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Opinion - Pipelines and Politics: Natural Gas Connects Israel and Egypt

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ROIE YELLINEK, MAR 4 2020

On Jan. 15, 2020, the Egyptian minister of petroleum, electricity, and renewable energy, Tarek el-Molla, and his Israeli counterpart, Yuval Steinitz, announced the start of Israeli natural gas exports to Egypt, supplied by Israel's largest subsea gas field, Leviathan. El-Molla and Steinitz made the announcement on the same day as the East Mediterranean Gas Forum (EMGF) held its third meeting in Cairo. Set up in 2019 and including Cyprus, Egypt, Israel, Greece, Italy, and Jordan as members, the EMGF aims to develop the Eastern Mediterranean gas market, lowering infrastructure costs and securing competitive prices for exports. By helping to tie the Eastern Mediterranean closer together economically, deals like the Israeli-Egypt gas export agreement will help to create a mechanism for long-term regional cooperation based on common interests.

Israeli Supply Meets Egyptian Demand

For decades, Israel has been reliant on energy imports to supply its domestic needs, but the discovery of the Leviathan field in 2010 and its subsequent development have enabled Israel to become an exporter for the first time. After Woodside Petroleum withdrew from a proposed partnership to develop the field, Israel and Egypt began negotiating a gas supply deal in 2012. Under the terms of the deal, Tel Aviv agreed to supply 85 billion cubic meters of natural gas for a period of 15 years. The parties also agreed to explore the possibility of Israel exporting additional gas to Egypt via Aqaba, Jordan through the Arab Gas Pipeline (AGP). Running 1,200 km, the AGP was originally constructed in 2003 to export Egyptian natural gas to Jordan, Syria, and Lebanon, and a supplemental branch was added in 2008, connecting Israel via Ashkelon.

Long a major producer and exporter of natural gas, Egypt faced a severe gas shortage at home starting in 2014 as soaring domestic demand and declining production outpaced available supply, forcing it to rely on imports until it regained its status as an exporter in 2019. Egypt will not only consume the imported Israeli gas domestically, but also export it on to Europe, which has been working to diversify its energy supplies and reduce its dependence on Russian gas. Earlier this year, in anticipation of the gas supply agreement with Israel, Egypt completed three huge combined-cycle gas-fired power plants with a total combined capacity of 14.4 GW.

Despite the complicated politics, Egypt was a logical destination for Israeli gas exports. Unlike Israel, Egypt already has the infrastructure in place to liquefy natural gas, but as a result of its gas crisis, the expensive liquefaction facilities at Damietta and Idku have been largely mothballed in recent years. By super-cooling the gas, these facilities make it easier to store and transport it over long distances and the resulting liquefied natural gas (LNG) can be shipped by tanker without the need to rely on pipeline infrastructure (albeit at a higher cost than pipeline gas). The influx of Israeli gas into Egypt could alleviate its domestic energy woes and even transform the country into a leading regional gas hub.

From the Economic to the Political

Israeli and Egyptian politicians view closer economic cooperation as a positive sign for continuing détente. On the day gas began to flow from Israel to Egypt, Israeli President Reuven Rivlin wrote in a letter to Egyptian President

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Written by Roie Yellinek

Abdel Fattah el-Sisi, "The flow of gas brings with it not only benefits for our economies but also deepens the connection between Egypt and Israel after over 40 years of peace. ... The state of Israel sees our relationship with the Arab Republic of Egypt as a strategic asset."

The gas supply agreement represents a win-win for both sides, but beyond the economic benefits, the deal will also alter the wider geopolitical landscape. By becoming a natural gas exporter, Israel will enhance its standing in the region. For its part, Egypt will take a big step toward realizing its objective of becoming a regional gas hub, boosting its own status and strengthening its economy.

Of equal importance, the deal will also help to solidify ties between Israel and its neighbors. The Leviathan gas deal is Israel's first major agreement with Egypt since the 1979 Egypt-Israel Peace Treaty and represents a dramatic leap forward in political and economic relations between the countries. This agreement joins two other deals signed by Israeli gas companies with Jordan to export gas from the Tamar field to power plants on the Jordanian Dead Sea and from the Leviathan field to Jordan's National Electric Power Company. These type of deals help to build closer economic ties, easing tensions between neighboring countries, even if only temporarily, and creating space for people-to-people relations.

Domestic Opposition

In Israel, opposition has been voiced to plans for 85 percent of the gas from the Leviathan field to be sold to Egypt and Jordan at a lower price than that paid by the Israeli electricity company. In Jordan and Egypt, the gas agreements have also been criticized, but from a different direction. In Jordan, a bill banning gas imports from Israel was approved on Jan. 19, 2020, although the vote is seen as largely symbolic and the law is not expected to result in any actual change. The government will likely adhere to the gas deal with Israel, which is backed by a U.S. guarantee, making it hard to cancel. In Egypt, to avoid this kind of criticism, various officials have emphasized that its gas deal is a commercial one between companies and not countries, providing at least some cover to the government. Even if greater opposition arises among the largely anti-Israeli Egyptian public, the considerable economic upsides of the deal mean that it is likely to be preserved.

The signing of the Israel-Egypt gas deal highlights the long-term mutual interests that unite the two countries and provides a further economic framework to support peaceful bilateral relations. For both Israel and Egypt, this is not solely about energy, but also about building a long-term platform for cooperation between the countries of the region based on shared strategic interests. Regional energy cooperation benefits all parties: Israel, as a supplier; Egypt, as a consumer and exporter; and both sides, together with Jordan, through the region's stabilization in the medium and long terms.

About the author:

Roie Yellinek is a Ph.D. student at Bar-Ilan University in Ramat-Gan (Israel), a doctoral researcher at the Begin-Sadat Center for Strategic Studies, and a non-resident scholar at the Middle East Institute and adjunct researcher at IDF Dado Center. He is a specialist in the growing relationship between the Middle East, Central Asia and China, especially in regards to the soft power component of Chinese diplomacy. His research is based on fieldwork conducted in China, Israel and other countries.