EASTERN MEDITERRANEAN OFFSHORE GAS: GROWTH OR CONFLICT?

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Israel imports most of its energy: all of its oil and coal and most of its natural gas. In 2009, Israel produced 1.55 billion cubic meters and consumed 3.25 bcm. Like Turkey, it is a net natural gas importer. Israel and Jordan historically relied on Egyptian natural gas imports to satisfy their domestic needs through a 1,200 km pipeline extending from Arish in Egypt to Aqaba in Jordan and Ashkelon in Israel. However, the reliance on Egypt has not been free of uncertainty. Frequent explosions in the Sinai desert often threatened the continuity of gas supply into Israel, the stability of electricity prices, the quality of the replacement oil and the country's energy security. The Arab's spring in 2011 came to increase the lack of confidence in the Egyptian imports and hence the Israeli's government urgent need to develop its own alternative.

The huge natural gas discoveries in the Israeli basin are promising. Israel might not only become self-sufficient in terms of its gas needs for decades but also become a next gas exporter boosting the state's revenues (Israel expects to start extracting from the offshore Tamar field in 2013, become a net exporter in 2017 and start generating a revenue stream by 2020). The potential implications on European energy security are also not to be neglected. Israeli and Cypriot waters alone are said to contain enough gas – without taking into consideration the oil reserves in the Eastern Mediterranean - to satisfy the European's market energy needs for almost a decade (at current consumption rates). Diversification of gas supply would ease Europe's dependence on Russia and contribute in attaining Europe's strategy to shift to a greater use of natural gas. The concept of EMEC (Eastern Mediterranean Energy Corridor) was born as a result.

Given the importance of interests at stake, collaboration between interested parties is paramount. There is no doubt that the Cyprus-Israeli cooperation is as strong as ever: a joint exploitation of gas is the goal. The construction of a liquefaction facility on Cyprus that would process and export the gas received from Israeli Leviathan and Cypriote Aphrodite has even been called by Delek and Noble, licensees of Cyprus' Block 12.

The resources are there. However, trust and confidence remain doubtful. Maritime borders and exclusive economic zones disputes persist between the Eastern Mediterranean players: Greece and Turkey, Israel and Lebanon and also Cyprus and Turkey. Huge investments need to be made to enable Israel to enter the European market as a new energy importer and those investments need to be secured in a region that has been known for its agitated waters.

The Israeli-Cypriot cooperation has not been sufficient in working towards establishing that trust and the security needs. The EU's involvement in the development of Cyprus' natural gas has also been paramount and motivated by the EU’s obvious political and economic interests. As a result, European companies (from France, Italy, the Netherlands and the UK) have participated in Cyprus second licensing round. The EU has also repeatedly reminded Turkey of Cyprus sovereign right to exploit the gas in its waters.

Of course, Israel and Cyprus dream of energy independence and security, energy export and economic growth while Europe is motivated supply diversification and energy security.

However, the main question remains unchanged and still without an answer: will the immense wealth in the Eastern Mediterranean waters constitute enough motivation to solve the everlasting conflict in the region or at least allow the interested parties to pursue their interests in uncontested areas? Or will it simply add fuel to an already wild fire?