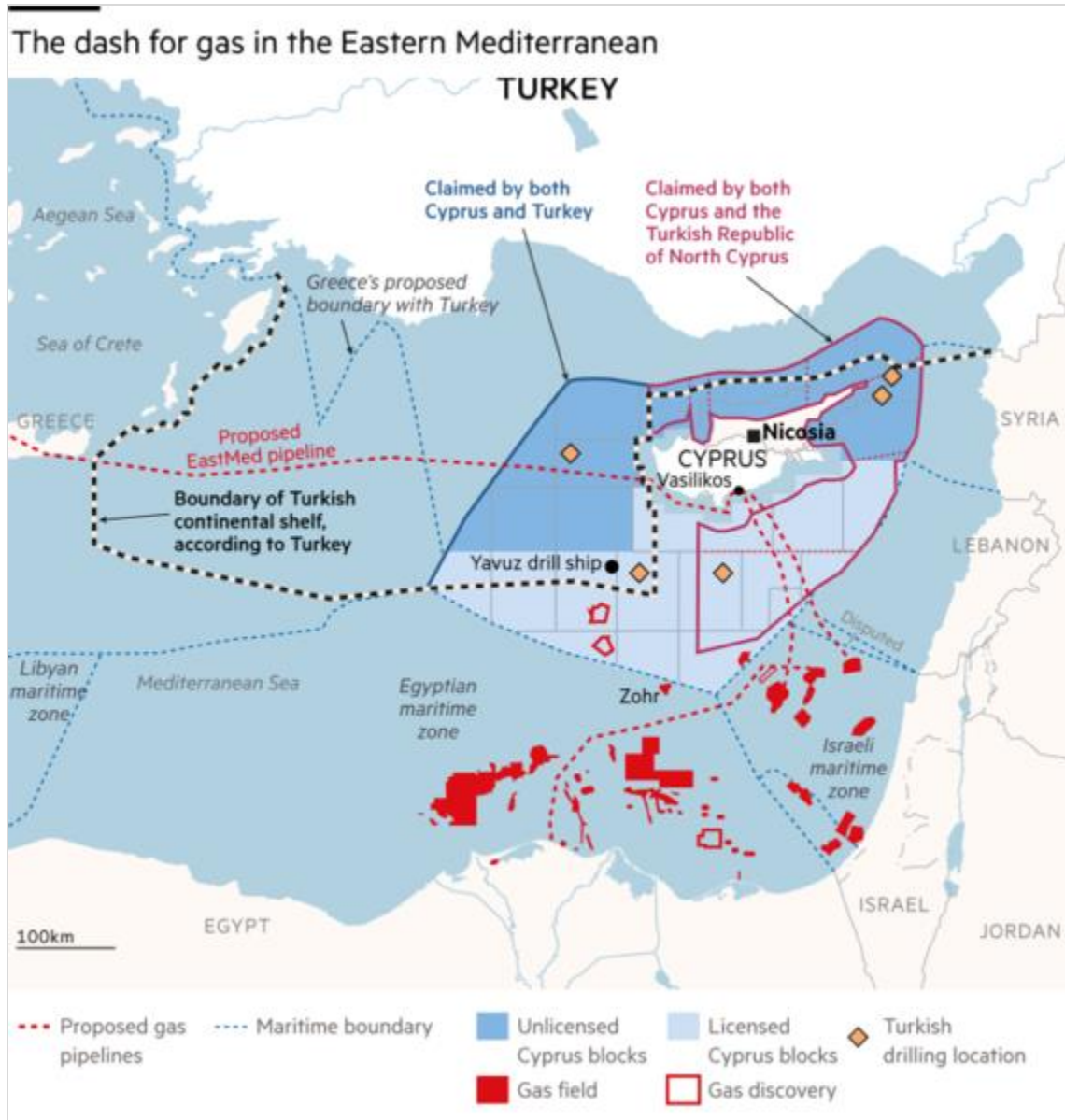


Politics, War and Eastern Mediterranean Gas

Joshua Krasna

In the past two months, there have been several significant, interlocking developments regarding Eastern Mediterranean gas. In January, the Biden Administration withdrew American support for the Israeli-Cypriot-Greek EastMed gas pipeline. In February, U.S. officials shuttled between Israel and Lebanon for another round of talks to resolve the question of the maritime border and the exclusive rights to exploit gas in their disputed waters. Most importantly, the Russian aggression against Ukraine, which began in late February, has transformed the long-discussed European need to reduce its dependence on Russian gas (and oil) into an urgent priority. It has also exposed the disconnect between optimistic policies that anticipated an imminent shift to renewable resources and the reality that the developed world will, in the short- to medium-term, remain dependent on fossil fuels. Confronted with this new reality, does Europe's need to rapidly diversify its sources of energy increase the strategic value of Eastern Mediterranean gas? And can the Eastern Mediterranean contribute meaningfully to reducing Europe's dependence on Russian gas?



