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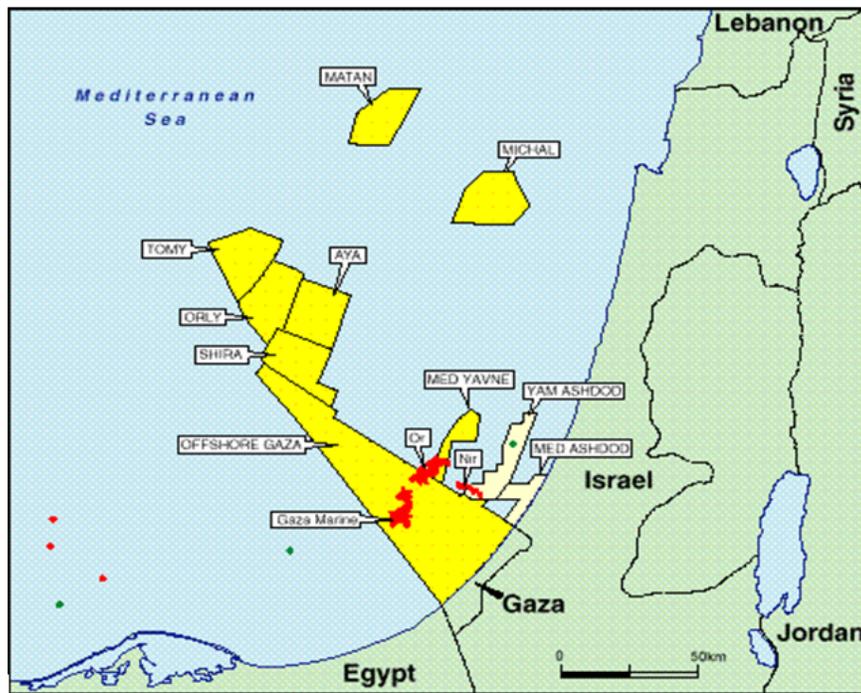
Bombing for Oil: Gaza, Israel and the Levant Basin

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07/22/2014

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10,710
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With recent developments between Palestine and Israel we feel its necessary to bring the following facts and potential un-discussed motives into the light. This article will focus on the large natural gas discoveries made in the Levant Basin, off the coast of the Gaza Strip in recent years and the war surrounding who will reap the billions of dollars when those wells become a new major producer in the area. Information is also included below regarding exploration for oil in the West Bank. Please be sure to peruse the list sources and additional links at the bottom of this article.

With strong indications of extensive gas and oil reserves in Palestinian lands and waters, the British Gas Group (BG) and the Consolidated Contractors International Company (CCC) were 'granted' gas exploration rights in Gaza's offshore, in a 25-year agreement signed in 1999 with the Palestinian Authority (PA). In 2000, as drilling operations began, BG and CCC found gas fields in the Gazan off-shores, including Gaza Marine 1 and the Gaza border field (Gaza Marine 2).



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Under the agreement, BG and CCC were granted gas exploration rights and exclusive rights for marketing in the event that reserves were discovered. The two companies were granted a total 90% ownership of any reserves (60% and 30% respectively for BG and CCC), with only 10% for the Palestinian side.

Gaza Marine 1 is entirely located in the Palestinian territorial waters facing the city of Gaza, with reserves estimated at 28 billion cubic meters. The Gaza border field is located within the maritime border area between the Gaza Strip and Israel as illustrated in image above. The border field's well reserves are estimated to be on the order of 3 billion cubic meters. Gaza's gas reserves are estimated at 31 billion cubic meters and are valued at more than \$6.5 billion.

When gas reserves were discovered in 2000, late Palestinian President Yasser Arafat held a special ceremony for the occasion, which gave Palestinians hope that their homeland would thrive and join other Gulf countries as a major gas exporter.

Yet Palestine over the past 14 years has been unable to properly exploit its own gas due to the political and economic impediments with Israel, and due to internal division and the absence of legislative control. Israel has managed to be the *sole purchaser* of the 10% allocated Palestinian gas, setting its own conditions to any sale agreement.

