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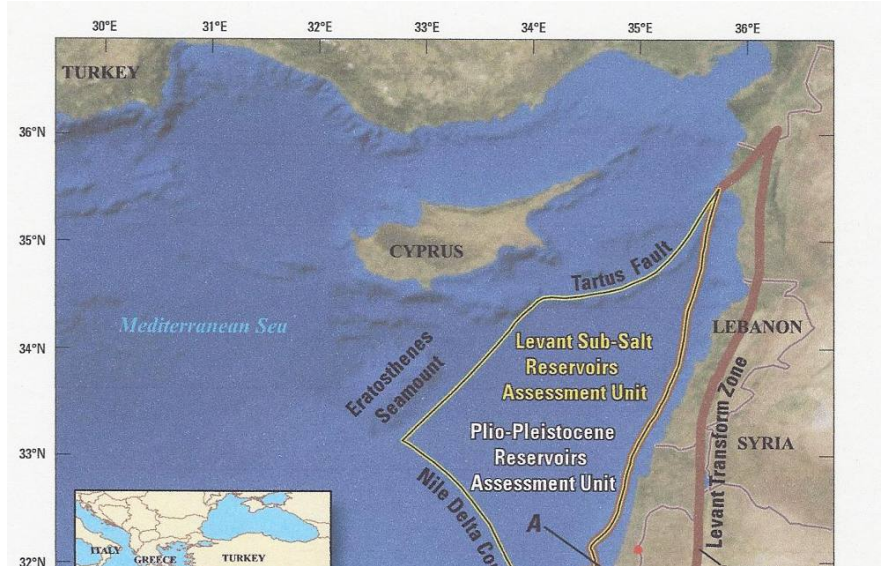
Will Israel Win the Energy Prize in the Levant Basin?

by Jerry Gordon (December 2011)



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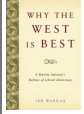
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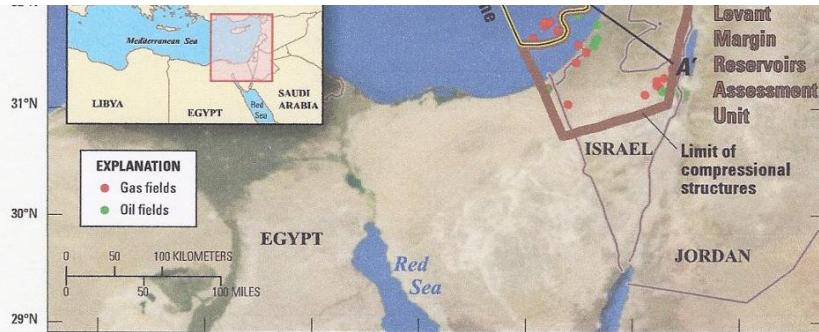


Figure 1. Location of the three assessment units (AU) in the Levant Basin Province in the Eastern Mediterranean. The boundaries of the Levant Sub-Salt AU and the Plio-Pleistocene Reservoirs AU are coincident.

In the Middle East, the world's attention has been diverted by the threat of Iran's nuclear ambitions and the turmoil of the Arab Spring turning into winter in the Arab Muslim heartland. However, another conflict is rapidly emerging over development of vast natural gas fields offshore in the Levant Basin of the Eastern Mediterranean, which could transform Israel into a major world energy producer and change the geo-political landscape. At stake is who will win control over an energy prize of over 122 trillion cubic feet of natural gas, and more 1.8 billion barrels of recoverable oil according to estimates of the [US Geologic Survey](#). The trigger has been the successful exploratory drilling completed by an Israeli American consortium, [Noble Energy, Inc](#) of Houston, Texas and Israeli partner [Delek Group](#), which in 2009-2010 discovered more than 26 billion cubic feet of natural gas in several fields offshore in Israel's Exclusive Economic Zone (EEZ) off shore in the Eastern Mediterranean. The Tamar, Leviathan smaller gas field discoveries offshore have the potential of achieving energy independence for Israel and creating a major export market across the Mediterranean in the EU. Coupled with the onshore development of more than [260 billion barrels of oil](#) to be developed from shale formations in the Shfela basin, these natural gas discoveries will transform Israel's economy, that is, if threats by Israel's Arab neighbors and Turkey permit its secure development with allies Cyprus and Greece, who would share in important gains.

[Watch](#) this YouTube video of the visit by US Ambassador to Israel, Dan Shapiro to the pipe-laying vessel, "The Solitaire" contracted by Noble Energy, Inc. to connect the offshore gas fields to on-shore receiving facilities in Israel.