Source: [Wikimedia Commons](#)

The U.S. Withdraws Support for the EastMed Gas Pipeline

In January 2022, the Biden Administration stated, in a “non-paper” and background briefings, that it no longer supported EastMed. The agreement on this project was signed in January 2020 by the governments of Israel, Greece, and Cyprus, and supported by the Trump Administration.¹ The EastMed gas pipeline aimed to connect Israeli and Cypriot offshore gas fields to Greece and Italy, from where it would be

¹ However, a former Trump administration official has been quoted as saying the US never gave the pipeline its “full-throttled support” and that the Energy Department had conducted an analysis finding that the project was not economically viable. See: Bryant Harris, “[From on to off: why Biden went cold on the Mediterranean gas pipeline from Israel](#),” *The National*, February 11, 2022.

shipped to the rest of Europe, providing a steady supply of non-Russian gas. It would have been the world's longest (1,900 kilometers) and deepest underwater pipeline, providing 9-12 billion cubic meters - bcm - yearly in its first stage (and 20 bcm in later stages). The pipeline was projected to cost €6 billion, which reflected the project's ambitious scope.

Since its inception, questions have abounded regarding the pipeline's technical and economic feasibility: the price of gas in Europe in January 2020 was \$3.6/metric million British thermal unit (mmbtu), while the viability point for the pipeline is estimated at \$8-11/mmbtu. Potential investors were also deterred by geopolitical risk due to possible vulnerability to terrorist disruption, as well as Ankara's opposition to it. In addition, E.U. policies prioritizing renewable energy resources raise questions about the viability of a long-term infrastructure project based on what some have referred-to as transitional fossil fuel, which would take 15-20 years to reach the breakeven point.² The EastMed project does, however, have enormous symbolic and political significance in concretizing the close strategic ties between Israel, Greece, and Cyprus that have emerged over the past decade. The European Commission financed a feasibility study of the pipeline, and included EastMed on its list of projects of common interest in November 2021; the final investment decision is expected to be made by the end of this year.

In January's "non-paper," U.S. State Department Senior Advisor for Energy Security Amos Hochstein reportedly explained the decision to withdraw support for the project by referring to the Administration's decision to no longer support long-term "non-green" energy projects, the EastMed's lack of the commercial viability, and the regional tensions the project creates. At the same time that it withdrew support for the EastMed, U.S. officials stressed that it still strongly supports integration of electricity grids (that can be fed by both gas and renewable energy sources) in the sub-region, like the undersea cables planned between Greece, Cyprus, and Israel, between Egypt and Crete, and between Cyprus and Egypt.³

Israeli (and reportedly, some American) officials were surprised by the content and especially, the timing, of the American non-paper. The U.S. State Department does not appear to have adequately consulted with Cyprus, Greece, and Israel before the new policy was announced. The three countries' concerns were strengthened by the broadcast in January of a [documentary by Turkish state media channel TRT](#), in which Hochstein, who at the time was outside of government, attacked the pipeline as "obsolete," "too complicated, too expensive and too late in the arch of history," not commercially feasible, and "totally driven by politics." Turkey's president, Recep Tayyip Erdoğan, who was clearly pleased with the American decision to withdraw

² Nikos Tsafos, "[Beyond the EastMed pipeline](#)," *Ekathimerini*, January 17, 2022.

