

Eastern Mediterranean Gas: Muscles and Diplomacy

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Major discoveries of natural gas in the Eastern Mediterranean in recent years have added, with its serious political and security implications, to tension and instability of the volatile region. Lebanon and Israel are technically still in a state of war as no peace treaty has ever been signed between the two neighbors. Turkey finds itself for decades in a dispute with Cyprus over the status of the northern part of the island. Relations between Israel and Turkey, the key players in the game of regional gas, are strained and mercurial. And now add the gas.

The Leviathan, the largest of the fields, is estimated to hold as much as 3.500 billion cubic meters (BCM), which is 673 times more than Israel consumed in 2011, or 8 times more than the whole European Union used in 2012[1]. In an ideal scenario, one that produces stability and economic gain, Israel could become a significant gas exporter until the end of the decade, while Turkey might enhance its standing as a vital energy transit station and a key regional player. But, as it happens not only in the Eastern Mediterranean, there are several obstacles.

Too Much Gas, Too Few Options

Ironically enough, so far there has been too much gas and too few ways to transport it to foreign customers.

The majority of the discovered gas is located within the Israeli exclusive economic zone and can be drilled without constraints (that is why many foreign firms, with U.S. giant Noble Energy in the forefront, have been so active in the area). Relatively minor Mari-B field has been functioning since 2004, the real boom started with Leviathan coming online earlier in 2013, and with Tamar, Tanin, and newly discovered Karish expected to follow soon.

To make the exploitation economically sensible, it desperately needs to find ways how to export the valuable commodity (up to 50% of total production should go to export).

Two alternatives are available: building a conventional pipeline or investing into a liquefied natural gas (LNG) plant. But Israel's relations with regional actors constitute a significant obstacle to both of these options. Answering essential strategic questions of where and how, will require important moves on the diplomatic chessboard of the region.

First, Israel could build its own LNG terminal near the city of Eilat and then deliver the gas on tankers through the Mediterranean Sea to Europe, or through Gulf of Aqaba and Gulf of Aden to lucrative South-East Asian markets. Nevertheless, construction of such terminal is an extremely expensive venture and represents an attractive target for a potential terrorist attack.

Secondly, Israel considers a joint pipeline construction with Cyprus and Greece. While such option might bring a relatively cheap and quick solution, it seriously limits size of the final export markets as it excludes Asian Markets. Furthermore, cooperation of Israel with Cyprus would gravely infuriate and alienate Turkey, for Israel strategically more important than Cyprus.

Third option would be to construct a pipeline to Jordan where Israel could silently connect to the existing infrastructure and transport Israeli gas further to otherwise hostile countries in the region. Given political realities and

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general hostility towards Israel, added with vulnerability of an on-surface pipeline, this possibility is the least likely one.

And then there is still a Turkish option. Notwithstanding prevailing differences between the two key regional actors, a close cooperation with Turkey remains both strategically and economically very attractive for Israeli policy makers. Let's examine prerequisites for, and implications of, a potential Turkish-Israeli cooperation in more detail.

Who is the Decisive Player?

Turkey, a country with no direct access to the discovered fields, but with great political leverage and even greater motivation, will inevitably be the decisive player in the unfolding game of regional gas. Potential successful wide collaboration with Israel and other countries in the region, notably Cyprus and Greece, could well redraw the political map of the Eastern Mediterranean.

Given Turkish lack of its own energy resources, it has to import over 90% of its oil consumption and almost 100% of its rapidly growing natural gas needs[2]. Having Russia and Iran as the major providers, Turkey is eager to diversify its portfolio of suppliers. But Turkish major ambition derives from its geopolitically strategic position; it is keen to become a true energy hub, a center which connects commodity-rich East and hungry-for-energy west. This clearly definable interests – to participate in transportation of gas from the Eastern Mediterranean – together with Turkey's political regional ambitions, put the country into an uneasy role and shrew the regional gas exploitation in uncertainty.

