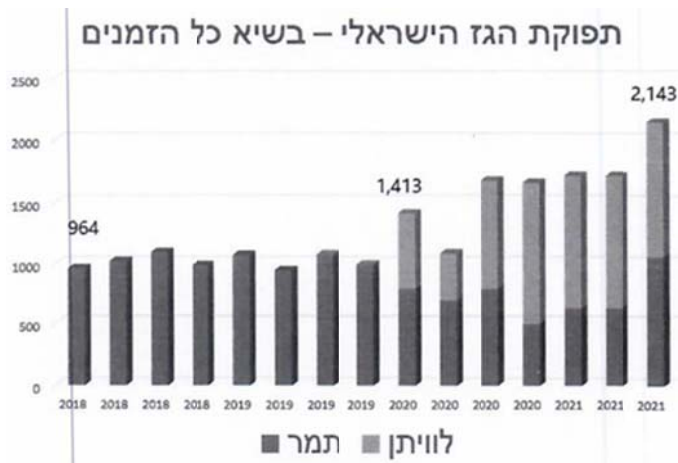


Gplanet.co.il (Dr. Guy Bechor) The Hanukkah miracle: Is Israeli gas at a peak?

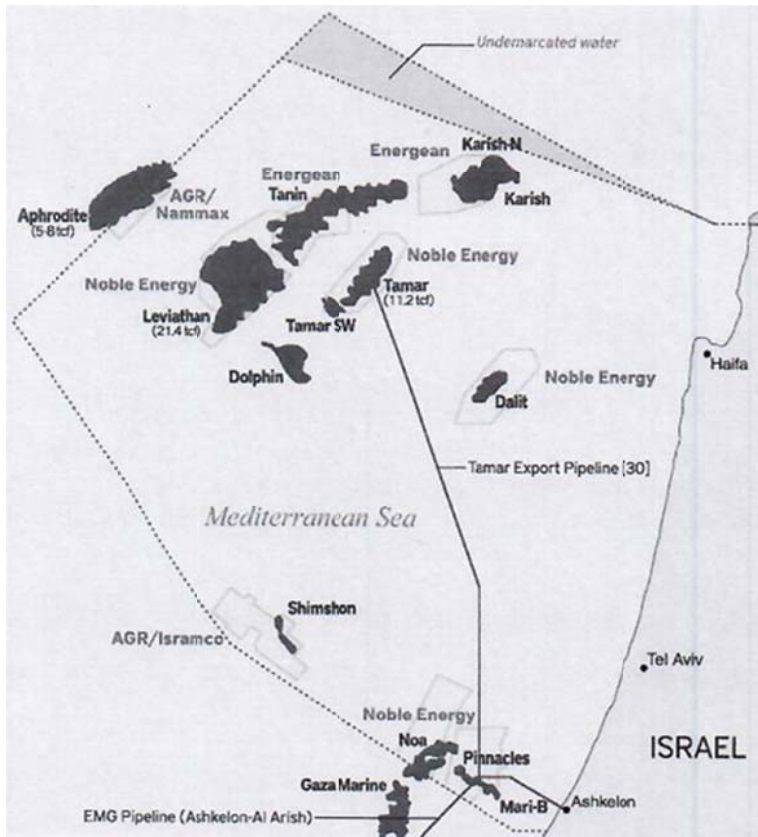
On exports to Egypt, cooperation with the UAE, the pipeline to Europe and the impacts of Chevron's entry

(1) Has Israel become a major gas player in the Middle East? What is the new production record?

Israel has two massive gas fields that are already producing and even exporting gas: Leviathan, which contains an estimated 22.7 TCF and began production in 2019, and Tamar, which has proven reserves of 10.5 TCF and began supplying the market in 2013. Together with the smaller fields, Israel has a total of 35 TCF of gas, a huge amount that the world can't ignore. Because Israel's needs are minor, large amounts can be exported.

