of the new finds.

Control of land and water has from the outset been the very essence of the Zionist-Palestinian conflict—as indeed, natural resources have always played a major role in Israel's relations with its neighbors. In 1999, when gas fields were discovered off the coast of Gaza, however, a new dimension to the struggle for resources was added. Shortly thereafter, Israel began discovering its own gas reserves in a succession of finds of growing importance. The first finds were made in 2000–2004, but it was the fields of Tamar and Leviathan, discovered in 2009 and 2010, that turned the country into a regional gas power, significantly changing its geostrategic position. Given the regional context of conflict and unresolved grievances, such discoveries could not fail to generate new causes for belligerency, both as an element of the ongoing Israeli-Palestinian conflict and at the wider regional level.

In Gaza, Israel's occupation and related factors have prevented the Palestinians from developing their fields, and the gas continues to lie, undisturbed, under Palestinian waters. With the military blockade Israel imposed on the Strip in 2006, any access to the gas fields—and the billions of dollars they represent—has become even more impossible.

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Regionally, the source of the new disputes arises from the fact that gas fields do not always neatly respect borders. Lebanon has challenged Israel's claims to some fields and appealed to the United Nations to prevent Israel from drilling in those areas. Egypt has claims on other fields, but made no formal moves given the gas contract between the two countries and Israel's dependence on Cairo for gas supplies. Looking westward, relations between Israel and the (Greek) Republic of Cyprus[1] have tightened, and cooperation agreements on exploration and extraction are under negotiation. The Cypriot-Israeli rapprochement, meanwhile, has been an irritant for Turkey at a time of sharply deteriorating relations with Israel. Thus, past and present rivalries are turning the gas discoveries into a new bone of contention in the region, fostering division rather than cooperation.

This article will examine how the gas fields in the eastern Mediterranean have fed into, or otherwise intersected with, the various lines of regional conflict, focusing in particular on Israel's occupation and blockade of the Gaza Strip and its relations with Egypt, Lebanon, Cyprus, and Turkey. The disputes and tensions involving gas, of course, cannot be separated from the political context, and the period of the gas discoveries coincides with a number of important markers on the regional timeline: the launch of the second intifada (late September 2000); Israel's unilateral redeployment from the Gaza Strip (September 2005); Hamas's victory in the Palestinian legislative elections (January 2006); Israel's war against Hizballah in Lebanon (July–August 2006); the intensification of Israel's Gaza blockade (especially as of 2007); Hamas's takeover of the Gaza Strip (July 2007); and rising tensions between Israel and Turkey (particularly since 2009). Most recent is the overthrow of Egypt's president Husni Mubarak (February 2011) during the so-called Arab Spring, which thus far has toppled three other regimes.

Natural gas is increasingly significant in global energy markets, in constant expansion, and likely to account for 25 percent of total world consumption in the coming years.[2] With the new finds at the eastern end of the Mediterranean, tensions could easily develop into fractures, with the issue of gas seeping between the seams. Conflicts over resources can easily change the balance of power and shift alliances, and gas can be either a source of power (even for a weak player like Palestine) or a source of additional conflict. Analyzing how the gas finds affect the players of the eastern Mediterranean within a broader interpretative framework helps us to better appreciate what is at stake in the continued Israeli occupation of the Gaza Strip.

Palestine and the Gaza Strip

Gas Discoveries and the Israeli Blockade

In November 1999, Palestinian Authority (PA) president Yasir Arafat signed a twenty-five year contract for gas exploration with the British Gas

Group (BG).[3] Earlier that year, BG had discovered a large gas field which it named Gaza Marine at a distance of 17 to 21 nautical miles from the Gaza coast, three-quarters of it in Palestinian waters. In 2000, BG drilled two wells in the field and carried out feasibility studies with good results.

The Oslo accords—specifically the 1994 Gaza-Jericho Agreement, confirmed by the 1995 "Oslo II" interim agreement[4]—gave the PA maritime jurisdiction over its waters up to 20 nautical miles (23 statute miles) from the coast,[5] which allows fishing, recreational, and economic activities (presumably including drilling). But Oslo also gives Israel the right to forbid maritime traffic within this zone for security reasons.[6] Moreover, development of the gas fields met with Israeli resistance in both business and political circles. Companies in the Yam Thetis consortium, which was set up to operate in adjacent Israeli gas fields and made its first discovery in 1999, petitioned the Israeli government to forbid BG from drilling off Gaza; the reason given was that the PA is not sovereign and therefore cannot benefit from the Law of the Sea Treaty. Nevertheless, in July 2000 Israeli prime minister Ehud Barak granted BG security authorization to drill the first well, Marine-1,[7] as part of a political (but not legally binding) recognition by Israel that the well was under PA jurisdiction. In November 2000, BG began drilling the second well, Marine-2, to assess the gas's quantity and quality.[8]