³ Vassilis Nedos, "[US signals energy shake-up in East Med](#)," *Ekathimerini*, January 12, 2022. One problem is that the interconnection of grids in the short term requires all these countries to create additional electric generating capacity, which in the short term will be based on gas, and replicates the problem of investing in expensive infrastructure projects that may not have long-term viability.

support for the pipeline, said that it proved that Eastern Mediterranean gas could only be exported through Turkey.⁴

Officials and commentators in Cyprus, Greece, and Israel see the policy change as an attempt by Washington to improve atmospherics with Turkey. Turkey, for its part, opposes any development of Eastern Mediterranean gas that excludes it from the equation. This is especially the case for Cypriot gas, to which Turkey lays at least a partial claim of ownership. The gas exploration issue has also rekindled longstanding Turkish-Greek disputes over maritime boundaries. The American decision can also be seen as the Biden Administration's desire to make a sharp break with a policy supported by the Trump Administration, and to stress (at a relatively low political cost) the new Administration's commitment to decarbonization and energy transition. It is worth noting that the U.S. government and American private sector are not directly involved in the pipeline project. The feasibility study was financed by the E.U., and it is a joint venture between Greek utility DEPA and Italy's Edison. However, as a former American official noted: "American support always effects a good housekeeping seal ... When you have American buy-in, it's easier for banks to provide financing for more countries to be interested. In that sense, what the U.S. says is important."⁵ Critics of the U.S. decision argue that by hindering greater interconnections within the wider European energy market, it could potentially reinforce European dependency on Russian gas imports in the medium and long term.⁶ It also reduces the export potential of Israeli gas fields operated mainly by Chevron, a U.S. company.

Cautious Optimism on Lebanon-Israel Border Gas Dispute

Roughly contemporaneously with these events, Biden's envoy, Hochstein, visited Israel and Lebanon (February 8-10) in an attempt to restart indirect talks to demarcate their maritime border. This issue is of utmost importance to Lebanon, since the lack of clear borders is deterring companies from exploring for gas in its southernmost parcels, which are close to proven gas deposits on the Israeli side. Four rounds of "proximity" talks were held at the UN base in Naqora since October 2020, with direct formal interaction conducted through the American mediator. These talks stalled in November 2020, when Lebanon presented an amended stance, which fixed its border farther south than discussed in previous negotiations (which were based on a map registered with the United Nations by Lebanon), adding another 1,400 sq km. to the 860 sq. km. disputed area. The new claim covers part of the Israeli Karish-North deposit, licensed by the Greek company Energean.⁷

The U.S. has not released details of Hochstein's mediating proposals. According to Arab press sources quoting "well-informed Lebanese sources with knowledge of the

⁴ "[East Med gas feasible only through Turkey: Erdoğan](#)," *Hurriyet Daily News*, January 18, 2022.

⁵ Quoted in Bryant Harris, "[From on to off: why Biden went cold on the Mediterranean gas pipeline from Israel](#)," *The National*, February 11, 2022.

⁶ See, for example, Ariel Cohen, "[America's strategic mistake in the Mediterranean](#)," *The Hill*, January 31, 2022.

⁷ For background, see Nir Boms and Stephane Cohen, "[Israel and Lebanon: A Bridge Over Troubled Waters?](#)," *Tel Aviv Notes*, The Moshe Dayan Center (MDC), March 3, 2021.

negotiations,” the U.S. has proposed a “resource swap” that would divide offshore reserves in the disputed areas equitably between the two countries, without demarcating the border geographically.⁸ Other reports speak of a “zig-zag” line through the disputed area which will enable each side to fully exploit deposits, or say that energy companies granted rights by the parties will be allowed to start work in the disputed areas, with an international mediator determining the royalties due to each side, and overseeing the transfer of funds and gas from an escrow account.⁹ Hochstein expressed optimism regarding the success of his shuttle diplomacy, and said gaps are narrowing. He reportedly gave his Lebanese interlocutors a deadline of 4-6 weeks to respond to his proposal.¹⁰ Lebanese Foreign Minister Abdallah Bouhabib said after the visit that Hochstein brought “positive proposals that can be built upon,” and that Lebanon’s President Michel Aoun had asked for them to be delivered in writing so the country can formally respond.¹¹ In March, Aoun and Prime Minister Najib Mikati formed an eight-member committee to examine the offer.

