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Does the Prospective Purchase of British Gas from Gaza Threaten Israel's National Security?

Lt.-Gen. (ret.) Moshe Yaalon, October 19, 2007

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- British Gas is supposed to be the crown jewel of the Palestinian economy, and provide part of the solution to Israel's pressing energy needs. The British energy giant, now called the "BG Group," and its local partners – the Palestinian Authority under Mahmoud Abbas and the private, Palestinian-owned Consolidated Contractors Company (CCC) – are currently involved in advanced negotiations to sell to Israel massive amounts of natural gas – reserves of nearly 1.4 trillion cubic feet – that BG first discovered in 2000 off the Gaza coast. The market value of the gas has been estimated at \$4 billion. Therefore, sale of the gas to Israel would mean a billion-dollar windfall for the PA and, potentially, for the Palestinian people.
- Unfortunately, British assessments, including those of former Prime Minister Tony Blair, that Gaza gas can be a key driver of an economically more viable Palestinian state, are misguided. Proceeds of a Palestinian gas sale to Israel would likely not trickle down to help an impoverished Palestinian public. Rather, based on Israel's past experience, the proceeds will likely serve to fund further terror attacks against Israel. No less threatening is the fact that terror organizations associated with the global Jihad, like al-Qaeda, will be highly motivated to attack any British Gas installation off Gaza's shores that provided fuel to Israel.
- For Israel, the need for BG's gas may have already taken a toll. It is possible that the prospect of an Israeli gas purchase may have played a role in influencing the Olmert cabinet to avoid ordering a major IDF ground operation in Gaza, despite at least 1,000 rocket and mortar attacks against southern Israel since the Hamas takeover of Gaza in June 2007.
- Clearly, Israel needs additional natural gas sources, while the Palestinian people sorely need new sources of revenue. However, with Gaza currently a radical Islamic stronghold, and the West Bank in danger of becoming the next one, Israel's funneling a billion dollars into local or international bank accounts on behalf of the Palestinian Authority would be tantamount to Israel's bankrolling terror against itself. Therefore, an urgent review is required of the far-reaching security implications of an Israeli decision to purchase Gaza gas.

Selling British Gas to Israel: A Key British Foreign Policy Goal Since 2000

The British government seems to have pinned much of its Middle East policy on the successful outcome of British Gas negotiations with Israel. A September 18, 2007, report in the Arabic *al-Quds* newspaper noted that the British government views Gaza's natural gas reserves as central to 10 Downing Street's "economic road map" for the Middle East region.¹ Tony Blair's position, first as prime minister and now as the very active Quartet Envoy for Palestinian Economic Development, has been that the Palestinian Authority's share of the gas sale proceeds, which could reach well over a billion dollars, could serve as the economic fuel to jump-start the Palestinian economy and advance the peace process.

The Blair government's admirable goal of helping the Palestinian economy wean itself from about a billion dollars a year in international handouts may have driven BG in November 1999 to make former Palestinian leader Yasser Arafat and his tightly-controlled Palestinian Authority a local partner in the gas project, together with the Athens-based Palestinian concern, the Consolidated Contractors Company (CCC). Arafat clearly understood the financial potential of a billion dollars in royalties. Soon after the gas discovery, BG and its local Palestinian licensees approached the State of Israel to buy the gas. Then Prime Minister Tony Blair personally urged former Prime Ministers Barak and Sharon to finalize a deal.

Despite Blair's enthusiasm for the deal, Mossad Chief Meir Dagan opposed the transaction on security grounds, that the proceeds would fund terror.² Israeli fears were justified. Arafat and Fatah leaders stole billions from the public till to finance terror against Israel, as documents recovered by the Israel Defense Forces from Arafat's compound revealed.³ Israel also faced virtually non-stop Palestinian terror attacks from 2000 to 2005, resulting in more than 1,000 Israelis killed.⁴

There had been no comprehensive interagency security assessment between 2002 and 2005 regarding a potential BG deal with Israel. However, Dagan's opposition to it (as noted by Member of Knesset Gilad Erdan in a 2006 speech to the Knesset Plenum) was also shared by former Prime Minister Sharon. Today, Prime Minister Olmert has revived the relationship with BG and has exerted much energy to reach a definitive agreement for the purchase of the offshore natural gas.

Today's Prohibitive Strategic Security Environment

Since Sharon's opposition to the BG deal, and its subsequent collapse in 2005, strategic security threats to Israel have worsened considerably. Iran has fully penetrated Palestinian areas, particularly Gaza, from which its proxies Hamas and Islamic Jihad have fired some 2,000 rockets at Israel since its 2005 withdrawal. Iran is today the major funder, trainer and provider of advanced weaponry to its various Shiite and Sunni proxies including Hizbullah in southern Lebanon, Hamas and Palestinian Islamic Jihad in Gaza, and the Fatah-associated Al Aksa Martyrs Brigades in the West Bank. Iran funneled more than \$250 million to Hamas in 2006 alone. Other Sunni Jihadi groups associated with al-Qaeda and the global Jihad also operate in Gaza.

Iran is also interested in controlling energy assets in the region and would likely target off-shore gas reserves either as a "carrot" to induce Hamas cooperation or as a "stick" against Hamas in the event of diverging interests with Teheran.

