



## Expert Discusses Putin's Leviathan Interest

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Last week, [as reported by Natural Gas Europe](#), an Israeli commentator indicated that Russian President Vladimir Putin is interested in Gazprom taking part in the Leviathan gas project. Gazprom had previously signed an MOU with the Tamar partners however this never materialized. Following the recent deployment of Russian fighter jets in Syria however, Russian forces are now much closer to Israeli borders as well as to its strategic energy facilities. As more than 50% of Israel's power generation is based on natural gas from only one field, Tamar, and neither strategic gas storage nor LNG terminals are available, Israel's energy security is severely compromised. It is no wonder that Israeli Energy Minister Yuval Steinitz said a few weeks ago that if one of those facilities were to stop operations due to technical malfunctions, natural disaster or terrorist attack, Israel would suffer from acute power shortages and power outages that could continue for weeks, possibly even months. It is because of this Mr. Putin's assurances to the Israeli PM that if Gazprom were to be a partner in the Leviathan field, he would be able to stop extremist groups from attacking Israeli natural gas infrastructure, since "no one messes with us," could be interpreted as a threat.

**Oded Eran** is a Senior Researcher at the **Institute for National Security Studies (INSS)** in Tel Aviv, specializing in energy and water among other subjects. He is also the former Israeli Ambassador to Jordan and the EU. In light of Russia's new stance, Natural Gas Europe spoke with Mr. Eran.

NGE: How do we have to treat Mr. Putin's new initiative to involve Gazprom in the Israeli natural gas industry?

OE: One mustn't accept this as a threat. I don't think it sounds as a threat. It is a Russian attempt to say that beyond the economic interest we can add another positive consideration. However from clear strategic circumstances Israel shouldn't consider that proposal. The interest of the Russians in [Israeli] gas is well known. I think that Israel's response to the proposal to secure Israeli gas facilities should be "no, thank you, we'll manage ourselves." I would make a distinction between Putin's proposal that if it would be accepted, will entangle us with the Americans and Europeans, and therefore, to say the least, will not be accepted. However if Israel will not have other options [to develop its natural gas assets] it will have to consider an engagement with a Russian entity for the development of Leviathan.

NGE: How does Russian involvement in the Syrian civil war affect the Middle Eastern natural gas industry?

OE: At the moment I don't see direct influence. Syria isn't an influential player neither in the development of the Israeli natural gas industry nor in regional cooperation. The Russians are still interested in the Israeli gas, however, more from geo-strategic [reasons] than from the economic perspective. I also don't see the direct linkage to Russian-American interests.

NGE: What are the current export options faced by Delek Group and Noble Energy?

OE: Gas prices are Brent linked. Although oil prices fell I don't rule out the possibility that they will recover. However current price levels and continuation in prices fall, decrease the capability of developing Israeli gas assets, because the infrastructure is quite expensive. Therefore the realistic options are either a commitment by the government to increase local consumption or building less expensive export infrastructure, i.e export through a pipeline. Therefore the options range is narrowed to big consumers as Egypt and Turkey.

NGE: What are the prospects of exporting Israeli gas to Turkey?

OE: The economic potential is there, however besides it there is a political risk that has been exacerbated since Turkey changed its policy towards Israel in 2009. That change was accelerated following the Mavi Marmara incident in May 2010 (an incident in which Israeli commandos intercepted and took control over a Turkish boat, the Mavi Marmara, which tried to break the Israeli blockade of the Gaza Strip. About 10 Turkish citizens lost their lives in the incident and the issues stemming from that incident were never resolved between the two sides). Therefore the economic potential is there, and the political problem can be overcome by [issuing] a political risk insurance. In light of the discovery of Zohr field in Egyptian economic waters the significance of the Turkish customer [for Israeli gas] increases.

NGE: That is a threat to Russian gas export to Turkey, and militarily Russia is now closer than ever to the Israeli gas fields and the pipeline path to Turkey.

OE: Export to Turkey is not directly linked to the situation in Syria. That is linked to the problem the Leviathan consortium is facing: what are the export markets available to them. There was an Egyptian option as a buyer, for local Egyptian consumption, however that option has now shortened following the latest [natural gas] discoveries in Egyptian economic waters. Egypt still needs a transition period [till the discoveries will be operational], however Leviathan field is yet to be developed and therefore the length of time Egypt will need gas supply from external sources is shortened further.

Turkey then remains the biggest regional consumer with economic viability as export market for Israeli gas even considering huge investments in infrastructure. Therefore the Turkish customer is a standalone [customer]. Turkey's purchase of Israeli gas depends on its willingness to decrease its dependence upon Russian gas, diversify its gas sources and add more gas suppliers. Therefore there is only very indirect implication to the Russian intervention in Syria.

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