On 27 September 2000, literally on the eve of the second intifada, Arafat, accompanied by Palestinian businessmen and the media, lit the flame proving the presence of gas at the BG offshore exploration platform. In his speech, Arafat declared that the gas was "a gift from God to us, to our people, to our children. This will provide a solid foundation for our economy, for establishing an independent state with holy Jerusalem as its capital."[9] The president of BG asserted that the gas was of good quality (98–99 percent pure methane) and of sufficient quantity to satisfy Palestinian demand and provide for exports.[10] The reserves were estimated at 1 trillion cubic feet (tcf).[11] Barak's authorization to drill the second well, and the successful gas strikes at both, seemed to promise a potential windfall for the PA, enhancing its economic viability and quest for sovereignty.

According to the 1999 contract, BG holds 90 percent of the license shares and the PA 10 percent until gas production begins, at which point the PA's share increases to 40 percent, of which 30 percent would be held by Consolidated Contractors Company, a privately owned Palestinian construction firm slated to develop the project. BG's development plan, which included the construction of a pipeline linking the fields to Gaza at an estimated cost of $150 million, was approved by the PA in July 2000.[12]

Israeli-Palestinian Negotiations for Joint Exploitation of Gas Fields

Ultimately, however, the Palestinian energy market proved too small to support this level of investment, as Palestinian gas consumption was low;

indeed, even today, more than a decade later, Palestinian gas consumption remains negligible, at 45 million cubic meters per year (0.001 tcf);[13] for purposes of comparison, in 2011 Israeli consumption was 0.04 tcf. To reduce the investment risk, therefore, BG sought long-term advance gas purchase commitments from other clients, looking first to cooperation with Israel. Indeed, media coverage of the Palestinian gas discoveries optimistically forecast that exploiting the gas could lead to Israeli-Palestinian cooperation in the shared gas field.

Negotiations between BG, the PA, and the Israeli government were launched in summer 2000 and took place within the Oslo narrative of economic cooperation. Israel needed gas, and the PA could offer it, so the deal was seen as constituting an excellent fit between Israeli energy security and Palestinian supply. As the *New York Times* noted in November 2010, "Palestinians and Israelis will both profit if they can work together in a high-stakes partnership. They need each other for the efficient development of these offshore reserves."[14]

Thus in June 2000, BG proposed to supply gas from Egypt, Gaza, and Israel (the fields off Ashkelon) to the state-owned Israel Electric Corporation (IEC). At the same time, two other groups were also proposing long-term supply contracts to Israel. One of these was Yam Thetis, a consortium of three Israeli companies and one U.S. firm (Samedan), which, as mentioned above, had opposed Israel's granting drilling rights in Palestinian waters. The other was East Mediterranean Gas (EMG), a partnership between the Israeli firm Merhav, the Egyptian National Oil Company, and Egyptian businessman Hussein Salem, which had been established to export Egyptian gas to Israel.

The IEC refused to buy gas from Gaza, declaring that it was more expensive than Egyptian gas. Subsequent Israeli media reports told a different story, however, arguing that the main reason for the refusal was political and that Israel's new (as of spring 2001) prime minister, Ariel Sharon, had vetoed any purchase of Palestinian gas.[15] Yet Sharon lifted his veto in May 2002,[16] reportedly at least partly at the urging of British prime minister Tony Blair, who believed that such projects could help advance a peace process severely strained by the intifada. In any event, Sharon accepted to negotiate an agreement for the annual supply of 0.05 tcf of Palestinian gas for a period of ten to fifteen years.[17] But in summer 2003 he reversed his position once again, refusing to allow funds to flow to the PA lest they be used to support terrorism. This latter explanation is also open to doubt, however, given that Israel had already announced that gas revenues to the Palestinians would be transferred to a special account—the same account, consolidated under the new PA finance minister Salam Fayyad, that was being used for international aid and tax clearance revenues remitted by

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Israel to the PA. Whatever the explanation, Israel at about the same time signed a fifteen-year contract with the Israeli-Egyptian group EMG for the supply of Egyptian gas.

Conditions more favorable to negotiations followed the death of Arafat in November 2004 and the election of Mahmud Abbas as PA president in January 2005; a PA reform cycle satisfactory to the international community was soon implemented. Ariel Sharon's replacement by Ehud Olmert as prime minister in January 2006 added to the new cooperative climate, as did Tony Blair's good relations with Olmert.