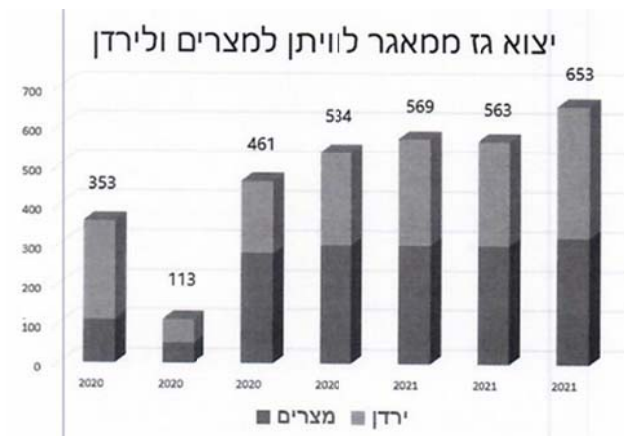


In Q3 2021, a record quarter for Israeli gas, the two fields produced 2.143 Bcf/d, a 25% increase from the previous quarter, the first time production exceeded 2 Bcf/d, and the first time both fields passed 1 Bcf/d (1.085 from Leviathan, 1.058 from Tamar). This brings Leviathan's production rate closer to Chevron's target for the period of 1.2.



Exports from Leviathan also increased during the quarter to 346 MMcf/d to Egypt, 307 to Jordan and 653 in total, adding to 400 MMcf/d from Tamar amid increased demands in Egypt. 60% of the consideration from these sales will go to the state once Leviathan pays back the investment, while Tamar has already begun paying royalties.

The agreement with Egypt totals \$20 billion, the one with Jordan is for half the amount – but both countries realize they will have to increase their purchases from Israel in the future. In fact, both countries are currently dependent on energy from Israel, particularly Jordan.

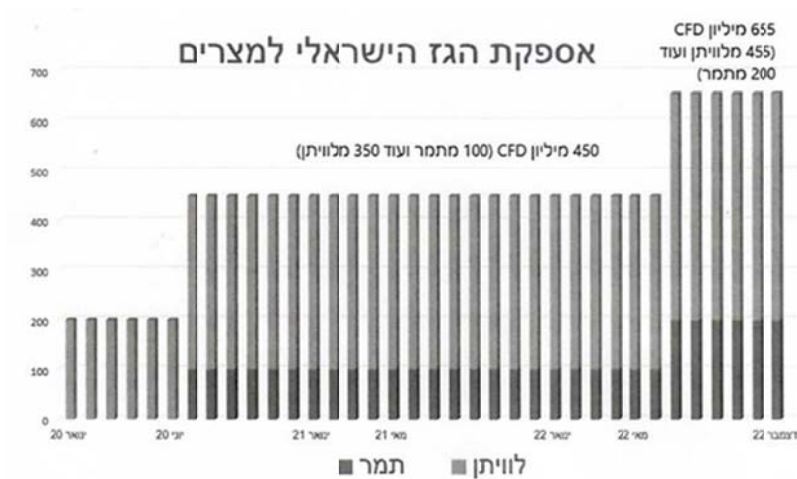


There are several unprecedented political achievements here:

First, two Arab countries that were once enemies of Israel are financing the Zionist project. Not fighting but supporting and funding it.

Second, their dependence requires peace and stability with Israel. Both countries have an interest in a strong and functional Israel as their stability hinges on it.

And third, the worse their condition is, the stronger and richer Israel becomes. Israel has grown into a key regional gas player and the Arab payments are a form of compensation for years of hostility and the damage that these two countries have caused us. This trend is expected to continue in the decades ahead and even expand.