Egypt as an Eastern Mediterranean Gas Hub

As the chances for the EastMed pipeline have faded, Egypt has stepped into the spotlight. It is the most logical and economically viable export hub for Eastern Mediterranean gas, including to Europe. Egypt possesses the greatest reserves of gas in the Eastern Mediterranean, thanks to the discovery of the massive Zohr offshore field in 2015.¹² It also possesses the only existing gas liquefaction plants in the sub-region, at Damietta (reopened in February 2021 after an eight-year hiatus) and Idku. Egypt has transformed itself from a net importer to a net exporter of gas (starting in 2018). In 2021, it exported a record 6.98 million tons (9.7 bcm) of liquefied natural gas (LNG), with 69 percent going to Asia and 31 percent going to Europe, including Turkey. Production this year is expected to rise to 7.5 million tons (11 bcm); Egypt has enough gas liquefaction capacity to produce a total of 12.5 million tons of LNG (17.5 bcm) annually. This would represent approximately 5 percent of the current import needs of the E.U. (though currently Egypt sells about 60% of LNG through long-term contracts, mostly with Asia, Turkey and Kuwait, with only 40% available for immediate delivery to Europe).¹³ However, Egypt’s ability to reach its export capacity depends on continued ability to maintain an adequate surplus, given its fluctuating domestic demand. In the past, the Egyptian government has lowered

⁸ William Christou, “[Revealed: Lebanon, Israel considering 'gas resource swap' to settle sea border dispute](#),” *The New Arab*, February 11, 2022;

⁹ Yaniv Kubovich, “[Israel Sees Breakthrough Toward Ending Lebanon Natural Gas Dispute – With Hezbollah Backing](#) [Hebrew],” *Haaretz*, February 17, 2022.

¹⁰ “[Hochstein Gives Lebanon 4 to 6 Weeks to Respond to Proposal](#),” *Naharnet*, February 11, 2022.

¹¹ “[Lebanon sees 'positive proposals' to settle maritime dispute with Israel](#),” *Times of Israel*, February 18, 2022.

¹² It is worth noting the Russia’s Rosneft has a 30% share in the Zohr field. Russia’s Novatek has a 20% share in Block 9, Lebanon’s gas concession which overlaps the area disputed with Israel.

¹³ Ahmed Fouad, “[Egypt’s Future in the LNG Market](#), *Middle East Institute*,” *Middle East Institute*, September 21, 2021; Marc Espanol, “[Egypt breaks LNG export records with eye on E.U.](#),” *al-Monitor*, February 16, 2022; and, Rasha Mahmoud, “[Egypt aims for petrol self-sufficiency](#),” *al-Monitor*, November 2, 2021.

export levels and used its gas for domestic consumption to stabilize prices at home, which has spooked some foreign investors.¹⁴

Egypt enjoys close ties to the E.U., is close to European markets, and has smaller exporters – Israel and Cyprus – as neighbors, who lack liquefaction facilities. This has encouraged the latter to conclude agreements on exporting their surplus gas production to Egypt for liquefaction and re-export to Europe. The following developments have reinforced Egypt's role as the primary hub for Eastern Mediterranean gas:

- In September 2018, Egypt and Cyprus signed an agreement for a pipeline, to be completed in 2024-2025, connecting Cyprus' Aphrodite gas field to Damietta and Idku.¹⁵
- In February 2021, Israel and Egypt agreed to develop an offshore pipeline to connect Israel's Leviathan gas platform to the Egyptian liquefaction facilities. This agreement is in addition to the land pipeline already carrying 5 bcm of gas annually from Ashkelon to El Arish in Egypt; there is also a plan to add another land pipeline from Israel. In 2022, Israel is expected to export an additional 2.5-3 bcm to Egypt via Jordan (through the Arab Gas Pipeline - AGP); the amount could rise to 4 bcm in subsequent years.¹⁶ Energean is also considering the use of the AGP to export to Egypt once it begins pumping from its Karish fields near the Lebanese marine border.¹⁷ In addition, Egypt and Greece have recently discussed the possibility of creating a pipeline from Egypt to Crete (which would face many fewer technical challenges than the deep-water EastMed).¹⁸

¹⁴ "Petronas To Exit Egypt: LNG & Upstream Stakes on the Block," *Middle East Economic Survey*, March 11, 2022.

¹⁵ Hagar Saeed Mohammed, "[Egypt expected to become regional gas hub](#)," *al-Monitor*, October 8, 2018.

¹⁶ Interestingly, the flow of Leviathan gas southwards in the AGP through Jordan to Egypt, means that the "Egyptian" gas to be provided to Lebanon will be Israeli gas delivered to Egypt in Jordan and diverted north into Syria from the Jordanian pipeline junction at Rehab. "[New gas pipeline to link Israel's Leviathan field to Egypt LNG plants](#)," *Hydrocarbons Technology*, February 22, 2021; "Chevron Eyes Cut-Price Israel-Egypt Pipeline For Leviathan Export Boost," *Middle East Economic Survey*, March 11, 2022; "Israel-Egypt gas deal to facilitate Lebanon supplies," *Middle East Economic Survey*, February 25, 2022; and, Danny Zaken, "[Israel to begin exporting gas to Egypt via Jordan](#)," *Globes*, February 16, 2022.