Daniel Yergin, renowned energy expert says in his new book, *The Quest: Energy, Security, and the remaking of the Modern World*:

Underlying all of this is the recognition that an increasing share of [energy] resources

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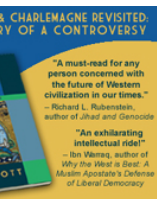
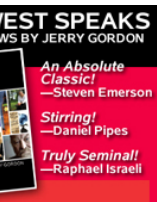
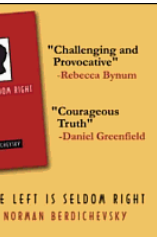
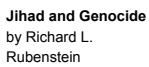
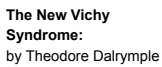
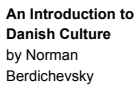
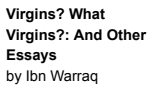
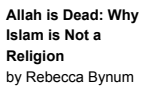
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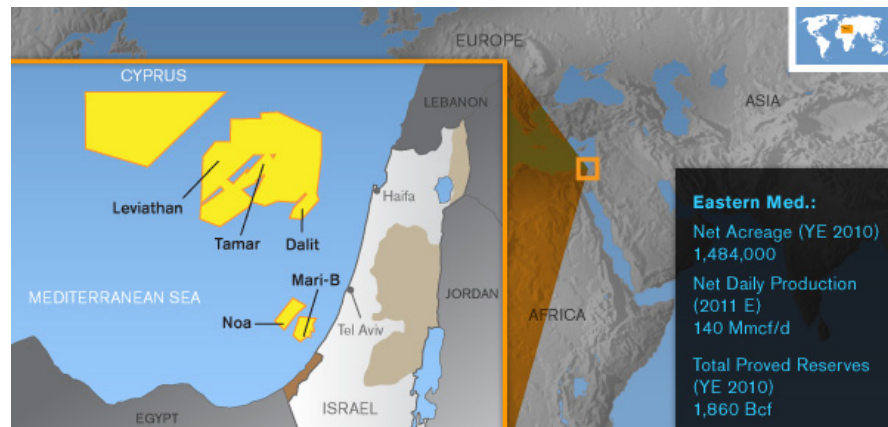
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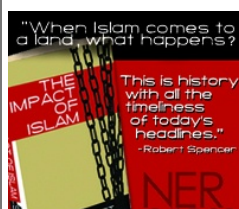
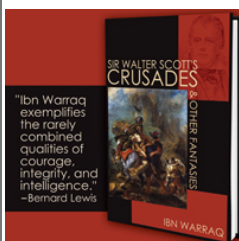
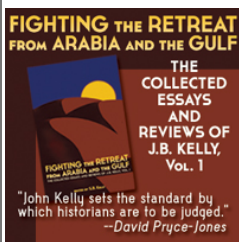
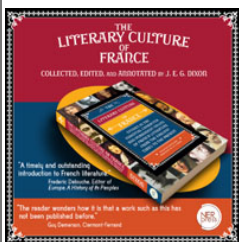
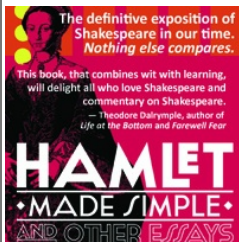
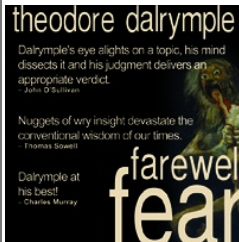
ooming war over control and development of the Levant Basin offshore gas fields has been scant attention by the Obama Administration. Halting efforts have been made this summer to reconcile the Maritime border between Israel and Lebanon, now essentially controlled by Iran and Hezbollah. Instead the Obama Administration has chosen to address the other world energy hot spot zone along the periphery in the South China Sea, with dispatch of US Naval contingents to conduct exercises with Vietnam, and a Presidential visit to Australia following the recent ASEAN summit in Honolulu announcing the stationing of 2,500 Marines at a base in Darwin. The lack of attention about the conflicts of offshore natural gas development in the Levant Basin has yet to draw the mainstream media's attention. However, it has clearly caught the attention of world energy and gas experts as well as Israeli, Canadian and US business publications along with the press in Israel, Cyprus, Lebanon and Turkey, all of whom are actors in the swirl of competing gas interests and developments in the Eastern Mediterranean region. A region sizzling with daily reports of threats and military show of force to protect these vital energy resources.

- On November 2nd, Israel signed a bilateral energy development agreement with Cyprus, and Noble Energy announced development of a major LNG facility of the Island nation's south coast;
- On November 16th Turkey announced offshore drilling deal with Shell Oil in an area offshore in the waters close to the Turkish enclave in northern Cyprus;
- On November 20-21, Israel's deputy Foreign Minister Danny Ayalon met with Greek officials to discuss joint exploration of the region's gas fields
- On November 23rd, Turkish Energy Minister Taner Yildiz said Israeli and Cypriot energy exploration in the Mediterranean was illegal, agreement should first be reached with all relevant parties, and resources should be equally shared.
- On November 25th, Russia announced that it was sending its aircraft carrier the Admiral Kuznetsov for maneuvers off the disputed area offshore of Cyprus in a clear demonstration of support Greek Cypriot claims and as a warning to the Erdogan regime in Ankara

This article will address the game-changing significance of Israel's natural gas discoveries in the Levant Basin, their potential for energy independence and significant economic impact, and the resulting disputes over maritime borders with neighbors in the Levant Basin, the changing regional geo-political and security dynamics, and implications for dealing with the overarching Iranian nuclear threat in the Middle East.



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Noble Energy, Inc. Map of Eastern Mediterranean Natural Gas Fields

The Oil and Gas Journal, a US industrial sector publication issued a report, "[Israel's offshore gas reserves poised to rise](#)" that underlined how the imminence of energy independence for the Jewish state that may also be a potential geo-political game changer in the Eastern Mediterranean.