On 29 April 2007, the Israeli cabinet approved Olmert's proposal to authorize renewed discussions with BG. In May, the terms of the contract were officially revealed: Israel would purchase 0.05 tcf of Palestinian gas for $4 billion annually starting in 2009.[18] Meanwhile Abbas and the Israeli government secretly agreed that the PA share of the revenues would be transferred through an international account that would be inaccessible to the official PA government, dominated by Hamas since the PA legislative elections in January 2006. Under this plan, gas would be piped to Ashkelon for liquefaction in Israel and thence to supply the Israeli market and cover Gaza's more limited needs. This would generate important benefits as well as the mutual dependency deemed to "create a good atmosphere for peace."[19]

But the political context once again intervened. On 14 June 2007, Hamas seized power in the Gaza Strip, inaugurating the West Bank-Gaza political split still in effect. The new government in Gaza declared that it would change the terms of the contract, particularly with regard to the Palestinian share (10 percent). "If the contract is changed, the economic consequences on the Palestinian society would be tangible. . . . The Palestinians would be depending on their resources rather than the international aid," argued one official.[20] Nonetheless, negotiations between Israel and the PA in Ramallah continued for a time, bypassing Hamas.

In September 2007, former Israeli chief of staff Moshe Ya'alon strongly advised the Israeli government not to conclude an agreement with BG: "Clearly, Israel needs additional gas sources, while the Palestinian people sorely need new sources of revenue. However, with Gaza currently a radical Islamic stronghold, and the West Bank in danger of becoming the next one, Israel's funneling a billion dollars into local or international bank accounts on behalf of the Palestinian Authority would be tantamount to Israel's bankrolling terror against itself."[21]

Ultimately, BG and the Israeli government, invoking ongoing political uncertainties, stated that they would delay any signing until the end of the year. By 20 December 2007, BG officially announced the end of the negotiations with Israel on grounds of insurmountable disagreements on too many key issues. On 14 January 2008, BG closed its office in Israel, while keeping its office in Ramallah and retaining its concession for the gas fields.[22]

These successive failures can be explained by political and commercial factors on both sides: distrust between the two parties generated by the political context, and, on the Palestinian side, political divisions (on top of the geographic divisions) as well as, according to some, lack of a clear strategy.[23] Most important, perhaps, was the extreme power imbalance, the asymmetry between occupier and occupied. Indeed, for the Palestinians to become "suppliers" of energy to Israel conceptually represents a radical departure from the economic relations established under Oslo's 1994 Paris Protocol on Economic Relations. Under the protocol, Palestinian trade is governed by rules that keep the Palestinian economy captive to that of Israel. One of these rules is that the supply of essential products such as energy is subject to Israeli monopoly. The Palestinians still don't have an independent energy supply and remain completely dependent on Israeli channels: ever since 1994, the Israeli company Dor Alon has been the exclusive supplier of gasoline, diesel, and gas for the Palestinian territories.[24] In addition to being more costly for the Palestinians, these coercive arrangements constitute a weapon for pressuring the Palestinians by cutting supply. The Paris Protocol itself reveals the true nature of the trade between the parties and would seem to signal how illusory is any notion that the Palestinians could actually become energy providers for Israel.

Egypt's cuts in the volume of gas being sold to Israel following the Egyptian revolution, however, brought home to Israel the urgency of diversifying its sources of energy supplies, especially given its dependence on Egyptian gas. In this context, Israeli prime minister Benjamin Netanyahu revived once again discussions with Mahmud Abbas about a possible gas purchase contract. Thus, on 4 February 2011, Netanyahu announced, with Tony Blair (in his new incarnation as representative of the Middle East Quartet, established to promote regional peace) at his side, that the time had finally come to develop Palestinian gas.[25] In Netanyahu's words, "There is a Palestinian Authority gas field adjacent to an Israeli gas field. We need to develop both simultaneously. This is something that the Palestinian Authority expressed interest in. I think we are going to begin discussions and negotiations to facilitate both, where the revenues from the Palestinian field go to the Palestinian Authority and the revenues from the Israeli field go to the Israeli government and I think this is good for stability, good for prosperity and good for peace."[26] A new round of negotiations between the PA and Israel began in September 2012, with Hamas reiterating its rejection of any agreement on Gaza gas reached without its participation.[27] Not surprisingly, the negotiations went nowhere.