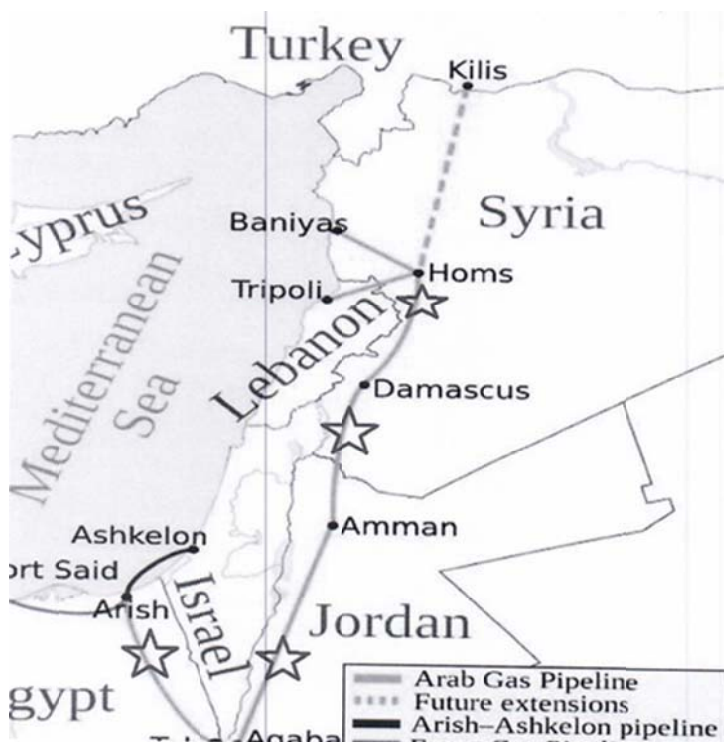
(2) Why does Egypt want additional gas from Israel?

The reports about Egypt's discovery of large gas fields have all been fake news and since Zohr the country has not made a significant find. As a result, Egypt's production capacity is declining while demands are steadily on the rise, which is why it is courting Israel and

looking to increase imports. For the gas companies and government this is a welcome and profitable move but there is a problem: a bottleneck in the Israeli gas system.

The gas is delivered to Ashdod, from there to Ashkelon and then via pipeline to el-Arish and Port Said. The Ashdod-Ashkelon section, however, has a small diameter that limits the pipeline to 420 MMcf/d, while also serving for gas supply to southern Israel.

Last January, the government decided to build a parallel 46 km offshore line between Ashdod and Ashkelon at a cost of \$500 million (of which Delek and Chevron will cover \$236 million) but work has yet to begin. The pipeline wasn't considered an urgent project at first but the Egyptians are now seeking to speed it up both because of their increasing dependence on Israel and because of gas supply to Lebanon. This refers to the US pressure to ensure Israeli gas supply to Egypt from where it can be exported via Jordan and "Syria" to "Lebanon" with international funding. Thus, a pipeline that connects Ashdod and Ashkelon is supposedly preventing possible electricity supply to "Lebanon." The Americans anticipated that the issue of gas supply to Lebanon would be resolved by the end of 2021 but at this stage it remains unviable.



Delek and Chevron have begun looking for alternative to the pipeline and their first option is to make use of the Arab Gas Pipeline, which was built 20 years ago to deliver Egyptian gas to Jordan, Syria and Lebanon. In actuality, the pipeline was barely ever used for anything except supply to Israel and Jordan, which itself came to a halt following numerous terrorist attacks against the pipeline.

The idea now is to transmit the gas in the opposite direction: instead of from Egypt to Jordan, from Jordan to Egypt. Gas from Leviathan would be delivered to Hof Dor and from there to the Shuna receiving terminal in Jordan, the Rehab and Ma'an stations, then to the Sinai, el-Arish and finally Port Said. This will require suspending Egyptian gas exports to Jordan (currently a minimal amount but still important for Egypt for reasons of Pan-Arab pride) during the interim period until the construction of the new pipeline from Israel.

Chevron, however, is asking: If we are flowing the gas to Jordan, why not continue north into Syria's territory and then Lebanon? Why use an artificial detour through Egypt? After all, the pipeline has sufficient capacity to meet Jordan's needs and supply the remainder to Syria and Lebanon. Makes sense? Not in the Middle East.