The report noted:

Israel's reserves of natural gas, now under development in the country's Mediterranean offshore, are poised to rise substantially in the near future, according to a senior government official.

"Israel's potential gas discoveries stand at 1,000 billion cu m," said Israel Natural Gas Authority Director-General Yehosua Stern, adding that Israel's proven gas reserves amount to 300 bcm, most of it in the offshore Tamar field.

However, Stern told delegates at a conference on energy and the environment that the reserves figure is expected to rise by a further 453 bcm after production tests are completed at Leviathan field.

Stern also told conference delegates that he expects an additional 550 bcm of gas to be discovered in Israeli economic waters, which eventually will bring the country's total reserves to 1,300 bcm.

"In 2014-15 there will be an additional entry from Tamar to Israel in the Ashkelon region," said Stern, who also noted that "an additional supplier will come into the Israeli gas market around 2016-17."

The credit for this goes to a consortium composed of Houston, Texas-based [Noble Energy, Inc.](#) (Noble) (NBL-NYSE) and its Israeli partner, [Delek Group](#). Noble has been developing offshore gas fields in the eastern Mediterranean since 1998. By 2013, the closer in Mari gas fields will come on stream, followed by the Tamar and the larger Leviathan field, currently under development. Other smaller gas fields are located off shore of the port of Ashdod.

On November 2nd, Noble announced a 10 billion dollar LNG project to be built at Vasiliko near the University of Cyprus connecting with Israel's Leviathan field.

Cyprus News [noted](#) that this announcement came on the cusp of a visit by Israel's President Shimon Peres to sign bi-lateral agreements:

Noble Energy's country manager John Z. Tomich presented the plans for a 10-billion-dollar LNG plant at the University of Cyprus as part of a vision in which Cyprus and Israeli energy industries work together to supply Europe with natural gas.

Leviathan is one of the biggest gas reserves discovered in the Eastern Mediterranean and neighbors Cyprus' Block 12. Noble Energy works closely with Israeli company Delek, which is its partner in the development of a natural gas well in Block 12 of Cyprus' Exclusive Economic Zone (EEZ).

Meanwhile, in the interests of further developing the recently-developed closer political, economic and military cooperation between Cyprus and Israel. Accompanied by a delegation from Delek, Israel's venerable President Shimon Peres met with President Demetris Christofias to sign bilateral agreements. Peres also met with Archbishop Chrysostomos II, House Speaker Yiannakis Omirou, and House majority leader Nikos Anastasiades during his two-day visit.

The Oil and Gas Journal had this comment from President Peres about the significance of the Cyprus-Israel bi-lateral development projects:

"We can cooperate in generating this newfound energy and use it for the benefit of

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the entire region," said Israel's President Shimon Peres, who added that the two countries have "substantial economic cooperation potential" with the discovery of gas in the Mediterranean.

These natural gas fields' developments will make Israel a significant producer of natural gas for both domestic consumption and export to the EU. This development together with the on-shore oil shale field in the [Shfela Basin](#) with an estimated 260 billion barrels -See [Israel's Black Gold](#)- will doubtless change the shape of geo-political alliances.

The economic impacts of these natural gas developments on Israel will be significant. According to an [analysis](#) by Josh Kaplan for Israel Strategies.com, these discoveries will bolster the country's goal of energy independence. Israel imports over 95% of natural gas that supports its energy infrastructure. Given the several pipeline explosions in Egypt's Sinai Peninsula, both Israel and Jordan have had significant disruptions. The offshore gas fields will virtually supply securely all of Israel's power requirements and create a significant export market. According to UBS reports:

In 2003, approximately 33% of Israel's electricity was generated by burning natural gas and approximately 64% by coal. A UBS report estimates that, as soon as 2013, 46% of electricity production will be coal-based and 48% will be natural gas-based; and that by 2020, 80% of Israel's electricity production will come from natural gas.

Using the [US Energy Information Administration](#) the current natural gas futures price of \$3.46 per MBTU, the estimated value of the 26 trillion cubic feet of estimated reserves in Israel's offshore fields developed by Noble Energy is worth approximately \$90 billion. That is equivalent to over 41% of Israel's 2010 GDP of \$218 billion. According to a Barclay's Capital Research report, Israel could add "net revenues from gas production will average 1.5 billion U.S. Dollars per year from 2016 to 2020, and 2.3 billion U.S. Dollars per year from 2022-2049." The impact on the country's GDP growth is significant.

A UBS report estimates Israeli GDP growth attributable *solely to natural gas production-related activities* to be between 0.1%-0.2% in 2011 and 2012, and 0.2%-0.4% between 2013 and 2016. Production at the Leviathan site is expected to come on line in 2017, when the impact on GDP growth will be 0.6%-0.7%. GDP growth is expected to stay at this level through 2020 before tapering off to 0.1%-0.2% in 2021 and beyond.

Natural gas is not the only energy source from the discoveries in Israel's Exclusive Economic Zones in the Levant Basin, there is oil in lower depths. UBS using Noble Energy estimates of recoverable oil of 4 billion barrels could result in Israel receiving almost \$60 billion in additional revenues, equivalent to 23% of Israel's GDP in 2010.