The Role of Occupation and Blockade

Despite the maritime jurisdiction for the PA as set out under the Oslo accords, the military occupation was yet another tool enabling Israel to prevent Palestinians access to their offshore resources, including their gas fields. The blocking of access to offshore resources, which began with the second intifada and coincided with the gas discoveries, made civil or commercial navigation to or from the Gaza Strip impossible. Israel's unilateral "disengagement" from Gaza, completed in August 2005 with the evacuation of the civilian settlements and military installations, did not end the occupation either in fact or in law. Indeed, the Israeli government's disengagement plan explicitly stated that "Israel will supervise and guard the external envelop on land, will maintain exclusive control in the air space of Gaza, and will continue to conduct military activities in the sea space of the Gaza Strip."[28]

The situation in Gaza soon deteriorated. Within months of the disengagement, Hamas won the Palestinian legislative elections, and the resulting situation ultimately led to the political separation of the West Bank and the Gaza Strip under rival Palestinian governments, compounding the physical separation. Israel declared Gaza a "hostile entity," and the progressive restriction of Palestinian maritime access continued. Thus, from the 20 nautical miles established by Oslo, the area was reduced to 12 nautical miles under the so-called "Bertini Commitment"[29] of 2002, to 6 nautical miles following the Hamas electoral victory in 2006, and finally to 3 nautical miles in the aftermath of Israel's Operation Cast Lead assault on Gaza in 2008–9. In other words, Gaza's maritime jurisdiction has shrunk by 85 percent since the Gaza-Jericho Agreement.

The radically reduced limit, however unacceptable legally, is an indisputable fact. The Israeli navy controls all maritime routes, and over the years has killed a number of Palestinian fishermen who strayed beyond the 3 mile limit and within range of its gunboats. Such rules clearly make any Palestinian access to the Marine-1 and Marine-2 gas wells impossible. It has been argued that Israel's long-term goal, besides preventing the Palestinians from exploiting their own resources, is to integrate the gas fields off Gaza into the adjacent Israeli offshore installations; the argument has become progressively more plausible since the collapse of the Israeli-PA final status talks at Camp David in summer 2000, the consequent eruption of the second intifada, and all that has happened since.

Thus ends the economic windfall that the international community had hoped would support Palestinian economic growth, now known to have been illusory. Also nearing the end of the line is the PA's state-building exercise, presided over by a star pupil of the International Monetary Fund and intended to jump-start the "independence" of a still-occupied Palestine. What happened instead is completely consonant with two of the occupation's oldest and most cherished—and interlocking—goals: separating the Palestinians from their land and natural resources in order to exploit them, and, as a consequence, blocking Palestinian economic development. Despite all formal agreements to the contrary, Israel continues to manage all the natural resources nominally under the jurisdiction of the PA, from land and water to maritime and hydrocarbon resources.

ISRAEL AND THE REGION

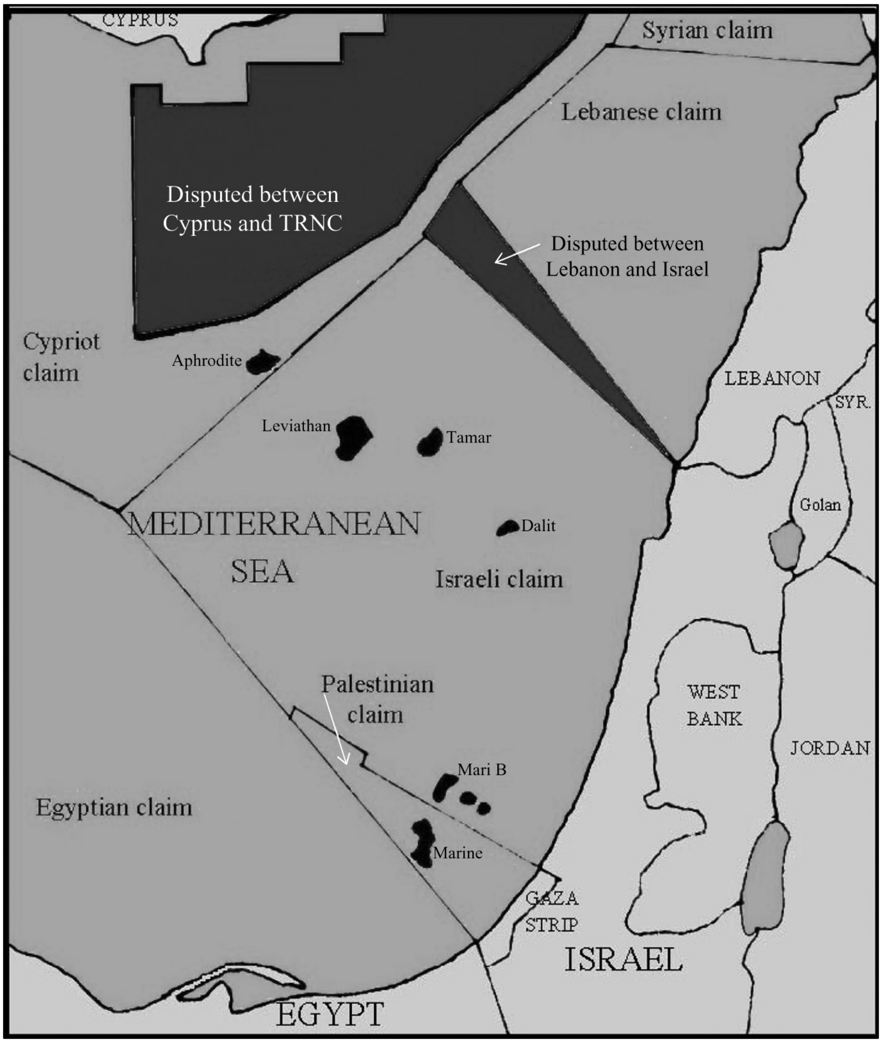
Israel, a New Energy Power?

