

The New York Times® Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)



December 30, 2010

Gas Field Confirmed Off Coast of Israel

By **ETHAN BRONNER**

JERUSALEM — Exploratory drilling off Israel’s northern coast this week has confirmed the existence of a major **natural gas** field — one of the world’s largest offshore gas finds of the past decade — leading the country’s infrastructure minister to call it “the most important energy news since the founding of the state.”

Houston-based **Noble Energy**, which is working with several Israeli partner companies, said that the field, named Leviathan, **whose existence was suspected months ago**, has at least 16 trillion cubic feet of gas at a likely market value of tens of billions of dollars and should turn Israel into an energy exporter.

“If it acts correctly, levelheadedly and responsibly, Israel can enjoy not only the benefit of using the gas, but it can also turn into a gas supplier in the Mediterranean region,” the infrastructure minister, Uzi Landau, said in a statement. “The large reserves of natural gas will enable Israel’s citizens to enjoy the benefit of clean and inexpensive electricity, as well as the expected profits for the state.”

The find means that Israel, with a long history of dependence on foreign energy, and hostility and boycotts from many of the biggest energy powers, could find itself in a much more advantageous position in the coming decade.

But the find has been accompanied by a heated debate over how much in taxes and royalties Israel will charge. A state-appointed committee headed by an economist at Hebrew University, Eytan Sheshinski, is planning to recommend substantially increased profit taxes, opposed by the companies and some on the political right.

Gideon Tadmor, the chief executive of **Delek Energy** and Avner Oil Exploration, partners in this venture with Noble, said the taxes could make the project prohibitively expensive. “The gas may stay in the ground because we will not succeed in obtaining from banks around the world the tens of billions of shekels for developing the reservoir,” he said in a

He said that this new find could impel neighboring countries, including Cyprus, Syria, to explore and possibly develop their potential gas fields, and warned t

OPEN

MORE IN MI
U.S. an
on Iran
[Read More](#)

to move quickly to be the first to export its gas. Delek estimates that if it moves aggressively, it could begin producing gas from Leviathan in five to six years.

This year, the [United States Geological Survey](#) estimated that more than 120 trillion cubic feet of recoverable gas reserves, equivalent to 20 billion barrels of oil, lay beneath the waters of the Eastern Mediterranean. That would put it in the same league as the Alaskan North Slope (about 22 billion barrels) but far short of Saudi Arabia, which has proven reserves of 262 billion barrels.

In reaction to the Israeli announcement, Lebanese politicians said they would move more quickly in exploring their country's gas potential.

Professor Sheshinski said that Israel had among the very lowest energy tax rates anywhere and that it was time to update that.

"We have proposed a profit tax to be imposed after the firms earn an adequate return on their investment," Professor Sheshinski said in an interview. "We have checked with the banks and we will be well within world averages. Anyone who knows the numbers can be assured of a proper return."

Professor Sheshinski said that his report, due out on Monday, had already been endorsed by the governor of the [Bank of Israel](#), Stanley Fischer; the [International Monetary Fund](#); and the [Organization for Economic Cooperation and Development](#), which Israel recently joined. He said that the profit tax rate recommended by his committee would be 55 to 60 percent and that the [O.E.C.D.](#) average was 62 percent.

The committee's recommendations require government and parliamentary approval.

Sever Plocker, an economic columnist for the newspaper Yediot Aharonot, said in a commentary on Thursday that it was far from clear that the new discovery could be developed profitably. Gas prices could fall, the techniques needed to extract the gas were likely to be complicated and expensive to develop, and exporting natural gas required enormous investment for pipelines or the means of transforming the gas into liquid to be moved on tankers, he said.

"Creative thinking is our great natural resource, not gas," he wrote. "It is our obligation to guard it with utmost care."