UBS further estimates that there will be additional costs for development of the major Leviathan offshore field, creation of a submarine pipeline and conversion of coal to natural gas for power production of over \$4 billion during the period of 2013 to 2017. Then there is the estimated cost on a LNG facility to be built in Greek Cyprus of \$10 billion. Notwithstanding the Israel Strategies.com report noted the beneficial effects of this foreign direct investment:

An increase in investment spending will help boost GDP. It will help drive the Israeli economy further into expansion mode because of the spillover effects of such spending, including increased employment and demand for domestically-manufactured equipment.

The other implications of these offshore energy developments by Israel would be its ability to export natural gas beyond its needs and the creation of a Sovereign Wealth Fund (SWF) akin to that of other hydro-carbon producing nations. Both the Israel Strategies.com and UBS analyses address these questions:

Israel's potential natural gas industry could help the country meet its domestic demand without having to increase energy-related imports. Furthermore, Israel may be able to *export* natural gas by around 2017—bringing in approximately \$3 billion per year to start (0.7%-0.8% of GDP), and \$6 billion per year from 2020 to 2030

(1.3%-0.7% of GDP). Overall, as the graph shows, there could be a significant swing in the current account picture as a result of the development of an export-oriented natural gas program.

[. . .]

UBS estimates that this [Sovereign Wealth Fund could rise to \$42.5 billion by 2030 (5% of GDP) and could earn a 5% rate of return (0.04% of GDP/year).

Depending on what taxes Israel may levy on these energy sector revenues it may enhance the ability of the government to ramp up defense and social program expenditures. Recently, the Knesset adopted new energy sector levies that included a tax on 8 to 12% of net profits of registered gas and oil rigs, both on and offshore. Moreover it abolished the royalties arrangement derived from oil and gas revenues that had been in existence since the 1950. Despite demands for exemption of the 9 trillion cubic foot Tamar offshore gas field from the Noble Energy-Delek Drilling consortium supported by Deputy Prime Minister for Infrastructure, Dr. Uzi Landau, Israel Finance minister Yuval Steinitz supported Knesset adoption of the new scheme. The scheme adopted is modeled on one proposed by the Sheshinski Committee (named after Hebrew University Professor Eytan Sheshinski) and submitted to the Israeli Finance Ministry and Knesset. According to a [report from the Economist Intelligence Unit](#) it would permit recovery of producer investments, as noted:

In its interim report, the committee recommended maintaining the 12.5% rate for royalties, but it proposed major changes to the tax structure relating to energy exploration and exploitation, which was put in place in the 1950s and never updated, in favour of an increased share for the Israeli state.

The depletion allowance permitted under the old rules, which largely offset the royalty imposed on current production, would be abolished. The committee also proposed a sliding-scale levy on profits from oil and gas fields, which would start once the operator had recovered 150% of the initial investment—an "R-factor" of 1.5. The levy would kick in at a 20% level and would gradually rise in line with the R-

factor, until it reached 60% at an R-factor threshold of 2.3.

The committee claims its proposals would result in a total government tax-take of 60-70% of a field's lifetime profits, whilst ensuring that the companies retain sufficient incentive to maximise their exploration and production efforts.

The proposed report of the Committee was passed by the Knesset and agreements have been reached by the Israeli government on depreciation percentages/year, corporate taxes and on new permits for oil and gas exploration, both in Israel and off-shore.

As noted earlier, the Israeli government has also signed an agreement with the government of The Republic of Cyprus on the joint exploration and infrastructure of gas and oil in the off-shore parts of Cyprus where prospecting has already started this past month.

The potential billions of oil and gas revenues derived by the Israeli government under the new scheme would doubtless be used, in part, to address the matter of both Israel's on-shore and off-shore production, but most important of all, will give Israel the chance to become a major gas exporter to the EU, which may give it better relations with the EU.

That prospect increased with the demise of EU-backing for the Nabucco pipeline that would draw upon gas resources of the Caspian basin and was designed to transit Turkey to gas pipeline connections in the EU. Note this recent [Wall Street Journal report](#):

Nabucco has been planned since 2002 as a 2,400-mile (3,900-kilometer) pipeline that would carry up to 31 billion cubic meters of gas per year from eastern Turkey to a gas hub in Austria. The idea was developed to be a means of reducing the dependency of the EU on Russia for its gas supplies.

But the amount of non-Russian gas needed to fill Nabucco hasn't yet materialized. With budgets under severe strain and financing tight, the risk that the pipeline could remain unfilled for years before more gas becomes available looks increasingly unsustainable, analysts say.

"Nabucco, I think, commercially is a buried product. It's dead," said Borut Grgic, an energy specialist at the Atlantic Council, a U.S.-based think tank, echoing the consensus among numerous energy executives and analysts at the council's Black Sea Energy and Economic Forum in Istanbul, which ended Friday.

Coupled with the recent Israel-Cyprus bilateral agreement, a pipeline connecting the Leviathan and Cypriot offshore blocks to mainland Greece distribution terminals could be a win win situation for all involved in the EU markets.

