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FUTURE NOTES

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TURKEY AND ISRAEL

Aybars Görgülü and **Sabiha Senyücel Gündoğar**



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Aybars Görgülü and Sabiha Senyücel Gündoğar¹

After six years of détente, on June 2016 Israel and Turkey finally reached a deal to normalize diplomatic relations and signed a reconciliation agreement. Israel-Turkey relations had already been broken after Israel's offensive in Gaza between December 2008 and January 2009. Turkey voiced strong disapproval of this attack, which killed more than a thousand civilians. When, at the 2009 Davos Summit, Turkey's then Prime Minister Recep Tayyip Erdoğan and Israeli President Simon Peres sat on the same panel, Erdoğan criticized Peres severely for his country's offensive in Gaza, accusing Israel of conducting "state terrorism" and walked out of the panel. But diplomatic relations were still in place between the two countries until the Mavi Marmara flotilla crisis of May 2010.

The Mavi Marmara was a humanitarian aid vessel that aimed to break the sea blockade on Gaza. While it held both Turkish and non-Turkish activists, the initiative was organized by a Turkish humanitarian aid organization (İHH, İnsani Yardım Vakfı) and the vessel carried the Turkish flag. Israel did not allow the vessel to reach Gaza's port and İHH refused to dock in the Ashdod port, consequently, the Israel Defence Forces (IDF) raided the flotilla, killing nine people of Turkish origin and one American Turkish citizen.

Ankara's reaction to Israel was to downgrade relations with Israel to the minimum level; its Ambassador to Israel was recalled and the Israeli Ambassador was expelled from Turkey. Official relations collapsed. Additionally, Ankara listed three conditions that would normalize relations with Israel: an official apology, compensation for the families of the deceased and the lifting of the sea blockade on Gaza. The situation remained frozen until March 2013, when Israeli Prime Minister Benjamin Netanyahu officially apologized to Recep Tayyip Erdoğan, who was the Prime Minister at that time.

The negotiations discussed the terms for a reconciliation agreement for almost three years. Reaching a final agreement was not easy, and high level officials met several times to agree on a deal. This was mostly because of domestic political considerations, but finding common ground (especially regarding the blockade on Gaza) also played a major role in the negotiations. Finally, through two simultaneous press conferences in Rome and Ankara, on 27 June 2016, both Prime Ministers officially announced that their countries had reached a settlement.² The following day witnessed the signature of the agreement that would restore bilateral ties after a six-year rift. Within the terms of the agreement, Israel would compensate the families of those killed in Mavi Marmara and Turkey would drop its cases against IDF personnel. Given that the regional landscape had changed dramatically since 2010, the blockade on Gaza would be handled within the framework of regional developments.

¹ Aybars Görgülü is Projects Manager at the Center for Public Policy and Democracy Studies (PODEM), Istanbul. Sabiha Senyücel Gündoğar is Research Director at PODEM.

² Ercan Gurses and Jeffrey Heller, "Israel, Turkey Restore Ties in Deal Spurred by Energy Prospects", in *Reuters*, 27 June 2016, <http://reut.rs/28XGNKf>.

The Turkish Parliament belatedly ratified the deal on 20 August, owing to the bloody coup attempt of 15 July in Turkey; by that time, the Israeli cabinet had already ratified the deal. Immediately after the attempted junta, statements were issued that the Israeli-Turkish reconciliation would not be affected and continue as planned. Consequently, on 31 August 2016, Turkish President Erdoğan signed the deal.³ Now it is a matter of time before we see the mutual appointment of ambassadors and opening of channels for dialogue.

Several developments have unfolded at regional level during the period of détente between Israel and Turkey, the most dramatic one being the further escalation of war in Syria. The level of hostilities and the humanitarian suffering in Syria are having the effect that most of the other developments in the region are escaping wider attention, but the shape of politics in Egypt after the July 2013 coup and the nuclear deal between Iran and the West are serious developments that have repercussions for countries in the region, including Israel and Turkey. Terrorism is also an issue that needs more and more regional and international cooperation every day. The Israel-Turkey reconciliation comes at a juncture when the region has become a playground for the major powers, with the effect that the threat to security has increased and there is little hope that the region will have a bright future any time soon. The need for enhanced cooperation is clear, but the extent of dialogue and cooperation between Israel and Turkey is yet to be seen. It could take time, and it could be that the region rather than the two countries will define the level of alliance.