¹⁷ "Delek and Mubadala Complete 'Historic' Tamar Deal," *Middle East Economic Survey*, November 5, 2021, and "Israel-Egypt Gas Deal to Facilitate Lebanon Supplies," *Middle East Economic Survey*, February 25, 2022.

¹⁸ "[Costas Skrekas: 'We are expanding our strategic relationship with Egypt to natural gas'](#) (Greek)," Ministry of Environment and Energy website, November 25, 2021; "Israel, Egypt and Greece conclude gas agreements," *Economist Intelligence Unit (EIU) Country Reports*, December 2, 2021; Charles Ellinas, "[EastMed gas pipeline to go through Egypt?](#)," *Cyprus Mail*, March 5, 2021; and "[Egypt, Greece sign MOU to foster natural gas cooperation](#)," *al-Ahram*, November 26, 2021.

Europe's Gas Crisis

Europe, encouraged strongly by Washington, has been searching for ways to decrease its dependence on Russian gas. The E.U. uses 392 bcm of gas a year, of which 339 are imported (258 by pipeline and 81 as liquefied natural gas). Russia supplies 159 bcm, or 40 percent, of Europe's natural gas.¹⁹ Even before the war in Ukraine erupted in February, Europe had suffered from high gas prices and gas shortages due to reduced investment and production worldwide, low levels of storage in Europe, long-range contracts in Asia by the major non-Russian producers, and shortages of shipping.²⁰ On March 7, 2022, the European price of natural gas hit €260 per megawatt hour (mWh) due to the Ukraine crisis, as opposed to 15 €/mWh one year before and €116/mWh in October 2021.

The EU's overly ambitious decarbonization strategies have also contributed to Europe's dependence on Russian gas. The E.U. aimed at decreasing the gas share in its energy basket by 25 percent by 2030, with the goal of reducing it to zero by 2050. This led to underinvestment in fossil-fuel exploration, production, and infrastructure. EU buyers also avoided long-term gas contracts, anticipating a widespread transition to renewable sources of energy. The fundamental tension between meeting emissions reduction targets and, at the same time, reducing dependence on Russian gas in the short to medium term has now become clear.

In recent years, the EU has increasingly turned to liquefied natural gas (LNG) as an alternative to piped gas and long-term delivery contracts with Russia. Both the lack of interest in long-term fossil-fuel investment, and the desire to diversify out of pipelines, which provide 80% of European gas imports and which lock the consumer into a long-term relationship with the producer, have led the E.U. in recent years to increase its capacity to import LNG. Still, LNG still won't be able to replace the volume of piped Russian gas in the near future; an attempt to forego Russian gas imports would lead to a shortage of gas in Europe, high prices, and lower growth (or increased use of coal and oil, foiling climate change targets). The E.U. has access to more than 200 bcm per year of regasification capacity, including the possibility to bring in gas via U.K. LNG terminals. However, the lack of intra-E.U. pipeline delivery network means that while LNG terminals in Spain are only 45 percent utilized, and they cannot easily supply northern and central Europe (Germany currently doesn't have a single LNG terminal).²¹ Greece is developing two new LNG import terminals with regasification capabilities in addition to the one already existing. Italy is also expanding its LNG infrastructure.²²

Mediterranean gas (including from Algeria, a major supplier to Spain and Italy) will not be able, by itself, to ameliorate the shortages in Europe and to eliminate the over-

¹⁹ [Statistical Review of World Energy 2021, 70th edition](#), BP, and International Energy Agency (IEA), [A 10-Point Plan to Reduce the E.U. European Union's Reliance on Russian Natural Gas](#), March 3, 2022.

²⁰ ["E.U. rope's energy crisis will trigger its worst neuroses,"](#) *Economist*, January 15, 2022.

²¹ Georgi Kantchev, "Europe Fears It Could Be Too Late to Shake Off Russian Gas Addiction," *Wall Street Journal*, March 5, 2022.