That was apparently the goal of the strategic discussion between Israel's Deputy Foreign Minister Danny Ayalon and Greek officials in late November. A [UPI report](#) on the talks and Israel's gas export plans confirmed these développements:

"Greece is a strategically important country due to its proximity to us in the eastern Mediterranean and especially due to the discovery of oil and gas," Ayalon told The Jerusalem Post before heading to Athens.

"We're going to talk about making Greece and Cyprus distribution centers for Israeli gas in Europe, which needs to diversify its sources."

[. . .]

Cypriot officials say they envision five projects: a joint underwater pipeline from Israel's gas field to Cyprus, a gas liquefaction plant, a methanol plant, a 1,000-megawatt power station and a strategic reserve, all on the island.

From Cyprus, the plan is for another pipeline to Greece, to funnel the gas into the European Union. Both Greece and the Greek Cypriot state are EU members.

While recent [results](#) of test drilling of the Cypriot block 12, Aphrodite, indicate gas yields are less than expected, according to Greek Cypriot leaders they are more than ample together with the yields from Leviathan field of Israel to support the joint development project.

In late November [Globes Israel Business Israel](#) reported:

. . .the Cypriot cabinet decided to launch the second licensing round for offshore oil and gas exploration, and said that it would not be deterred by Turkish threats. The second round will include 12 blocks located in a 51,000-square kilometer area in the Levant Basin along an arc running southwest-southeast of the island.

Cypriot government spokesman Stefanos Stefanou said, "After today's decision to start the second round of licensing, the government once more stresses its determination to exercise its sovereign rights in the Republic of Cyprus' exclusive economic zone, always according to international law."

The impact of this Greco-Cypriot-Israel alliance may also have the potential of reversing Greece's misfortune in the Euro debt crisis. The *Economist Intelligence Unit* projects that this tripartite energy development project might assist Greece in satisfying its entire debt and provide a significant revenue source for a resuscitated economy.

Exclusive Economic Zones and Maritime Boundaries Conflicts





Israel's northern maritime border

On December 10, 2010, Dr. Uzi Landau, Israel's Deputy Prime Minister for Infrastructure, signed a bi-lateral agreement with Mr. Markos Kyprianou, Cypriot Minister of Foreign Affairs demarking boundaries for an Exclusive Enterprise Zone (EEZ) between the two countries. Both the EU Commission and the US approved of the agreement between Israel and the Republic of Cyprus. That agreement set the stage for more recent bi-lateral agreements covering joint development of Cyprus' offshore gas deposits. It also inflamed Turkey's Prime Minister Erdogan arousing his determination to establish his country's EEZ off the northern coast of Turkey's enclave in Cyprus. This further exacerbated relations between Turkey and Cyprus, given the latter's assumption of the revolving Presidency of the EU, as well as Turkey's continual bullying charges against Israel. Turkey, a former ally of Israel, was Israel's sixth leading trading partner until the Free Gaza Flotilla incidents in both 2010 and 2011. Cyprus has executed similar Delimitation EEZ agreements with Egypt, Lebanon and Syria. Moreover, the former Prime Minister of the Republic of Cyprus, Mr. Tassos Papadopoulos, had endeavored to conclude a similar agreement with Greece, which might have resolved the south-eastern EEZ boundaries with both Cyprus and Turkey.

A [report](#) by the American Hellenic Association noted a statement issued by the Cypriot Foreign Ministry on this paradigm shift:

The recent Agreement on Delimitation of the Exclusive Economic Zone, which was co-signed by the Republic of Cyprus and the State of Israel, was within the framework of exercising the Republic's sovereign rights. Issues concerning the Republic of Cyprus and the exercise of its sovereign rights do not concern any third State. The conclusions of the recent EU Foreign Ministers Council, which were subsequently adopted by the EU Summit, reiterate the right of all Member States to exercise their sovereign rights.

The report went on to address Israel's stand and the importance to cooperative development of Cyprus' energy resources;

At the same wavelength, Tel Aviv also condemned Turkish reactions stating that the agreement was signed between two sovereign states and Turkey has no legitimate right to condemn the bilateral agreement. The Israeli Minister of Infrastructure stated: "The signing reflects the close relations and ongoing cooperation between Israel and Cyprus". Hence, the Republic of Cyprus has made steps that clarify its sea borders with third states which are by all means essential in protecting its right to oil and underwater natural gas in the near future.

Lawrence Solomon, executive director of *Oil Probe* commented in a [blog post](#) on the EEZ boundary conflicts among the Republic of Cyprus, Greece and Turkey;

Turkey disputes Cyprus's rights to develop what's known as its Exclusive Economic Zone — a designation under the United Nations Law of the Sea that grants offshore rights to signatories of up to 200 nautical miles. Turkey claims that the residents of what is now Northern Cyprus — officially the Turkish Republic of Northern Cyprus, a state no country but Turkey recognizes — are entitled to a share of the spoils of the waters off the south part of the island.