Palestinian President Yasser Arafat insisted on transporting gas to Gaza first and then pumping it through ground pipelines to Israel, in a move intended to stress Palestinian sovereignty over their own resources. Negotiations over gas deals beginning in 2001 broke down in 2007 due to differences on where the pipeline would come on shore, the complications of increasing violent events, and the Hamas takeover of the Gaza Strip in 2007. These all contributed to circumstances whereby, in 2007, BG Group withdrew from negotiations with the government of Israel for the sale of gas from the Gaza Marine field and in 2008, BG Group closed its office in Israel, yet remained in contact with both the PA and Israel.

Israeli defence minister and former Israeli Defence Force (IDF) chief of staff Moshe Ya'alon in 2007, a year before Operation Cast Lead, focused on the 1.4 trillion cubic feet of natural gas discovered in 2000 off the Gaza coast, valued at \$6.5 billion. Ya'alon dismissed the notion that "Gaza gas can be a key driver of an economically more viable Palestinian state" as "misguided." The problem, he said, is that:

"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...

A gas transaction with the Palestinian Authority [PA] 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... 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."

Operation Cast Lead began in December 2008, at the exact same time that Israel contacted BG to discuss critical negotiations around Gaza's natural gas. As these negotiations continued, 1,417 Palestinians were killed, displacing over 50,000 Gazans and destroying over 4,000 homes through air strikes and a deadly ground invasion with the declared purpose of securing areas within the Gaza strip that rockets were fired from.

Operation Cast Lead did not succeed in uprooting Hamas, but the conflict did take the lives of 1,387 Palestinians (773 of whom were civilians) and 9 Israelis (3 of whom were civilians).



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Israel has made its own successive major discoveries in recent years, such as the Leviathan field estimated to hold 18 trillion cubic feet of natural gas. Huge obstacles to that extraction are that much of the 122 trillion cubic feet of gas and 1.6 billion barrels of oil in the Levant Basin Province lies in territorial waters 81 kilometers off the coast where borders are hotly disputed between Israel, Syria, Lebanon, Gaza and Cyprus.

Despite these findings Israel, which is said to be dependant on Egyptian gas for some 40 percent of its electricity needs was cut off by Egypt in April of 2012.

After the February 2011 ouster of former Egyptian president Hosni Mubarak and 15 pipeline attacks in the Sinai, Islamist groups mobilized against Israel and pressured the Egyptian Natural Gas Holding Company to cancel the 20-year contract, even as Egyptian hard currency reserves dwindled.

The month before in January 2011, Prime Minister Netanyahu described the offshore gas fields in the Levant Basin as a "strategic objective that Israel's enemies will try to undermine" and vowed that "Israel will defend its resources."

Two of the Israeli government's chief scientists of the Nation Gas Authority said in a letter that the government chose not to publicize that Israel will need 50% more natural gas than has been forecast until now and its offshore reserves will be empty in less than 40 years.

"We believe Israel should increase its [domestic] use of natural gas by 2020 and should not export gas. The Natural Gas Authority's estimates are lacking. There's a gap of 100 to 150 billion cubic meters between the demand projections that were presented to the committee and the most recent projections. The gas reserves are likely to last even less than 40 years."

But even after a new round of negotiations was kick-started between the Fatah-led Palestinian Authority and Israel in September 2012, Hamas was excluded from these talks, and thus rejected the legitimacy of any deal.

Earlier this year, Hamas condemned a PA deal to purchase \$1.2 billion worth of gas from the Israeli Leviathan field over a 20 year period once the field starts producing. Simultaneously, the PA has held several meetings with the British Gas Group to develop the Gaza gas field, albeit with a view to exclude Hamas – and thus Gazans – from access to the proceeds.

But the PA is also courting Russia's Gazprom to develop the Gaza marine gas field, and talks have been going on between Russia, Israel and Cyprus, though so far it is unclear what the outcome of these have been. Also missing was any clarification on how the PA would exert control over Gaza, which is governed by Hamas.