Besides regional dynamics, the Israel-Turkey reconciliation cannot be fully understood without considering energy-related factors. Energy politics is not independent from regional and strategic issues, and cooperation regarding energy is likely to be on the agenda of both countries for various reasons. Put simply, Israel is looking to export its gas and benefit from gas wealth, while Turkey is seeking alternatives to meet its gas demand. Negotiations are expected to kick off as regards the sale of natural gas from Israel to Turkey and the construction of a pipeline that will carry natural gas through Turkey to Europe. In this context, the deal seems to be a win-win for both countries. Nevertheless, while noting the significance of the energy dimension, the economics and politics of such deals should not be overlooked. There are hurdles as far as investment is concerned, and the Cyprus issue has yet to be tackled. The political and economic feasibility of the plans regarding energy resources requires further examination, as well as consideration of the extent to which they will present an incentive to push the two countries closer together. Therefore the potential for energy cooperation requires closer assessment, as do the probability of and conditions for its success.

WHAT IS THE POTENTIAL IN THE EASTERN MEDITERRANEAN BASIN?

The discoveries in the Levant Basin, especially in Tamar, Leviathan and Cyrus-A, have introduced a new game of energy politics, as the basin includes offshore territories that include the Gaza Strip, Israel, Lebanon, Syria and Cyprus. The located offshore gas deposits in Israel and Cyprus have the potential to end both countries' dependence on imported energy.⁴ On a broader scale, these

³ "President Erdoğan Approves Israel Deal", in *Hürriyet Daily News*, 31 August 2016, <http://www.hurriyetdailynews.com/Default.aspx?pageID=238&nID=103422>.

⁴ See, among others, Nicolò Sartori, Lorenzo Colantoni and Irma Paceviciute, "Energy Resources and Regional Cooperation in the East Mediterranean", in *IAI Working Papers*, No. 16|27 (October 2016), <http://www.iai.it/en/node/6925>.

emerging resources also have the capacity to supply the natural gas needs of the Mediterranean and Eastern European regions. This denotes a regional diversification of supply resources and routes of energy for both Turkey and Europe, and the development of closer political ties in the region by means of natural gas supply.

The United States Geological Survey of 2010 predicted that undiscovered oil and gas resources in the Levant Basin Province were nearly 1.7 billion barrels of oil and 3,450 billion cubic metres (bcm) of natural gas. Resource estimates are naturally less precise than proven reserves, and approximately 950 bcm in proven gas reserves are confirmed so far.⁵ Even though these are not enormous reserves in comparison to those in the USA, Russia, the Caspian Basin or North Africa; they surely signify a notable discovery and a serious game-changer in a region where countries including Turkey, Israel and Cyprus, as well as the Eastern European countries, are highly dependent on energy imports. Turkey, for example, consumes nearly 50 bcm of natural gas every year, and its appetite for more energy continues to increase dramatically.⁶ The Trans-Anatolian Natural Gas Pipeline (TANAP) between Turkey and Azerbaijan, financed by the State Oil Fund of the Republic of Azerbaijan (SOFAZ), is planned to be operational in 2017 and will start with a 16 bcm capacity.

In terms of energy security, especially for Turkey and Europe, it should be underlined that Eastern Mediterranean resources will complement the southern energy corridor consisting of Caspian and Middle Eastern supplies. Considering that both Turkey and Eastern Europe exponentially need energy, the Eastern Mediterranean resources become all the more crucial to ensure diversity.

Turkey's current key energy policy is to diversify its resources and routes; and the constantly expanding economy and growing population push the country towards new energy deals. Furthermore, Turkey is largely dependent on Russia, Azerbaijan and Iran for its energy supply. It is similarly estimated that oil imports in Europe will increase by up to 95 percent and gas imports from 63 to 80 percent by 2030; and Europe is already the second largest market of Gazprom.⁷ Given the factors above, new discoveries could save Turkey and Europe the inconvenience of relying on a few energy suppliers and help them enhance their energy security.⁸

The potential amounts of gas supply in the Leviathan field are quite intriguing, but the discoveries have also triggered various political manoeuvres and discussions on export and energy security. The rise of the Eastern Mediterranean as the potential gas supplier of Europe is appealing, yet a cautious approach is necessary since there are still various obstacles.