To further muddy the waters, Turkey is the only country in the world that doesn't recognize the state of Cyprus, an EU member, and Turkey has not signed the Law of the Sea treaty. To demonstrate its seriousness, Turkey often characterizes Cyprus

the Sea treaty. To demonstrate its seriousness, Turkey often characterizes Cyprus drilling in bellicose terms such as "provocation" and "madness," deploys war ships and jet fighters to the area, and engages in retaliatory gas exploration off the south coast of Cyprus.

Turkey's relations with Greece are no less complicated, or confrontational. Although Greece signed the Law of the Sea treaty almost three decades ago, and has been entitled to claim an Exclusive Economic Zone in the Mediterranean ever since, Turkey threatened war if it did so. As a result, an intimidated Greece — Turkey's million-man army is the Middle East's largest — has refrained from developing its offshore resources, which are believed to include major oil deposits as well as natural gas.

Turkey, meanwhile, has been exploring in Greek waters, and, to everyone's surprise, claimed sovereignty over Gavdos, a tiny Greek island near the major Greek island of Crete and far from the Turkish mainland. Turkish possession of Gavdos, population 98, would transfer much of Greece's Exclusive Economic Zone to Turkey.

In a mid-July, 2011 at a cabinet meeting, Israeli PM Netanyahu made an announcement that contested Lebanon's Maritime Border endorsed by the US. *Ha'aretz* [noted](#):

Prime Minister Benjamin Netanyahu responded on Sunday to a recent dispute on Israel's maritime border with Lebanon, saying at a cabinet meeting that the lines delineated in a Lebanese proposal are significantly further south than those recognized by Israel and determined in previous deals.

"The lines declared by Lebanon contradict both the maritime border agreement signed by Israel and Cyprus, as well as the border agreement signed between Lebanon itself and Cyprus," Netanyahu said at the meeting, adding that Israel is actively working to clarify the border based on international maritime law.

At issue is potentially billions of dollars in offshore gas field developments, although Israel's offshore Tamar and Leviathan gas fields with over 26 trillion cubic feet will not be affected. Lebanon's proposed Maritime Border was announced in August, 2010 by former Lebanese PM, Saad Hariri. The Lebanese Maritime Border with Cyprus was submitted last November to the UN. The Lebanese proposal has the endorsement of the US, raising the question of whether the Obama administration is trying to carve out billions of contested offshore gas developments that would come under a Lebanese government controlled by a Hizbullah coalition.

Israeli PM Netanyahu's cabinet announcement comes amid accusations that Iran and Hizbullah are behind the proposed Maritime Border would establish an undersea [Exclusive Enterprise Zone \(EEZ\)](#) under the provisions of the UN Convention on the Law of the Sea (UNCLOS). That EEZ would intrude on Israel's northern Maritime Border. Neither country maintains diplomatic relations so the matter would be sent to UN for arbitration. We note that Lebanon is a signatory to UNCLOS, while Israel is not. Further, the US which sponsored the Law of the Sea Treaty (LOST) has [not ratified](#) it.

The *Ha'aretz* report went on to [note](#):

Israel has rejected the possibility of indirect talks via the United Nations to resolve the issue, calling on Lebanon to begin negotiations on all border issues, not just the maritime border. The foreign and infrastructure ministries believe that Lebanon is claiming vast offshore territories that belong to Israel under international law.

"It's important to provide the UN with the Israeli version of the border as soon as possible, to react to Lebanon's unilateral move," a senior Foreign Ministry official told *Ha'aretz*. "Not responding could be interpreted as a tacit agreement. We must act fast to ensure Israel's economic rights in these areas."

Israel has become even more concerned about the positioning of the border after learning recently that a Norwegian company has begun searching for gas in the area. The search is due to be

that a Norwegian company has begun searching for gas in the area. The search is due to be completed within months, and the Lebanese government hopes to use the findings to license international energy companies to probe areas that could be in Israel's EEZ.

Israeli Vice Premier Moshe Ya'alon underlined suspicions that Iran and Hizbullah were behind this move in his [Ha'aretz comments](#):

We signed an agreement with Cyprus that is in keeping with its agreement with Lebanon, when we announced our gas drilling. The Iranians and Hizbullah decided that it would be a good excuse for conflict with us.

They decided to sketch a new border south of the line that was agreed to in talks between Lebanon and Cyprus, and basically entered our territory. It was done with premeditation in order to create conflict with us, just like the Sheba Farms.

At issue is the role of US diplomat Frederic Hof, an aide to former Special Envoy George Mitchell, who had submitted the Lebanese Maritime border plan to "outside experts" resulting in US endorsement. *Ha'aretz* in a separate report [noted](#) the exchanges and role of US official Hof:

In April, Hof began shuttling between Beirut and Jerusalem. A senior Administration official told *Ha'aretz* that Hof's main goal was to prevent the border from becoming a source of tension between Israel and Lebanon, which could give Hizbullah a pretext for targeting Israeli gas installations.

Beyond the political and diplomatic interest, the United States has an economic interest in keeping the parties calm, not least because American companies are involved in the search for gas and oil in Israel, Lebanon and Cyprus. Hof told his counterparts in Jerusalem that Israel should cooperate with setting the maritime border to prevent the creation of an "underwater Shaba Farms," referring to a contested area on the Israel-Lebanon border.