Hamas' "Partnership" in the BG Transaction

British officials have expressed confidence that the gas proceeds can bypass Hamas and benefit the Palestinian public by being deposited and monitored in international bank accounts.⁵ Israel has also proposed paying for the gas in goods and services.⁶ However, these assessments are mistaken. A gas transaction with the Palestinian Authority will, by definition, involve Hamas. Hamas will either benefit from the royalties or it will sabotage the project and launch attacks against Fatah, the gas installations, Israel – or all three.

Soon after Hamas' takeover of Gaza in June 2007, Hamas' economic minister in the PA government, Ziad Zaza, blasted BG as "an embarrassment to the Palestinian people," while labeling the transaction an "act of theft" against Palestinian lands.⁷ However, Hamas soon reversed its position and now insists on renegotiating the agreed percentages in the deal to reflect its participation.⁸ Dr. Mohammed Mustafa, head of the PA's Palestinian Investment Fund, a local BG partner, has indicated on more than one occasion that at least 10 percent of the gas proceeds will be directed to Gaza and that arrangements could be made to satisfy "the organizations" – meaning Hamas – in negotiations.⁹ This means, in simple terms, that the current terms of the deal are still unsatisfactory to Hamas, although it stands to receive a minimum direct payout of \$100 million, while the PA's Fatah leadership will likely pocket close to \$900 million.

Hamas, in anticipation of its participation in BG negotiations, has confirmed its capability to bomb Israel's strategic gas and electricity installations in Ashkelon.¹⁰ This type of threat is a pressure tactic against Israel that will most likely increase if the BG deal moves closer to completion. It is clear that without an overall military operation to uproot Hamas control of Gaza, no drilling work can take place without the consent of the radical Islamic movement.

Israel's Past Experience: Money Flowing into PA Also Funds Fatah Terror Groups

Israel's experience during the Oslo years indicates Palestinian gas profits would likely end up funding terrorism against Israel. The threat is not limited to Hamas. Since the establishment of the PA in 1993, monies that flowed into the Palestinian Authority from international donations, tax revenues, or profits from business with Israelis and other international investors – such as the Jericho Casino and other transactions – have ended up funding terror groups such as the Al Aksa Martyrs

Brigades, Fatah Tanzim, and others. Simply put, once the funds reached the PA in the past, they could not be controlled by any outside authority.

For example, in the Oslo era, it has already been disclosed that monies that flowed through the PA's PCSC – a division of the PA's Palestinian Investment Fund (PIF), one of the partners in the current British Gas negotiations – ended up funding terror actions against Israel by the Fatah-associated Al Aksa Martyrs Brigades.¹¹ Another good example is the money raised by Hamas charities in the United States that U.S. government prosecutors now charge is funding Hamas terror activities in Gaza.¹² True, part of these monies raised by charity ended up funding the Hamas' "Dawa" social programs in Gaza. However, a good portion of these financial resources also ended up funding terror against Israel. While senior British officials have continued to call Hamas "a problem that can be solved," their confidence is misplaced if they believe that they can find international financial mechanisms to bypass Hamas and other terror groups. Simply put, Israel's longstanding experience shows empirically that it is impossible to prevent at least some of the gas proceeds from reaching Palestinian terror groups.

BG Gas Deal Frees Hamas from Isolation

BG's negotiations with Israel, that have the full backing of the British government, have already helped unshackle Hamas from political and diplomatic isolation. While British Prime Minister Gordon Brown's official position is that Britain will not talk to Hamas as long as its goal is to destroy Israel, a number of prominent voices in Britain including the House of Commons Foreign Affairs Select Committee are calling for reengaging with "moderate" Hamas elements.¹³

Former MI6 official Alistair Crooke, who was also a former advisor to EU foreign policy chief Javier Solana, has "opened up unofficial channels of communications between Hamas and Western governments."¹⁴ Quartet envoy Tony Blair has also advocated speaking to Hamas to replicate the Northern Ireland model.¹⁵ Crooke's formal plan, entitled "Politicizing Hamas," was backed by Blair during his tenure as prime minister. Crooke's ideas today are clearly illustrated in the recent Labor conference speech by Foreign Minister David Miliband, who praised Hamas for the release of BBC journalist Alan Johnston and called for "listening" to Islamists.¹⁶ Senior Hamas official Ahmad Yusuf has indicated that many behind-the-scenes meetings between Hamas and European officials have been keys to a Hamas reengagement in the diplomatic process.¹⁷

Furthermore, current British Gas negotiations have already helped fuel Fatah and Hamas discussions of a possible reengagement. Hamas' Yusuf has also indicated that despite U.S. and Israeli isolation of Hamas, Fatah and Hamas have been conducting back-channel negotiations to resolve their differences and reenergize a national unity government.¹⁸ Palestinian Prime Minister Salaam Fayad has also continued to pay the salaries of the Hamas Executive Force in Gaza.

A Prospective Gaza Off-Shore Gas Installation: A Magnet for Global Jihad

The Israeli government reportedly intends to deploy IDF naval combat vessels to protect a future British-Palestinian gas installation about 800 feet below sea level. According to this strategy, the BG

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