Israel's Offshore Gas Discoveries are in Jeopardy say Energy Conference Participants

Yesterday, there was a Conference in Tel Aviv co-sponsored by the Israeli Ministry of Infrastructure, Energy and Water and Maala- a group concerned with Socially Responsible Business. *Globes Israeli Business* and *Reuters* covered it, ["Energy minister: Foreign companies aren't coming to Israel."]

Silvan Shalom, Israeli Minister of Infrastructure, the Israel Manager of Houston –based Noble Energy, Inc. co-developer with Israel's Delek Group and a representative of Australian energy company Woodside, Pty. appeared among other presenters. They were all bemoaning the arbitrary, some would say capricious draft ruling of Dr. David Gilo, Director General of Israel's Antitrust Authority (IAA) , basically stopping development of the offshore Leviathan gas field and forcing the possible sale of the existing Tamar gas field in Israel's Exclusive Economic Zone (EEZ). Gilo,as we have discussed in prior [posts] , has confounded Israel's energy independence and possible export opportunities with his draft consent order based on misguided consumerist populism. His understanding of the economics of pricing of gas as a commodity in the international markets is simplistic at best and simply panders to misguided domestic populist concerns over maintaining low energy prices. His proposals to enhance competition in the domestic market come amidst the looming March Knesset elections. Many suspect that his actions were in support of the Labor-Hanuat coalition objective of unseating Prime Minister Netanyahu. Not surprising as

Israel's founding generation, save for Menachem Begin, were Socialist Marxists. They created the country's dual economy with Histadrut – the labor union dominated institution – owning key sectors in the country's economy that have only been partially privatized. The exception being Israel's much vaunted high tech sector.

Gilo's misguided logic is reflected in the comments of the Israeli National Infrastructure-Maala conference presenters . It was bolstered by an announcement that the Noble Energy –Delek Group partners were on the verge of concluding a deal with Egypt to provide much needed gas from the Aphrodite field in the adjacent Republic of Cyprus EEZ. Neither Noble or Delek accept the separate marketing proposals and sales of both Tamar and smaller fields, originally part of an IAA deal agreed to by Gilo.

Note these comments from the *Globes* article:

> "We don't see foreign gas companies coming to Israel," Minister of National Infrastructure, Energy, and Water **Silvan Shalom** admitted. "The foreign companies have interests in countries like Saudi Arabia and the Gulf, and bringing them to Israel is no easy task. Israel is small country, with a small gas market. In a utopian and theoretical world, companies would come, but that's not how it is in the real world."
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> "Unfortunately, our business in Israel was unsuccessful, but our connections with Noble Energy have become stronger," **Woodside VP Corporate Affairs Roger Martin** said at a conference organized by the Ministry of National Infrastructure, Energy, and Water and the Maala organization.
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> Woodside, which planned to acquire 25% of the rights in the Leviathan natural gas reservoir for $2.7 billion, backed out at the last minute, and left Israel. "We're

working together with Noble Energy in Africa, and we signed an additional agreement with them in October for oil and gas exploration off the Cameroon coast," Martin said.

"Our pride in making our contribution to the community was met with cynicism. They tell us cynically, 'This is very American'," [**Nobel Energy Israel Manager**] Zomer said angrily. "What do you want from me? What's very American? I don't understand this. Since when is doing good considered American? Why should companies in Israel apologize for their success? Of course Noble Energy hoped to make a profit in Israel, but it also meant to do good for Israel."

Gidon Tomer **[CEO Delek Drilling Partnership** } noted , "That state could expect **NIS 250 billion ($65 Billion)** in revenues from the first stage of developing Leviathan. He added, "This revenue doesn't take into account the immediate saving from the consumption of cheap gas. You have to look at the enterprises saved by natural gas. These enterprises are boosting their competitiveness. It's a reduction in the cost of living."

Alexander Varshavsky of the National Gas Authority asserted that Israel could expect to lose **NIS 3 billion ($780 million)** annually starting in 2018 from the delay in developing Leviathan. "Beyond that, it's a blow to Israel's credibility," he argued.

On the matter of Gilo's express goal of enhancing competition and energy pricing, *Globes* noted comments of a conference participant who said, 'If you want to talk about responsibility, Israel's responsibility is to bring gas to factories. There are factories in the outlying areas that closed down because of their energy costs. At enterprises like Phoenicia Flat Glass Industries and