The Foreign Ministry official said Israel had asked the Americans to relay a warning to Lebanon on the matter. Foreign Ministry officials told Hof that Israel would not allow a provocation on the matter or an attack on Israeli gas installations. They said Israel would consider such an attack an attack on its sovereign territory and would retaliate "strongly" against Lebanon.

Hof responded by suggesting that Israel submit to the United Nations its own outlook on the border and try to launch a dialogue. Hof asked Israel not to turn the issue into a political spat but to see it as an economic and technical matter that could benefit all parties.

A [Globe's Israel Business report](#) on the fracas over the Maritime Border between Israel and Lebanon thought the impact on Israel's gas development was "marginal." Note this assessment by

Amiram Barkat:

The route that the border follows is now being submitted to the UN, about a year after Lebanon submitted its interpretation of the sea border route between the two countries. The decision on the matter will be taken by an arbitration body appointed by the UN, and not the US.

However, the entire story has been taken out of all proportion. Even if the UN were to adopt the Lebanese version of the maritime border, there would be no serious harm to Israel's exploration licenses in the region.

A professional Israeli source that examined the border route under contention said that it involved the northern extremes of the Alon and Ruth licenses, in the northern part of Israel's licenses region. As far as is known, in these areas there are several structures that might contain gas or oil, but these structures are relatively small, and are not top of the agenda of [Noble Energy Inc.](#) (NYSE: NBL) and [Delek Group Ltd.](#) (TASE: DLEKG) who own the licenses.

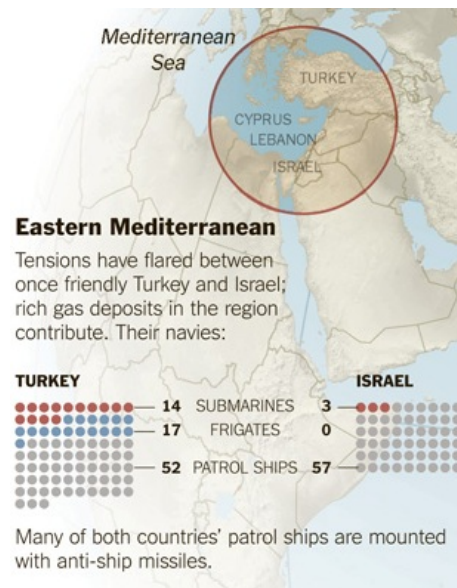
The only fallout from moving the Israel Lebanon maritime border south would thus

be in the Ruth and Alon gas and oil fields, if there are discoveries in these licenses, and if they spill over the border into Lebanon. If that is the case then development of these fields, which are far from the top of the agenda, would be delayed.

Could this Maritime Border dispute between Lebanon and Israel erupt in a battle for control of gas drilling in the Eastern Mediterranean, upstaging the current contest between China and countries like Vietnam and the Philippines over oil development in the South China Sea? When Lebanon announced its Maritime Border plans, Israel Deputy Prime Minister for Infrastructure Dr. Uzi Landau said in a June 2010 *Globes Israel Business report* :

We will not hesitate to use our force and strength to protect not only the rule of law but international maritime law. Whatever we find, they will have something to say. That's because they're not challenging our findings and so-called occupation of the sea. Our very existence here is a matter of occupation for them. These areas are within the economic waters of Israel.

Rising Security Concerns in the Levant Basin



Source: *New York Times* and International Institute for Security Studies

In mid-September, 2011, two IAF F-15s flew over both the Republic of Cyprus and the Turkish northern enclave after [buzzing](#) a Turkish research vessel off Cyprus' southern coast in violation of Cyprus' EEZ. An Israeli helicopter loitered overhead near a Turkish research vessel, Piri Reis, while the latter was in the Aphrodite gas field claimed by the Republic of Cyprus. Israel's AWACs aircraft [were patrolling](#) along the EEZ of Cyprus and Israel, at an altitude of more than 40,000 feet, monitoring Turkish intrusions over Cypriot airspace. In symbolic retaliation, Turkey's Air Force jets made passes over a Greek island off Turkey's southwestern coast.

A week prior to these confrontations over Greece and Cyprus, Turkey and Turkish Cyprus concluded an agreement delimiting maritime boundaries in the eastern Mediterranean. Agreements that conflict with the recent Republic of Cyprus-Israel EEZ. Turkey declared that it would protect its sole research vessel with warships. These actions raise the prospect of possible armed conflict.

Given these roiling disputes over control of the vast energy prize in the Levant basin, Israel has taken aggressive precautions. In addition to the sorties over Cyprus, Israel has increased naval

missile boat patrolling of drilling platforms in the Mediterranean. As [reported](#) by Reuters, an Israel official noted, "We have replicated the arrangements already in place at Yam Tethys, referring to another Israeli gas field 40 km (25 miles) off southern Ashkelon port, near the waters of the

Palestinian territory Gaza." Those drilling platforms are vital to Israel's securing its vast share of the offshore energy prize. Those security concerns about offshore development of gas fields' security are reflected in these comments of former Israeli national security adviser, Giora Eiland, "One danger is a proximity attack, by frogmen, by boats, by terrorists in some fashion. Another bigger challenge is how to face the threat of missiles." Israel's naval expansion reflects the necessity of protecting fields in its EEZ offshore:

The Israeli military's newspaper Bamahane said the navy was undergoing expansion including the appointment of a commodore to handle the induction of two more German-made submarines and address "the new need to protect the drilling rigs".