Israel, a huge energy consumer, entered a new energy era with the 2010 discovery of the Leviathan field, the largest gas find in the world for that year.[30] Meanwhile the Israeli market continues to grow. Since 2004, the National Infrastructure Ministry has been encouraging the transition to natural gas, whose share in the production of electricity went from 20 percent in 2008 to 40 percent in 2010, and the ministry expects gas consumption to rise to 50 percent by 2015.[31] Meanwhile the IEC, which has the monopoly on Israel's electricity production, is pursuing a program to replace coal and petrol by gas in the power plants and planning for twelve operating gas power plants.[32]

In 2000, a first test drill was made in the gas field of Noa, adjacent to the Palestinian well Marine-1. That same year, another field, Mari B, was discovered 243 meters below the seabed some 15 miles off Israel's southern coast at the edge of the Palestinian gas fields.[33] Exploitation of the field, which holds 1.17 tcf of gas, began in 2004, and has since been sold to the IEC. The shares are divided among the American company Noble Energy (47 percent) and the Israeli companies Delek Drilling, Avner Oil Exploration, and others.[34] Smaller fields were discovered after 2000 and are now connected with Mari-B's infrastructure.

In 2009, the important gas deposit of Tamar was discovered and drilled by Noble Energy and its partners. Situated 52 miles off Haifa, it contains three gas reservoirs of high quality.[35] In 2010, the company estimated the field's reserves at 8 tcf.[36] According to the company's president and CEO, "Tamar is a game-changer for Israel, for Noble Energy, and for our partners. Our role is to make sure it happens."[37] Indeed, the field began production 30 March 2013, its gas piped to IEC power plants in Ashdod.[38] The Tamar field is expected to supply 50 to 80 percent of Israel's domestic consumption for ten years.[39] In late March 2009 (the same year as the Tamar find), Noble Energy discovered another gas field, Dalit, 27.3 miles off the Israeli coast, estimated to contain about 0.53 tcf.[40]

A year later, the huge discovery of the Leviathan field dramatically changed Israel's energy prospects, giving it a new asset to wield in its relations with its neighbors.[41] Situated about 81 miles off Haifa, the field is estimated to hold about 16 tcf, and should be producing by 2016.[42] This gas field is part of a larger basin that extends into the territorial waters of Israel, Lebanon, and Cyprus. Even before production from the field begins, a gas bonanza of this magnitude in a region with disputed borders cannot but exacerbate Israel's already difficult relations with its neighbors—Egypt, Lebanon, and Turkey—all contenders in the high-stakes game.



Natural-gas fields and territorial claims in the eastern Mediterranean. (Map by Geoffrey D. Schad)

Egypt, the End of a Strategic Partnership

Egypt became Israel's main gas supplier in 2008, making Israeli energy security largely dependent on the partnership with Egypt.[43] This security was shaken with the Egyptian revolution, hastening Israeli efforts to diversify sources.

Egypt became an important hydrocarbon producer with gas discoveries off the port city of Alexandria in 1990, and is now the second largest natural gas producer in North Africa, after Algeria.[44] Gas supply negotiations with Israel began in 1994 and were concluded in May 2005 with a \$2.5-billion agreement signed between the Israeli-Egyptian EMG and the IEC for the annual supply of 0.057 tcf of gas for fifteen years.[45] Gas began flowing in February 2008 via a pipeline linking al-Arish and Ashkelon.

Through it, Egypt supplied some 40 percent of Israel's gas demand,[46] a volume capable of producing 20 percent of its electricity.[47] Even so, Egypt's gas exports to Israel constituted a mere 4 percent of its total production.