According to Anais Antreasyan in the University of California's [Journal of Palestine Studies](#), the most respected English language journal devoted to the Arab-Israeli conflict, Israel's stranglehold over Gaza has been designed to make "Palestinian access to the Marine-1 and Marine-2 gas wells impossible." Israel's long-term goal "besides preventing the Palestinians from exploiting their own resources, is to integrate the gas fields off Gaza into the adjacent Israeli offshore installations."

The 2012 annual report of the PIF noted that the value of the natural gas off Gaza depends "largely on global prices" but put a total value at "several billion dollars." It noted that about \$100 million had been invested so far in the project with total exploration and developments projected to reach \$800 million.

Current plans for the development of the Gaza Marine field involve the construction of well-heads on the sea-bed, the laying of pipes to a collection unit, and a sub-sea pipeline from this to the shore, making landfall at the coastal Israeli city of Ashkelon. The volume of production is predicted to be around 1.6 billion cubic meters (bcm) per year (around 57 billion cubic feet) giving a lifetime of 20 years to the field, a key investment requirement. It is predicted that it will take three years from the decision to go ahead with exploitation before the first gas flows ashore.

Since there are only 10 years left in BG's original license BG would need an extension to the license, opening the table for renegotiations.

In January 2014 the Palestine Power Generation Company (PPGC) agreed to buy \$1.2 billion worth of natural gas over a 20-year period. The volume of the gas was given as 4.75 bcm, which, spread over a 20-year period is very small. Estimates of the size of Leviathan exceed 530 bcm. The Leviathan gas would fuel a new \$300 million, 200MW (though some reports say 300MW) power plant planned for construction near the city of Jenin in the north of the West Bank. The Jenin power station would take between two and two-and-a-half years to come into operation, a time period compatible with plans for the Leviathan field coming on stream in either late 2016 or early 2017.

Overall plans, according to Deputy Prime Minister Muhammad Mustafa, are "to have the capacity to domestically produce 1,000MW of electricity using offshore gas in five years, up from just 70MW at present, turning Palestine from being energy dependent on Israeli imports to an exporter, which would greatly benefit Palestinians.

In March 2014, the Palestinian Authority announced plans to explore for oil in the West Bank in an area of about 400 square kilometers along the Green Line, the ceasefire line until 1967. Deputy Prime Minister for Economic Affairs Muhammad Mustafa said initial studies indicated the area may have between 30 million and 186 million barrels of oil. The PA announced it would accept bids from potential partners through **June 2014**.

The Palestinians proclaimed the project, close to a small oil field in Israel, a key step toward their dream of developing the local economy and gaining independence in the West Bank. But Israel, which wields overall control of the area, gave no indication it has agreed to the plan, and far less ambitious attempts at economic development have repeatedly sputtered in large part because of Israeli restrictions.

The PA is looking for Russian support for its power plant projects. Technopromexport, an engineering company involved in energy projects in Russia and abroad, is mentioned as a contractor to build a 200MW power plant in the West Bank, according to material prepared for the **January 2014** meeting in Moscow between Presidents Vladimir Putin and Mahmoud Abbas.

Palestine moving closer to becoming a sovereign state in the eyes of the United Nations, complicates this situation for Israel's interest in the region even further. The [current government](#) was sworn in by the

President of the State of Palestine, Mr. Mahmoud Abbas, on 2 June 2014. It was [recognized by the United Nations on the 4th of June](#) stating:

“The Bureau of the Committee on the Exercise of the Inalienable Rights of the Palestinian People welcomes the formation of the Government of national consensus of the State of Palestine, which was sworn in on 2 June in Ramallah by President Mahmoud Abbas. The Government, headed by Prime Minister Rami Hamdallah, is comprised of independent figures, and will report to President Abbas. The Bureau observes that the new unity Government will have a mandate focused on preparing for legislative and presidential elections within six months, and on rebuilding Gaza. The Bureau welcomed the assurances given by President Abbas and Prime Minister Hamdallah that the new Government is committed to respect past agreements, international political initiatives and peaceful solutions.”

Palestine being internationally recognized as a sovereign state would solidify it's offshore rights, essentially guaranteeing future benefits from its own resources.

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