These provocations by Turkey complicate Israel's Defense contingency planning for a possible conflict over control of these vital Levant Basin gas projects in alliance with both Greece and Cyprus.

A comparison of relative military strengths of Turkey versus Israel lends credence to a possible qualitative, rather than quantitative edge for Israel, given its air combat performance, technology edge, anti-missile and ICBM and nuclear program. According to [Globalfirepower.com](#), Turkey's overall military strength is ranked 6th in world, while Israel's is ranked 10th. Turkey has more than ten times Israel's population of 7 million. Turkey has on paper a formidable Naval force composed of 265 vessels including more than 108 patrol craft and 19 frigates. Turkey also has more than 16 submarines versus Israel's 3 Dolphin subs. Israel's coastal hugging navy with its fleet of 64 frigates, patrol crafts and missile boats is ranked 29th in the world, while Turkey is ranked 8th.

Israel's well-regarded Air Force is ranked fourth among World's Air Forces. According to the CIA Fact Book, Israel has more than 1,964 aircraft and 689 helicopters, while Turkey has 1,940 aircraft and 874 helicopters. In any dispute with Turkey, Israel can make use of Cypriot airfields and mid-air refueling capabilities to enhance air operations over the entire area of possible conflict. Because of its past joint exercises with Turkey, Israel has a ready assessment of its capabilities in both naval and air operations. Israel has demonstrated its tactical superiority against anti-air defense systems given its elaborate joint air exercises with Greece in training for a possible air assault on Iran's nuclear facilities. Israel has a joint defense agreement with Greece that was recently invoked by the latter during recent provocative over flights by Turkey. Cyprus is alleged to be contemplating a similar defense agreement with Israel, as well. Turkey's immediate actions may be tempered by internal problems in neighboring Syria, as well as Russian naval forces that are [scheduled](#) to conduct maneuvers in the Eastern Mediterranean in late November, which might include a stop at the Cypriot port of Limassol by a Russian flotilla including aircraft carrier, the Admiral Kuznetsov.

Israel's Choices: Protection of its Energy Resources or Countering Iran's Nuclear Threat

Renowned British professor and historian, [Niall Ferguson](#), posited a bleak prospect for Israel caught between the [Scylla and Charybdis](#) of threats against its existence from a nuclear Iran versus protection of its valuable oil and gas properties, both on and off-shore, from predator Arab States and Turkey. The latter in a [Bayesian](#) sense would have a major payoff, perhaps sufficient to counter the existential one facing Israel from Iran. In a *Wall Street Journal* piece, "[2021: The New Europe](#)," Ferguson drew a grim choice facing Israel's leaders.

The events of 2012 shook not just Europe but the whole world. The Israeli attack on Iran's nuclear facilities threw a lit match into the powder keg of the "Arab Spring." Iran counterattacked through its allies in Gaza and Lebanon.

Having failed to veto the Israeli action, the U.S. once again sat in the back seat, offering minimal assistance and trying vainly to keep the Straits of Hormuz open

offering minimal assistance and trying vainly to keep the straits of Hormuz open without firing a shot in anger. (When the entire crew of an American battleship was captured and held hostage by Iran's Revolutionary Guards, President Obama's slim chance of re-election evaporated.)

Turkey seized the moment to take the Iranian side, while at the same time repudiating Atatürk's separation of the Turkish state from Islam. Emboldened by election victory, the Muslim Brotherhood seized the reins of power in Egypt, repudiating its country's peace treaty with Israel. The king of Jordan had little option but to follow suit. The Saudis seethed but could hardly be seen to back Israel, devoutly though they wished to avoid a nuclear Iran.

Israel was entirely isolated.

Given the daunting choice confronting Israel, it would of course be preferable to protect the glittering prize of this potentially huge energy supply by declining to attack Iran's nuclear program, that is, if the threat to Israel's national existence weren't so very high. Nevertheless, by cannily recognizing the substantial economic gains from its oil and gas discoveries in the Levant basin and co-development projects with both Greece and Cyprus, Israel has enabled a geo-political shift that comes once in a generation. It has illustrated that candid comment of [Eisenhower-era Secretary of State John Foster Dulles](#): "The United States of America does not have friends; it has interests." However, the Obama Administration has given this issue scant attention, perhaps signalling that it doesn't have America's best energy interests in mind when it comes to support of Israel. The economic advantages of having a non-Islamic country in control of vast energy resources in the Middle East by dint of technological and entrepreneurial acumen has apparently not dawned on the West Wing of the White House. It has in both Athens and Nicosia. It may hopefully also dawn on the EU Commission in Brussels seeking secure deliveries of natural gas to provide future power needs for its collective industrial infrastructure. The geo-political realities of what Israel has unearthed should define relations between Washington and Jerusalem. Those realities should also figure prominently in foreign affairs issues to be debated in the 2012 Presidential campaign by whoever is picked as a Republican Presidential nominee.

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