

Excitement over the discovery of several large natural gas fields in the Eastern Mediterranean at the beginning of this decade was greatly tempered by the fields' close proximity to two of the world's most intractable geopolitical conflicts – the Arab-Israeli hostilities and the Turkish/Cypriot dispute – and further complicated by the Arab Spring revolts. While the tensions continue to prevent the fields reaching their full potential a decade later, much has changed – most notably, plans to hard wire gas developments together, which could make them more financially viable and create an important regional gas hub.

Sizeable gas reserves could be game changers in the East Med

The three big finds of that period – Egypt's offshore Zhor field, with reserves of 21.5trn cu feet of gas; the Israeli offshore Tamar and Leviathan fields, with 11trn cu feet and 22trn cu feet of reserves, respectively; and the 8trn-cu-feet Aphrodite find off the coast of Cyprus – have the potential to transform the region's energy landscape.

In Egypt, the Zohr development by ENI, among others, has led to a renaissance in gas production: output grew from a low of 3.9bn cu feet per day in 2016 to 6.65bn in February 2019. For Israel and Cyprus, the gas discoveries promise greater energy security and new export revenues. Clusters of other fields have also been found and are starting to be developed, notably in Cyprus more recently.

With the aim of integrating Israeli and Cypriot gas supplies with Egypt's well-developed gas system and export facilities, Abdel Fatah Al Sisi's government has moved to improve relations with its neighbors by settling commercial and legal disputes that arose when the former Mohamed Morsi government stopped gas supplies to Israel.

Prime Minister Benjamin Netanyahu has also been keen to take advantage of both the commercial opportunities and geopolitical gains from linking with [Egypt](#). The recent founding of the East Mediterranean Gas Forum is an important indicator of its efforts to improve energy cooperation with Arab countries in the region.

Capacity problems and politics complicate Israeli gas moving to Egypt and Jordan

Despite the efforts of governments in the region to smooth the path for integration of gas supply and export systems, infrastructure bottlenecks and political hurdles have complicated the process, with developers in Israel in particular experiencing difficulties in transporting its gas to new markets.

In the last three years the Tamar and Leviathan gas field developers, Israel's Delek Drilling and its Texas-based partner Noble Energy, have secured two tentative export deals: the first with the Egyptian firm Dolphinus in early 2018 for 350m cu feet of gas per day and the second with Jordan's state electricity firm NEPCO in mid-2016 for 290m cu feet per day. Supplies to Egypt were expected to flow through the Egyptian Mediterranean Gas Pipeline (EMG), which until 2012 had been used to carry Egyptian gas to Israel. However, due to a dispute between Israel Electric Company (IEC) and Egypt, which saw the IEC seek damages from Egypt for disrupting its supply of gas to Israel, this did not happen.

Instead, gas from the Tamar field meant for transport to Egypt via a reversed EMG pipeline had to be diverted to domestic buyers, which filled the southern part of the Israeli pipeline grid to capacity.

The Leviathan field, due to come on-line in late 2019, can offset this infrastructure bottleneck. However, transporting gas from Leviathan to Egypt and Jordan requires use of the Arab Gas Pipeline, which is currently used to ferry gas from Egypt to Jordan. In effect, Israeli gas would replace Egyptian gas in Jordan, with additional Israeli supplies flowing on to Egypt.

With popular anger in Jordan rising over Israel's threats to annex the West Bank and expand settlements; the US's recognition of Jerusalem as Israel's capital; and Israel's handling of the Al Aqsa mosque disputes, King Abdullah II is in a tenuous position and, on the back of popular resentment at IMF austerity measures, it is unlikely that the pipeline will be used to transport Israeli gas.

Without this route, Noble and Delek will likely build a connecting pipe from the Leviathan directly to the EMG, but that will take time and delay exports to Egypt while leaving exports to Jordan in limbo.

Gas development and export prospects reignite decades old Cyprus-Turkey conflict

Meanwhile, tensions between Cyprus and [Turkey](#) are causing problems for the offshore fields in Cyprus. Initially, development of the Cypriot assets was slowed by commercial disputes between the developers, Total and ENI, and the government. Moreover, the developers wanted to push back project deadlines and pay attention to other priorities in the face of an [oversupplied global gas market](#).

Determined to get these companies to commit to tighter project completion deadlines, the Cypriot government improved its contractual terms but insisted on a binding development timetable. That

led to more discoveries by major players, notably ExxonMobil. But it also spurred the Turkish government to blockade some of the developments through naval action and move its own drill ships into the Cypriot Exclusive Economic Zone. Turkey's end game is to force Cyprus to cut its client state the Turkish Republic of Northern Cyprus into the deals. It also wants to impede competitors from infringing on the several pipeline projects that have made Anatolia a major gas transit route from the Caucasus and Central Asia into Europe.

Multi-jurisdictional pipelines and projects require a mediator to overcome disputes

Neighboring states involved in oil and gas development projects require powerful mediators, especially if mutually reinforcing interests do not overcome differences. Currently, the governments of Egypt and Israel appear to see the mutual benefits of their gas developments. Jordan could benefit from cheaper Israeli gas replacing more expensive liquefied natural gas imports, but the Netanyahu government's policies are an impediment to closer cooperation between the two countries. In the case of Turkey and Cyprus, the EU has failed in resolving their differences. Ankara has also resisted pressure from the US, Israel and Egypt. And then there is the Lebanon-Israel gas delineation border dispute . . .

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