From the beginning, Egyptian public opposition to the 2005 agreement was strong. Much of it was related to the wide gap between the contracted sale price of the gas ($3 for one unit of gas, equivalent to 1 million British Thermal Units) and the world market price (about $10 per unit). In the words of one commentator, "at such vastly reduced prices, Egypt is effectively subsiding Israel."[48] But politics also played a role in opposition to the contract, which became even more virulent following Israel's deadly Operation Cast Lead offensive against Gaza in winter 2008–9. Egyptian activists, denouncing their government's complicity in the blockade against the Strip, filed a claim against the gas contract in the Egyptian courts.[49] A lower court issued an opinion against gas exportation, but the decision was overturned on 2 February 2009 by Egypt's Supreme Administrative Court. This further enflamed the Egyptian opposition, which organized under the banner of a campaign named "Gas Setback."[50] By August 2009, Israeli analysts were quoted as predicting that "should the Mubarak regime be replaced by a less friendly one, Israel's energy security could be easily compromised."[51]

Indeed, starting with the early months of the Egyptian revolution, the al-Arish–Ashkelon pipeline was repeatedly sabotaged, interrupting the flow of gas on a number of occasions. Shortly after Mubarak's overthrow, Egypt's oil minister declared that Israel's gas finds lie partly within Egypt's maritime jurisdiction, telling the Cairo daily *al-Masry al-Youm* that the authorities were studying the country's exact share in the deposits claimed by Israel.[52] At the same time, the Egyptian foreign minister was reported to have ordered technical studies to make certain that the boundaries of Egypt's maritime space would not be affected by the agreement between Cyprus and Israel (see below).[53] By May 2011, Cairo announced that it would halt gas supplies if EMG refused to negotiate a new price for the gas.[54] Meanwhile, the Egyptian media revealed corruption surrounding the gas agreement, which led to the arrest and trial of some of EMG's large shareholders and other figures. Egypt's former oil minister Samih Fahmi and EMG partner Hussein Salem were among those sentenced in June 2012 to fifteen years in prison for their role in the gas-export deal; other high-ranking officials received shorter sentences.[55] In late April 2012,[56] Egypt's national gas company announced the cancellation of gas supplies to Israel. While no formal cancellation of the contract has been announced, the gas deliveries have stopped. Israel had to use other fuel for electricity production, resulting in a price increase, but less than a year later the Tamar field began production.

GAS: A CASUS BELLI WITH LEBANON?

Since the last Lebanon war ended in 2006, the most serious threats exchanged between Israel and its northern neighbor have probably been over gas. Not surprisingly, such threats did not emerge until Israel's major gas finds in 2010. Responding to claims and accusations launched by members of the Lebanese government at the time, the Israeli government said it would defend its gas reserves with military force if necessary.[57]

The dispute between the two states actually boils down to a disagreement over their common border, the so-called "blue line" traced by the United Nations after Israel withdrew its forces from southern Lebanon in 2000. Only a quarter of this line has been accepted by the parties,[58] and since maritime borders begin where land ones end, disagreement over one inevitably leads to disagreement over the other. Moreover, at the time of the gas discoveries the exclusive economic zones (EEZs)[59] of Lebanon, Israel, and Cyprus, which overlap, had not been demarcated.

Maps provided by Noble Energy, Israel's U.S. partner in the Leviathan and Tamar gas fields, show that both these fields are contained within the line drawn on the map to demarcate Israel's EEZ from Lebanon's, but the problem is that to date no such line has been legally established between the two states.[60] In the best of circumstances, the demarcation of maritime boundaries requires lengthy negotiations, and clear-cut legal precedents are lacking. In cases like this, where the parties are divided by conflict and officially still at war, negotiations are virtually out of the question, especially if the resources are exploitable in the short term.

Instead, a "media war" over the gas issue was launched by Lebanese parliamentarians and political figures. Nabih Birri, the speaker of parliament, accused Israel in June 2010 of "racing to make the case a fait accompli" and presenting itself "as an oil emirate, ignoring the fact that, according to the maps, the deposit extends into Lebanese waters."[61] The country's energy minister accused Israel of "aggressive intentions towards our resources,"[62] and the head of Hizballah's executive council, asserting that the deposits were under Lebanon's seabed, warned Israel against "looting" the country's wealth.[63]

Political maneuvers followed. In July 2010, Lebanon's permanent representative to the UN announced his country's intention to ask the UN to delimit the maritime borders between the two countries, as it had for the blue line.[64] In January 2011, the Foreign Ministry asked the UN to bar Israel from drilling in the shared waters between Israel and Lebanon.[65] Shortly thereafter, a UN official announced that his organization was prepared to assist Lebanon in the process of drawing its maritime borders with Israel. Meanwhile, on 17 August 2010, the Lebanese parliament passed a law (which had been on hold for years) authorizing the exploration of offshore gas by foreign companies. With the way now open for drilling, Lebanese prime minister Saad Hariri traveled to Cyprus the following month to sign an agreement delimiting the two countries' shared EEZ.[66]

