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Gas in the eastern Mediterranean Drill, or quarrel?

Politics could choke supplies from big new offshore gasfields

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AN OLD joke—that Moses led his people to the only place in the Middle East without oil—needs updating. Israel may not have oil, but it does have gas. The Tamar gasfield, discovered in 2009 off Israel's coast, holds great promise. Leviathan, discovered in 2010, holds even more. The US Geological Survey reckons that there could be 120 trillion cubic feet (tcf) of technically recoverable gas in the Levant basin, which washes the shores of Israel, Lebanon, Syria and Cyprus (see map). So far, however, only 35tcf has been located. And as Simon Henderson of the Washington Institute, a think-tank, points out: "Israel's initial euphoria" is fading. The region's political fractiousness does not end at the water's edge.



Israel, which relies heavily on imported energy, has much to gain. The gas discovered so far could satisfy its domestic demand for 20 years, according to the Oxford Institute for Energy Studies. And exports could yield oodles of cash. Cyprus stands to benefit, too, from the 7tcf so far discovered off its coast. It currently generates 95% of its energy with pricey oil; gas would be cheaper, and could be exported.

Gas from Tamar is set to start billowing to Israel this year. But further development of Leviathan depends on politics. Nervous nationalists want all the gas to be reserved for Israeli consumers. But that would mean worse returns for the firms that must invest the money to get the gas out. Unless exports are allowed, they won't invest.

An Israeli government committee recommended last year that some gas exports be allowed, to encourage oil firms to start drilling. Foreign companies are keen to get involved but wary of the Israeli election scheduled for January 22nd. If exports get the go-ahead—by no means certain—the next question is: where will the gas go?

If the Middle East were a normal place, Israel would build a gas pipeline to its neighbours, Jordan, Syria, Lebanon and Egypt, which are all clamouring for gas. That would make the most commercial sense, but, politically, forget about it. Another option would be to pipe the gas, via Cyprus, to Turkey, which is also desperate for energy. But relations between Israel and Turkey are not so chummy, either.

Israel's sea borders with Lebanon are disputed. And its energy partnership with Cyprus has stoked another fire. Turkish-controlled northern Cyprus's claims overlap with Greek Cypriot ones. Turkey wants to stop any exploration. To emphasise this point, it sent a warship into the area after test drilling started last year.

A pipeline to Greece, connecting with Europe's distribution system, would be longer, costlier and riskier. Demand in Europe is falling and the pricing system is breaking down, pulling prices lower.

Exporting liquefied natural gas (LNG) to markets where prices are high would be nice. But this would require huge investments and a big coastal site. Cyprus is keen but doesn't have the cash. Israeli gas could be liquefied in Cyprus, but that would mean Israel ceding control—an unpalatable idea for some nationalists. An LNG plant in Israel would be impractical, since space is limited, environmentalists unyielding and security hard to guarantee.

A floating LNG vessel, moored at the field, has also been mooted. The technology is new and, as yet, untested. Such a vessel would also be vulnerable to terrorism. In short, the region is blessed with gas but cursed with an inability to exploit it. And that's no joke.

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