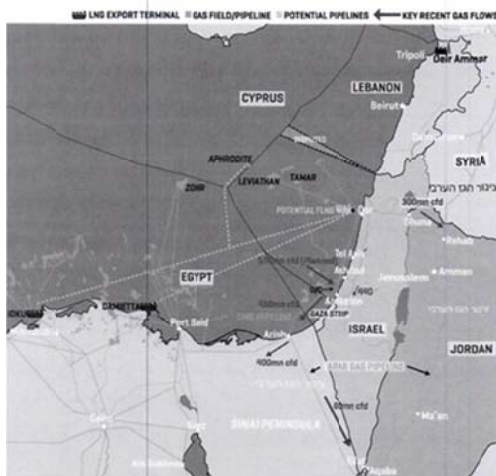
This solution has two problems: it disregards the Egyptians and requires the agreement of Syria and Lebanon's leaders. Will they let Israeli gas light up their cities, including Hezbollah bases? Doubtful. Iran certainly won't and that's why they need the fiction of "Egyptian gas" even though everybody knows it's Israeli gas.

The animosity towards Israel on the streets of Jordan has driven many to extremes and already gives rise to protests against any form of cooperation - as if the countries are not in peace.

These are members of the invented tribe known as "Jordanians." Israel provides the water they drink, the electricity they consume and the security they need to avoid a collapse into a kind of "Syria" – but the hatred towards Israel is as strong as ever. Today, however, nobody cares – anymore about those who thrive on hatred, which is all they have.

One leader who might agree (with Russian mediation) is Bashar al-Assad. He would gain energy and legitimacy but where would he get the money to pay for the gas? Lebanon might find a stooge somewhere in the world to finance the gas but Assad is an outcast. Without payment, Israel would shut off supply. That's just business.

Another option being examined these days is an onshore pipeline between Israel and Egypt at a lower cost (\$200 million) and faster construction time (2 years).



(3) Israeli gas sales to Europe via Egypt

Chevron, which acquired Noble's stake in Leviathan for \$5 billion, is interested in additional consumers and can increase the reservoir's output to 1.6 BCF/d and later 2.4.

The first and reasonable option is to build a floating LNG facility 10 km offshore Hof Dor to liquefy the gas. The second option, which the Egyptians prefer, is to deliver the gas to one of Egypt's two idle LNG plants - Idku (owned by Shell) and Damietta – and then export it to Europe via LNG carriers.

Chevron, Delek Drilling and Shell are interested in a pipeline to Egypt for another reason: gas from Cyprus. The three companies hold the 4.1 TCF Aphrodite reservoir (Chevron 35%, Shell 35%, Delek 30%) and plan to connect a pipeline from the reservoir to the pipeline that arrives from Hof Dor en route to Egypt. That's why the partners prefer the Idku LNG plant. It should be noted that the government requested that the Cypriot pipeline not pass through Israel's EEZ, therefore it will make a relatively short detour.

That would give Israel full control of Cyprus's gas and in fact the potential to existentially control Egypt, Jordan, Syria, Lebanon and Cyprus. An incredible state of affairs any way one looks at it that would prevent further wars in the region.

(4) Chevron's entry broke the years-long boycott of Israel

In July 2020, at the height of the corona pandemic, the energy industry was amazed to hear that American energy giant Chevron acquired Noble for \$5 billion. Noble was the only foreign company that agreed to develop Israel's gas as it did not conduct operations in the Persian Gulf or Muslim countries. Energy and economic "experts" in Israel immediately concluded, with a certain arrogance, that Chevron would neglect the gas and even sell the reservoirs it in order to maintain relations with Arab countries.

Yet these "experts" failed to understand the new dynamic in the Middle East. Not only did it not sell, Chevron considers Israel's gas as a strong point and an asset for further development. It recognized that Israel could serve as a transit point to all countries of the region, and learned behind the scenes that Saudi Arabia, which it feared, cancelled the veto against cooperating with Israel. Shortly afterwards Israel also signed the Abraham Accords and established peace with the UAE and Bahrain, energy producers themselves, with the Saudis' blessing.