On the Israeli side, in June 2010 the infrastructure ministry, backed by its partners in the gas venture, reaffirmed that the fields lay within Israel's maritime space and declared Israel's readiness to use force to defend its offshore infrastructure.[67] A Knesset delegation comprising members of its Defense and Foreign Affairs Committee soon visited an extraction site to evaluate its defendability. The head of the committee declared that "the more Israel succeeds in decreasing its dependence on external gas sources," the more it should be prepared for terrorist attacks on its strategic energy infrastructure,[68] but in fact preparations had not been neglected. The Israeli navy, responsible for protecting the Tamar and Leviathan fields, had already come up with a comprehensive plan covering drill ships, platforms, and pipelines, now estimated to cost some $760 million annually.[69] In summer 2012 Israel's Defense Ministry approved an expanded plan to protect the fields.[70] The "Iron Dome" anti-missile system introduced in March 2011 can also be deployed to defend the gas exploitation facilities.

Meanwhile, the Russian energy giant Gazprom has reportedly proposed its services to Lebanon, and China is a potential buyer.[71] According to one commentator, "For now, any dispute between the two countries is confined to media sound bites and parliament chambers. But if exploration and development does get underway, it's not hard to imagine things going badly if the countries' tenuous ceasefire—following the 2006 hostilities between them—were to fall apart."[72]

The Republic of Cyprus . . . and Beyond

In contrast to Egypt and Lebanon, whose energy relations with Israel are essentially bilateral, any examination of the gas issue involving Cyprus and Israel inevitably also involves Northern Cyprus, Turkey, and Greece. These three actors all have differing histories with and concerns about Israel; in addition, the relations among them are deeply intertwined. At the energy level, the core relationship would seem to be between Israel and the Republic of Cyprus.

Traditionally, the (Greek) Republic of Cyprus supported Arab positions in matters of regional politics, whereas the Turkish Republic of Northern Cyprus (TRNC) tended to align with Israel. Since the discovery of gas, however, relations between Tel Aviv and Nicosia have warmed. The rapprochement has had repercussions on other regional players, notably Turkey, whose "strategic partnership" with Israel has been deteriorating since 2002, but especially since May 2010, when Israel attacked (in international waters) the Turkish-led *Mavi Marmara* aid flotilla headed toward Gaza, killing nine Turks.

On 17 December 2010, the Israeli and Cypriot foreign ministers signed an agreement in Nicosia demarcating their respective EEZs.[73] Since then, numerous visits at the highest levels have been exchanged between the two countries in the aim of reaching agreements on security and gas cooperation; Nicosia has used these occasions to publicly express pro-Israeli positions (for example, that it would not allow any future Turkish-organized aid flotillas to pass through its waters en route to Gaza).[74]

Among the main projects discussed between the two countries has been the building of a liquefied natural gas (LNG) refinery and the piping of the gas from Israel to Cyprus and thence to Europe.[75] This project widened considerably after the discovery off Cyprus of the Aphrodite gas field (estimated to hold 7 tcf) in December 2011: in November 2012, Israel, Greece (like Nicosia, traditionally pro-Arab), and Cyprus signed an agreement to set up working groups to discuss an "eastern Mediterranean energy corridor" to export Israeli and Cypriot gas to Europe via Greece.[76] No major deals followed, however, while Cyprus and Israel appeared meanwhile to explore options for an LNG plant (which had been a possible component of the energy corridor project) with other parties.[77]

Turkey did not remain on the sidelines as Nicosia moved closer to Israel and pursued gas exploration. The December 2010 EEZ agreement between Israel and Nicosia was immediately declared "null and void" by the Turkish foreign minister because it did not take into account the jurisdiction of the TRNC (recognized solely by Turkey).[78] In August 2011, Ankara contested (unsuccessfully) Cyprus's right to conclude a gas exploration deal with Noble Energy and its partners prior to resolving the larger issue of the island's division,[79] and in September reacted to the move (through its state energy company TPAO) by signing an exploration agreement with the TRNC. Most dramatically, when the Noble consortium was about to begin drillings off Cyprus, Turkey sent a warship to the area.[80] Cyprus announced a new round of drilling in February 2012, and by early 2013 gas explorations off both northern and southern Cyprus accelerated, with TRNC (via Turkey) and Nicosia both negotiating agreements with other companies.[81]

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The Israeli and Cypriot discoveries whetted appetites for gas exploration in the eastern Mediterranean. Once again, however, undemarcated maritime borders complicated already complicated situations. The traditionally bad relations between Turkey and Greece have considerably improved in recent years, but in February 2013 Greek plans to drill in areas it said lay within its continental shelf resulted in both parties submitting notes to the UN with counterclaims concerning their respective maritime jurisdictions.[82] Despite these tensions, a degree of cooperation between the two countries is necessary because of the gas pipeline from Azerbaijan that connects them, which opened in November 2007.

