

Rethinking Gas Diplomacy in the Eastern Mediterranean

April 2023



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Principal Findings

What's new? Over a decade of gas discoveries in the eastern Mediterranean raised hopes that “gas diplomacy” could dramatically reshape relations among countries in the basin – and even farther afield. The creation of a regional gas forum contributed to this line of thinking. But the prospects for gas diplomacy face significant limits.

Why does it matter? The region is beset with armed conflicts and political disputes, including those involving Israel and Palestine; Israel and Lebanon; Cyprus, Türkiye and Greece; and more. The false promise of significant gas exports to Europe has intensified competition, while gas diplomacy has failed to address the conflicts' underlying causes.

Executive Summary

Recent gas discoveries in the eastern Mediterranean have transformed the region's energy market and economic relationships, raising hopes for geopolitical change as well. The U.S. pioneered what it called "gas diplomacy", aspiring to use the region's new energy wealth to bring its countries in conflict to the negotiating table. Israel and Egypt, the new finds' main beneficiaries, co-founded a regional gas forum. The European Union (EU) launched a study for a pipeline that would carry Israeli and possibly Cypriot gas to Europe – a project that appeared timely indeed after Moscow's all-out invasion of Ukraine in February 2022 choked off access to Russian gas. But the pipeline project now seems to be dead, due to commercial and environmental concerns. In this and other respects, the great expectations for gas discoveries in the eastern Mediterranean have proven outsized. A more modest objective – cultivating an inclusive approach to exploitation to promote regional integration and stability – may be more realistic as the world moves toward renewable energy.

Following major finds just over a decade ago – the Tamar and Leviathan fields near Israel, the Aphrodite field off Cyprus and Zohr close to Egypt – U.S. and European diplomats were optimistic that the new gas reserves would catalyse greater regional economic cooperation and stability by altering political realities in a strategic part of the world. The U.S. spearheaded "gas diplomacy" to advance separate gas deals between Israel and Jordan, Israel and Egypt, and Israel and Lebanon. It also hoped that economically driven actions on gas exports could motivate regional players to make breakthroughs toward conflict resolution in non-energy-related matters.

But even the gas deals that marked the high ebb of gas diplomacy tend to be less meaningful on inspection than they might appear at first glance. Deals between Israel, on one hand, and Egypt and Jordan, on the other, added a positive dimension to bilateral cooperation, but Israel had signed peace treaties with these two countries long since. Israel's deal with Lebanon – with which it remains formally at war – was arguably more significant, leading as it did to a boundary delimitation agreement between the two countries. Yet Israel's gas deals with Egypt and Jordan did little to warm what is best characterised as a "cold peace", and the boundary accord between Israel and Lebanon shows no real sign of overcoming decades of enmity between the two.

Elsewhere in the eastern Mediterranean basin, the advent of gas diplomacy has delivered even less promising results, and indeed energy discoveries have done more to exacerbate than mitigate tensions. Against the backdrop of failing diplomatic efforts, discoveries off the coast of Cyprus have done nothing to bring Greek and Turkish Cypriots together. If anything, they are a source of added friction on the divided island. Meanwhile, the Gaza Marine gas field, which British Gas discovered off the coast of Gaza in 1999-2000, a full decade before Israel hit the gas jackpot with Tamar and Leviathan, remains inaccessible due to Israeli restrictions, and thus offers no relief to the people in Gaza suffering under a stifling Israeli siege.

The assumption that greater cooperation on gas exploitation and exports can pave the way to closer ties between states, and subsequently greater regional stability, helped create some excitement around the establishment, in January 2020, of the East Mediterranean Gas Forum. Co-founded by Egypt and Israel with EU and U.S. backing, the forum has over time also brought together the Republic of Cyprus, Jor-

dan, the Palestinian Authority, Greece, Italy and France. Forum members envision that it will be a platform for economic cooperation and greater regional integration. Yet, even with the Forum up and running, prospects that it will serve as a mechanism for expanding regional cooperation on energy matters remain low. A key obstacle is the absence from the forum (for a range of reasons) of major regional actors on gas-related issues – including Türkiye, Lebanon, the de facto Turkish Cypriot authorities controlling territory in northern Cyprus and Hamas, the Palestinian faction that rules the Gaza Strip but, under Israeli occupation, has no control over its offshore gas field.