That's how Chevron became Israel's main gas supplier – and we gained a powerful advantage. Additional supermajors will now come if Israel opens its waters to exploration. Israel can no longer be boycotted nor blocked. It is too big for such stunts.

(5) UAE and Mubadala deal

Immediately following the Abraham Accords, Emirati energy companies recognized the huge potential of the Israeli gas market, just like Chevron did. Because Delek Drilling must sell its Tamar holding by the end of the year, due to anti-monopoly laws, Delek

signed a deal with Abu Dhabi's investment firm Mubadala to sell the 22% holding for \$1.025 billion. The agreement was approved by the government on November 24 and is the largest agreement signed to date as part of the Abraham Accords.

Recently, however, the deal has run into a legal problem: a businessman named Aharon Frankel holds a previously undisclosed option to buy 11% of Delek's shares. Abu Dhabi can settle for 11% but wants a bigger stake. Some claim that Frankel is in fact Abu Dhabi's silent partner, but only time will tell.

The UAE is also looking to expand into Israel for export purposes: the oil and gas can arrive via Jordan, then be delivered to Haifa Port by rail or from Eilat to Ashkelon via Katza's pipeline. An agreement had already been signed with Katza but the government has since changed and its progressive members are trying to stop this important deal for reasons of environmental protection. Well, we can both protect the environment and benefit from the geopolitical treasure which is Israel's location between Europe, Asia and Africa.

Israel has transformed from an energy importer to exporter; from a country that perceived energy as a threat to one that benefits from it; from a country that was isolated because of energy to one that is closer to its neighbors thanks to it. It's amusing to read global energy websites: Energy used to be an exclusively Arab business and sites were afraid to even mention Israel. Today it is among the leaders in the market. Historic times indeed.

(6) Energy-water deal with Jordan

Behind the deal is the UAE, which needs access to Jordan to build a railway from Saudi Arabia to the Israeli border as a quick route to the Mediterranean and European markets in place of the Suez Canal. The rail is already in place in the UAE, all across Saudi Arabia and in Israel. The missing link is Jordan, which is why the UAE is there with Saudi Arabia's blessing. The Saudis are due to finance most of the railway project, therefore they should be seen as the ones running the operation behind the scenes.

This is why the deal that the US is promoting should be viewed not only in reference to Jordan but in the broader context of the Abraham Accords. Such a rail could significantly enrich Israel and serve as practically the only source of income for Jordan. It's the reason the Chinese took it upon themselves to manage the new port in Haifa Bay.

The deal, incidentally, was signed between Israel, Jordan and the UAE with American backing and doesn't even give lip service to the invented tribe. Even Jordan is now ignoring it, as Egypt does.

(7) Pipeline to Europe and Erdogan's tempting offers

Israel also strives to become a major gas supplier to Europe, especially while demands are huge, prices are high and Putin is using the Nord Stream 2 to subdue Europe to his will by reducing supply intentionally.

Work on the pipeline was suspended after President Trump imposed sanctions on the companies behind the project. Trump realized that it would enrich the Russians and be used as leverage by Putin to pressure Germany and Western Europe, while going around Ukraine and other countries that rely on the old pipeline.

The Biden Administration, however, gave in, cancelled the sanctions and the Russians hurried to finish the pipeline - to Merkel's delight. When Trump blocked Nord Stream 2, he offered to subsidize the East Med pipeline, which is supposed to connect the rig offshore Hof Dor to Cyprus and extend from there to Greece and Europe. A large feasibly study is currently underway and will be completed by mid-2022.

The Democrats, however, are not eager to promote what they consider to be one of Trump's project. "If Israel wants the project to materialize, it needs to help reduce the costs," says Gina Cohen, an energy expert at the Technion who understands the vast importance for Israel. If such subsidies are indeed granted, including from the EU, we can obtain long-term contracts for constructing the pipeline.

Cohen recounts that she tried approaching ministers in the current government but they did not show interest. The previous government saw this as a key issue and it's important to realize that this isn't a party issue but a national matter of the first order.