5 Shmuel Even and Oded Eran, "The Natural Gas Revolution in Israel", in Shlomo Brom and Anat Kurz (eds.), *Strategic Survey for Israel 2013-2014*, Tel Aviv, Institute for National Security Studies, 2014, p. 197, <http://www.inss.org.il/index.asp?id=4538&articleid=6473>.

6 In 2015, Turkey imported around 48,4 bcm of gas. 55.3 percent of natural gas was imported from Russia, followed by Iran (16.2 percent), Azerbaijan (12.7 percent), Algeria (8.1 percent) and Nigeria (2.6 percent). For more information please visit the Turkish Ministry of Foreign Affairs webpage: *Turkey's Energy Profile and Strategy*, <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>.

7 For more information on European dependence on Russian gas, please see Ralf Dickel et al., "Reducing European Dependence on Russian Gas: Distinguishing Natural Gas Security from Geopolitics", in *OIES Working Papers*, No. NG 92 (October 2014), <http://www.oxfordenergy.org/tag/ng92>.

8 Constantine Levoyannis and Mathieu Labrèche, "New Gas Discoveries in Southern Periphery May Transform European Energy Landscape", in *Energy Post*, 13 December 2013, <http://energypost.eu/?p=3391>.

WHAT ARE THE OBSTACLES TO REALIZING THE POTENTIAL?

The ambitious sub-sea pipeline from Israel's offshore Leviathan gas field to Ceyhan (Turkey) would be one of the more inviting projects of the Middle East, if it materializes. Nonetheless, the project is – and will be – facing a number of difficulties before it is able to succeed.

The first impediment pertains to internal Israeli discussions about the right of use of the energy site. While gas extraction at the Tamar field began in 2013, and still provides Israel with its current natural gas supply today, development of the Leviathan field has faced political and legal obstacles that have resulted in delays to its construction plan.

Noble Energy of the USA and Delek Group of Israel – the latter already controlling the Tamar field – are in charge of Israel's natural gas supply control. Opposition parties and advocacy groups from Israel have reacted to this excessive control by international companies and have advocated nationalization of the stakeholder structure. The protests and concerns have led public authorities to work on a revised government policy for the natural gas industry. Currently, the consortium controlling the Leviathan gas field is made up of the Delek Group, owning a total 45.34 percent stake, with its subsidiaries, Delek Drilling and Avner Oil Exploration, each holding 22.67 percent; Noble Energy, which has a 39.66 percent share; and Israel's Ratio Oil, which owns the remaining 15 percent.⁹

The Israeli government and the consortium of companies finally agreed on a legal framework in May 2016 for the development of the Leviathan gas field. This entails a two-phase construction plan of eight drilling wells to produce 21 bcm of gas per year. The field will become operational by the end of 2019, as specified in the deal, if no new disputes result. Though the problem seems to have been disentangled, the process was long and complex, which means future investors for the Leviathan field could be hesitant about Israel's internal complexity and opacity of regulation.

The second issue relates to finance. The pipeline construction, infrastructure and running costs are estimated to be quite high. Keeping in mind the volatility of the region the pipeline will need to cross, the investors of the pipeline will be undertaking a risk that is not minimal. Furthermore, global energy prices have fallen sharply over the past two years, leading to significant revenue shortfalls in energy exporting countries. In addition to this drop in prices, proven and estimated natural gas reserves are increasing world wide. Israel is just one of the countries that has discovered gas. The abundance of natural gas is a direct threat to the export of Israeli gas, which requires significant investment in a volatile region. Naturally, Israeli gas will not stand a chance if it does not sell at a competitive price in the energy market.

The decreasing prices for energy supply have yet another implication for Israel. For the project to become feasible for investors, it needs to secure more markets. Egypt is one of these, but it is no longer enough on its own. Concerns have also been raised about using Egypt's liquefied natural gas (LNG) complexes. The low oil/gas prices make this facility, which would export the gas to

⁹ For a detailed picture please see Michelle Malka Grossman, "Work to Begin on \$120m. Leviathan Engineering Plan", in *The Jerusalem Post*, 22 June 2016, <http://www.jpost.com/Business-and-Innovation/Work-to-begin-on-120m-Leviathan-engineering-plan-457494>.