²² David Glass, ["Greece plans two new LNG terminals,"](#) *Seatime Maritime News*, January 27, 2022.

dependence on piped Russian gas. Even in the most optimistic scenarios, Egyptian and trans-shipped Israeli gas could only provide some 10+ bcm in the short term.²³ In order to approach these levels, Europe would need to rapidly expand its liquefaction capabilities, the connection of Israeli and Cypriot gas fields to them, and/or implement trans-Mediterranean pipeline plans, all of which will take years.²⁴ However, on March 8 the European Commission [released a new strategy](#) to reduce reliance on Russian gas by two-thirds within a year, and phase it out by 2030, by diversifying gas suppliers. The International Energy Agency (IEA) has, for its part, suggested, in its [10 point plan to reduce the E.U.'s reliance on Russian natural gas](#) by one third to one half in the current year, increasing gas imports from non-Russian sources by some 30 bcm (20 of them LNG). In such a short time, every little bit helps. Eastern Mediterranean gas could provide some of this volume (Egypt, Turkey, and Israel are all mentioned in the EC document). Over the longer term, the recent painful reminder of the ability of geopolitical developments to quickly and dramatically affect commodity supply and price may lead European gas-consuming states and firms to view more favorably long-term LNG contracts with the three Eastern Mediterranean producers, even though they may be more expensive than spot buying, and to reexamine their assessment of the feasibility of some infrastructure projects.

Conclusion

With the anticipated improvement of Israeli ties to Turkey in the aftermath of Israeli President Herzog's visit to Ankara, a pipeline to Turkey – which possesses an extensive gas transport infrastructure and is dependent on Russian gas for 45 percent of its consumption – may seem possible. It is certainly desired by Turkey. However, strategic and economic considerations vis-à-vis the Hellenic allies (it is hard to visualize Cyprus and Turkey cooperating) would seem to rule this out in the near term, as would anticipated Israeli wariness of undertaking long-term commitments to Turkey (such as a pipeline) in the early stages of their rapprochement. Instead, Israeli LNG sales to Turkey would be “bundled in” with Egyptian shipments, since Israel is currently dependent on Egypt for liquefaction.

Eastern Mediterranean gas is extremely significant – a “game changer” – for those states in or adjacent to whose waters it has been found. Israel, which was dependent in its first sixty years on semi-clandestine sources of oil to fuel its economic miracle, has become energy self-sufficient. Its gas surplus has enabled the creation of a fundamental and long-term tie with Jordan and Egypt, adding a “warm” underlayer to an often “cold peace.” Egypt has also attained energy self-sufficiency, and the gas

²³ Danny Zaken, “[Negotiations likely to start over in Israel-Cyprus gas field dispute](#),” *al-Monitor*, February 14, 2022.

²⁴ The Leviathan partners are reportedly considering a Floating LNG (FLNG) facility to be moored near the field's platform, 10 km. off the Israeli coast, and Egypt and Israel were reportedly discussing in 2021 the construction of a new LNG plant in Sinai. “Chevron Eyes Cut-Price Israel-Egypt Pipeline For Leviathan Export Boost,” *Middle East Economic Survey*, March 11, 2022; “Israel-Egypt Gas Deal to Facilitate Lebanon Supplies,” *Middle East Economic Survey*, February 25, 2022; and, Amiram Barkat, “[Israel, Egypt mull Sinai LNG plant for Asian exports](#),” *Globes*, July 28, 2019.

industry will cement its position as the Eastern Mediterranean hub. Gas has also created a wider interweaving of Egyptian, Israeli, Cypriot, and Greek infrastructures and interests, which is one of the most notable geopolitical developments in the Mediterranean/Levant region in the past half century. Exports (and transshipment in the case of Greece) – especially of LNG – to Europe may become quite economically significant for these states, and even encourage additional infrastructure development of feeder pipelines and new liquefaction facilities. However, the marginality of Eastern Mediterranean gas resources in the greater global and European economy and geography of energy, as well as the long-term trend away from fossil-fuels in Europe, means that the significance and effect of Eastern Mediterranean gas will be limited primarily to those states, and perhaps Turkey and Lebanon in the future.

[Joshua Krasna](#) is a Research Fellow at the Moshe Dayan Center for Middle Eastern and African Studies (MDC), Tel Aviv University and a Senior Fellow in the Middle East Program at the [Foreign Policy Research Institute](#).

All rights reserved to the Moshe Dayan Center for Middle Eastern and African Studies at Tel-Aviv University. Materials may be republished for non-commercial use only, with attribution to the author and the Moshe Dayan Center at Tel-Aviv University, and include a reference and hyperlink to the original article on the Moshe Dayan Center's website, <http://www.dayan.org>.