Meanwhile, Tayyip Erdogan continues to try and convince Israel that a pipeline through Turkey is the better option. It's why he acted exactly as we expected him to and released the Israeli couple that were recently arrested in Turkey under peculiar circumstances.

Israel was so scarred by Erdogan, his scathing criticism and the aftermath of the Marmara affair that it did not appear like the sides would find common ground. But we can try a different kind of rapprochement, one that requires Turkey to stop its incitement and its meddling in Israel's internal affairs. This would obviously require Turkey to expel the Hamas leaders who reside there. Recall that Israel is Turkey's third largest trade partner and is vital to its interests.

(8) Why doesn't Israel issue additional exploration licenses?

The answer is because this is apparently not urgent enough for the decision-makers, including those in the previous government. What we have in fact is a giant offshore gas reservoir that all later discoveries are a part of. In other words, exploration in the area between Tamar, Leviathan, Aphrodite and Zohr has a high probability of yielding large amounts of gas, capital and political power. I heard that before the corona outbreak, the state granted concessions to British and Indian companies but we never learned what came next. We should now try to attract large international companies considering the significant potential for further discoveries as well as exports to Europe. British-Greek company Energean has been working successfully on the development of the smaller reservoirs and it's a shame there aren't more like it.

(9) What became of the EEZ dispute with "Lebanon"?

Israel divided the EEZ with Egypt and Cyprus (we have a border with the “EU”) but naturally encountered a problem with Lebanon – one of the most vitriolic critics of Israel, even before the Shiites rose to power and certainly today when Iran has the final say on what happens in the country.

Trump considered this is a worthy cause in his push for stabilization but he did not get voted for a second term, the matter is not as critical for the Democratic party (if at all) and either way it only has a slim chance as Iran vetoed negotiations and rejects any agreement with Israel. Israel naively proposed a 60:40 ratio in favour of Lebanon as the starting point but was turned down again. In fact, as the talks progressed Lebanon developed an appetite and issued a decree demanding everything, even what’s in our own EEZ, which was met with a counter-decree from Israel. The talks continue under US sponsorship.

For Israel this isn’t a terrible outcome but for the Lebanese it is a disaster as international companies refuse to operate there due to the risk of a military escalation and no gas has been discovered to this day.

Thus, whereas Israel is already producing gas and improving its GDP (which is nearing the first 0.5 trillion) Lebanon hasn’t even begun exploration yet. In any case, it is an entity in complete chaos, so who has time for gas there?

(10) “Israel is on the verge of an extraordinary and important period in terms of economics and geopolitics,” Cohen wrote in her report, adding that Israel has a window of opportunity of 20-25 years to find export markets for its gas. Because Israel is a small country, its needs are small, which leaves plenty to export. Following this period, alternative energy could become the dominant source and conditions might change.

It’s vital to export the gas, Cohen writes, and that has also been our view over the years. The government must recognize the potential (for its political power as well) and appoint a dedicated team. Gas is supposed to propel Israel to further development, help it absorb 1 million new immigrants, stabilize Jewish demographics and transform it into one of the world’s 20 richest countries (currently ranked 30).

The Israeli sovereign wealth fund has already begun operating (while extending the gas producer’s’ right to appeal by another six months) and will serve to develop our international investments worldwide.

There is another important benefit to the EEZ up to a distance of 140 km. Any islands built in this area will become a territory of Israel, which means we can dramatically increase the size of the country with the financing and cooperation of the private sector and special-purpose bonds abroad. The gas revenues, and Israel’s future wealth, will enable to build entire cities on these islands, connected by an underwater rail system. If the UAE did it, so can Israel, especially since the technology has become cheaper and more efficient.

The Arabs always claimed that the Jews' future is in the sea. So at least they were right about one thing and that is our modern Hanukah miracle. The energy of both Israel's citizens and natural resources will only grow from now on.

<https://www.youtube.com/watch?v=PmNYS77T0hc&t=2125s>