The convoluted nature of interactions in the high-stakes energy sector—and the swirl of shifting alliances around it—are well illustrated in recent news reports. Early in 2013, Israel apparently made a bid to build a proposed Turkish-financed pipeline from Israeli gas fields to Turkey's southern coast, and possibly on to Europe.[83] Above and beyond its commercial value, the projected deal fit in with Israel's interest in normalizing relations with Ankara.[84] According to reports[85] Israel's pursuit of the commercial deal was used by Turkey to lure Tel Aviv away from cooperation with Nicosia even as Turkey continued to resist normalization unless certain preconditions were met, one of which was a formal apology for the Turkish dead in the *Mavi Marmara* attack. This condition was fulfilled in March 2013, when Israeli prime minister Netanyahu, at the personal urging and in the presence of U.S. president Obama, telephoned his Turkish counterpart to make the apology. The prospects for such a gas pipeline deal were thus improved, as were those of a political rapprochement between the two governments, providing Turkey's other conditions are fulfilled.

If indeed an Israeli-Turkish gas pipeline deal becomes a realistic option, Cyprus will have been bypassed at a time of grave financial crisis when the Mediterranean energy corridor project would have been particularly beneficial to it. More broadly, beyond this specific project, the geostrategic advantages for Israel of a renewed alliance with Turkey are likely to trump its interest in an energy partnership with Cyprus.[86] At the same time, however, the newly emerging risks to the Cypriot economy are certain to bring the terms of exploiting the country's gas fields to center stage in its future relations with the EU and Russia, both of which are heavily implicated in the recent banking crisis and in rescuing the economy. Finally, the island's gas potential, however it is exploited, very possibly could revive efforts to resolve the long-frozen conflict over the division of the island of Cyprus, insofar as the EEZs of the two "republics" are involved and constitute a significant incentive to reconciliation.

NEW GAS IN OLD BOTTLES

Israel, by reason of its history in the region, was from its establishment preoccupied with energy security: procuring adequate supplies was a major consideration in its choice of strategic alliances. The huge gas discoveries of the 2000s changed the rules of the game, with Israel becoming a regional gas power and poised to begin exporting its surplus abroad.[87] The importance of the gas discoveries in a region fraught with conflict raises the stakes to the extent that the use of force is not inconceivable, and military posturing is to be expected: besides promoting "security cooperation," the two-week joint Israeli, U.S., and Greek naval exercises launched on 7 March 2013[88] plausibly also intended to send a signal about the protection of gas fields. Still, with the production of the major fields just beginning, and with alliances in a state of flux (as evidenced by the sudden upheaval in the regional status quo made possible by the Israeli apology to Turkey), it is too soon to speculate on how the geopolitical game will ultimately be affected by the new finds.

It seems likely, however, that the gas-related disputes between Israel and its sovereign neighbors will eventually be resolved by agreements hammered out between the parties to their mutual benefit. The same cannot be said with regard to the Palestinian gas still untouched under the seabed off Gaza. Despite formal agreements to the contrary, Israel continues to control all the natural resources nominally under the jurisdiction of the PA, from land and water to maritime and hydrocarbon resources. Although Prime Minister Netanyahu made a show of resuming gas talks with the PA in September 2012, he continues to act from the same old colonial rule book to which Palestinians have become accustomed: from the start of the occupation, Israel has endeavored to separate the indigenous population from their resources and hence block any economic development based on their own raw materials and natural resources. This has traditionally been true for agriculture, with the barring of access to water and land, and it is now true for natural gas.

What is new with the gas is the potential economic windfall that it represents for the Palestinian people, as well as its place in a regional and international market where gas demand and supply networks are growing fast. The boundaries of Palestine's maritime space, set at 20 nautical miles under the Oslo accords, were unilaterally reduced to 12 nautical miles in 2002, just a few years after the gas discoveries 18 miles off Gaza's shore, and at about the time that the commercial gas negotiations collapsed. Is it far-fetched to suggest that the timing of the reduction was not coincidental? Or that the listing on Israel's Ministry of Energy and Water Resources website of the "Gaza Marine Reserve" as a "future source of (gas) supply" to be developed[89] could be an indicator of intent?

The estimated reserves of the Gaza fields are modest compared to others, but from the perspective of a West Bank PA teetering on the brink of bankruptcy, and an impoverished Gaza suffering constant cuts in gas supplies and rising prices dictated by Israeli middlemen and transaction costs, the reserves are huge. Yet natural wealth that could fuel massive development, though only miles offshore, seems as distant as the moon.

ENDNOTES

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