Europe, economically unfeasible. Just as importantly, the political instability in the country raises many questions. Because of this, Turkey seems to be the most reliable partner, and would become at the same time the second secured market for the export of Israeli gas, which would reduce the investment risks.

Lastly, and probably the most critical issue standing in the way of establishing a pipeline, is the conflict between Cyprus and Turkey. This is the *sine qua non* of the issue. Accordingly, two routes are possible for the Israel-Turkey pipeline. The first and more cost-effective route would be through Lebanon and Syria. However, this would mean crossing two countries with high political and security risks. The other route goes through the territorial waters of Cyprus; and this, once again, brings the Cyprus conflict under the spotlight. Such a route would necessitate the approval of the Cyprus Republic; which Turkey does not recognize. Therefore, without resolution between Cyprus and Turkey, it is difficult to see a sub-sea gas pipeline operating in the Mediterranean.

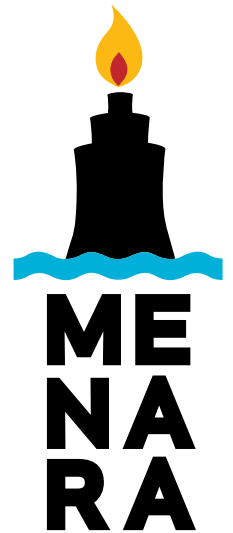
If the Cyprus conflict is resolved in the short term and the gas pipeline between Israel and Turkey becomes operational; this would create a significant alternative to Turkey's as well as Eastern Europe's energy imports. Gazprom's monopoly will shatter and import markets will diversify their energy transfers. The energy dependency of Europe on Russia is also a concern for the USA, so it is understandable that the American authorities are pushing hard for a solution in Cyprus by the end of 2016.

WHAT TO EXPECT

The energy landscape of the Eastern Mediterranean and the Middle East has the potential to go through a phase of development because of the Leviathan and Tamar gas fields in Israel. Israel forecasts the use of its gas fields not only as a secondary supply for its domestic use, but also for its export market. With the latest natural gas framework, the Israeli cabinet has decided to allow exports of up to 40 percent of the country's gas reserves.¹⁰ This means that in the context of the increased reserve capacity of the Leviathan field, Israel will be able to export a total amount of 440-450 bcm by 2040. This is a vast amount of natural gas, which would create the possibility of supplying it to neighbouring countries and EU countries at the same time. The next questions are to whom, and through which route this gas could reach out to the European market.

At this point, Turkey remains the key country through which Israel could realize its potential in the energy market. Therefore, the recent normalization deal between Israel and Turkey is critical. The ambassadors are expected to begin work in the coming weeks. Once diplomatic relations are fully restored, the energy deals could speed up. However, the process will still need time, since Leviathan pipeline's extension will be on the table in 2020, and only then will Turkey be included. Yet it is not clear how much incentive gas welfare creates for the solution of the Cyprus question.

10 Sharon Udasin, "Government Approves Natural Gas Export Policy", in *The Jerusalem Post*, 23 June 2013, <http://www.jpost.com/Diplomacy-and-Politics/Government-approves-export-of-40-percent-of-Israelis-gas-reserves-317464>.



Middle East and North Africa Regional Architecture: Mapping geopolitical shifts, regional order and domestic transformations (MENARA) is a research project that aims to shed light on domestic dynamics and bottom-up perspectives in the Middle East and North Africa amid increasingly volatile and uncertain times.

MENARA maps the driving variables and forces behind these dynamics and poses a single all-encompassing research question: Will the geopolitical future of the region be marked by either centrifugal or centripetal dynamics or a combination of both? In answering this question, the project is articulated around three levels of analysis (domestic, regional and global) and outlines future scenarios for 2025 and 2050. Its final objective is to provide EU Member States policy makers with valuable insights.

MENARA is carried out by a consortium of leading research institutions in the field of international relations, identity and religion politics, history, political sociology, demography, energy, economy, military and environmental studies.



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