To maintain its rising power momentum, Ankara simply needs to demonstrate that it is capable of promoting its vital interests in the region; previously it strongly opposed any exploitation until diplomatic disputes with Israel and notably Cyprus will have been solved. But so far, Turkish opposition seems to have very little impact. Israeli largest field came online earlier in 2013 and Cyprus has announced its final decision to individually construct a LNG plant and start exporting its gas around 2020[3]. Being left out of the game when all cards are had been played, would be a major blow not only to Turkey's strategic long-term interests, but also to its reputation.

Bound by NATO membership and facing the EU Member Cyprus and U.S. ally Israel, diplomacy remains the only instrument at Turks' disposal. Normalization of Turkish relations with Israel in March 2013 might be the first step towards future cooperation in gas exportation.

While Turkey is dependent on Israeli will (or need) to engage it, Netanyahu's government has a pallet of options how to export its redundant gas. Unfortunately, or perhaps luckily for Turkey, each possibility contains severe challenges.

Gas can Bring Nations Together

A stable and long-term partnership in gas exportation (or even exploitation) between Israel and Turkey would significantly increase security of the region in the medium and long run.

Through building a seabed pipeline, Israel could get access to a developed and wide Turkish gas infrastructure which redistributes gas to many markets. Simultaneously, increasing gas volumes flowing through Turkey would further strengthen Ankara's ambition to become a hub. Although surrounding Muslim countries might not welcome such partnership, Turkey could easily satisfy all anti-Israeli sentiments by occasional criticism of the Jewish state and by stressing the "pure economic nature" of the cooperation.

Construction and administration of a pipeline would require regular joint high-level consultations and meetings. These would inevitably lead the two regional powers to discuss also long-standing regional issues, including status of Palestine, post-Arab spring development, armament, and other key security questions. Connected by pipeline, Turkey and Israel could gradually find themselves tightened closer to each other than ever before.

Should, on the other hand, Turkey fail to attract Israel (or Cyprus, which is extremely unlikely) to cooperation and thus remain outside of the Eastern Mediterranean gas bonanza, the most probable result would be an increase in tension

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in the region.

True, Turkey would not be willing to resort to military means to deter any Israeli or Cypriot exploitation. But if Turkey would openly declare that it is not willing to tolerate any unilateral Cypriot action, the tiny island country with 30 000 Turkish soldiers stationed on its northern part would find itself in a very precarious position. Israel would then remain greatly isolated, with a lot of gas but only a small market and with no Turkish nor Cypriot export routes.

In such a scenario, strained relations would widen gaps between individual states in the region. Israel would stand alone, especially if Palestine and perhaps Lebanon would succeed to get closer to Turkey in their common cause of opposing any drilling until being granted a stake at the profitable venture.

The vast gas resources in the Eastern Mediterranean bring many hopes; for a greater regional cooperation, opening of a dialogue on the most burning issues, and strengthening of Israeli security. But because diplomatic relations are hardly ideal in the Eastern Mediterranean, huge and sustaining effort, primarily of the two key actors, Israel and Turkey, is necessary. Otherwise, they will have to start stretching their muscles.

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[1] U.S. Energy Information Administration. 2012. *Country Analysis: Israel*. (<http://www.eia.gov/countries/country-data.cfm?fips=IS#ng>)

Eurostat. 2012. Natural gas consumption statistics“. (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Gross_inland_consumption_in_EU27,_2011,_in_million_tonnes_of_oil_equivalent_%28Gross_Calorific_Value%29.png&filetimestamp=20120529132738) [2] Republic of Turkey Ministry of Foreign Affairs. 2012. „Turkey’s Energy Strategy“. *Republic of Turkey Ministry of Foreign Affairs Web site*, (<http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>)

[3] Darbouche, Hakim a El-Katiri, Laura a Fattouh, Bassam. 2012. *East Mediterranean Gas: what kind of a game-changer?*. Oxford, Oxford Energy Institute

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