The exclusion of Türkiye in particular has in some cases aggravated tensions between the forum's members and those who make opposing claims on the Mediterranean's gas reserves. Rather than a neutral entity that manages a regional resource in a manner that could help states overcome their political differences, the forum is more a strategic partnership for states with shared energy interests.

Hopes that the gas discoveries might help forge deeper bonds between the region and European governments eager to diversify their energy supply – especially as relations with Russia have been strained to the breaking point by the war in Ukraine – have also been disappointed. The problem is one of both supply and demand. On the supply side, the eastern Mediterranean has only limited export potential: existing gas reserves are barely sufficient to cover domestic needs in regional countries, while existing infrastructure is inadequate to export what little is left over. Higher gas prices might make a pipeline from Israel and Cyprus to Greece, or a much shorter Israeli pipeline to Türkiye, commercially viable, but it would take years to complete such projects, a disincentive for would-be investors.

On the demand side, the growing consensus around the need to cut emissions by eliminating the use of fossil fuel altogether is dampening Europe's long-term appetite for gas, militating against over-the-horizon investments in gas infrastructure, especially pipelines. The EU's proposal for a pipeline from Israel and Cyprus to Greece and the rest of Europe faltered primarily for this reason.

It may be time for a rethink of gas diplomacy, to reflect three key elements. First, commercial realities dictate that EU states will look elsewhere to meet the bulk of their near-term energy needs. Conversely, from their side, gas-rich countries in the eastern Mediterranean, rather than seeking to export to Europe or Asia, will likely turn toward easily accessible markets in the region itself. A concerted effort to meet the region's own energy needs with the eastern Mediterranean's undersea bounty could be good for local economies and provide benefits in terms of broader economic integration, provided that it is pursued in an inclusive manner.

Secondly, in pivoting to this goal certain key states that either sit or are active in the region may need to work more closely with states that they have tried to keep at arm's length in energy dealings. Perhaps most prominently, the East Mediterranean Gas Forum might aim to broaden its membership – working, incrementally if need be, toward the inclusion of Türkiye. In this way can the Forum truly become a force for integration and stability, rather than recreating and exacerbating the fault lines that are already too prevalent in the region.

Finally, even if there is substantial progress toward regional economic integration, resource wealth is unlikely to be the engine of efforts to end political and territorial disputes. Political dynamics are likely to be more important. In short, part of any successful gas diplomacy strategy will be to understand its limits, and to ensure that it is paired with a political agenda for resolving the region's conflicts.

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Rethinking Gas Diplomacy in the Eastern Mediterranean

I. Introduction

Gas discoveries in the eastern Mediterranean over the past decade have transformed the area's energy market. With the discovery of Tamar, a 10 trillion cubic foot (tcf) natural gas field, in 2009, and Leviathan, at 17.6tcf then the largest in the region, a year later, Israel secured prospects for fully supplying its domestic market and becoming a net gas exporter.¹ The find allowed Israel to end its dependence on unreliable, politically fraught gas supplies from Egypt, which it had long brought through pipelines across the Sinai Peninsula. It had so much gas of its own, in fact, that it promptly began looking for outside buyers.²

Then, in 2011, Noble Energy discovered the Aphrodite gas field in Block 12, off the coast of Cyprus. Aphrodite is a medium-size field with reserves initially estimated at between 3.6 and 6.0tcf (or 101.94 to 169.9 billion cubic metres or bcm).³ Aphrodite has yet to produce gas, mainly because the Cypriot market is not large enough to guarantee steady purchases that would make drilling commercially viable.⁴ In the absence of a pipeline to Europe, the government is considering exporting gas by pipeline to Egypt and/or through liquefied natural gas (LNG) terminals it would construct.

Production at Leviathan faced challenges similar to those at Aphrodite: both fields lacked export infrastructure and buyers prepared to commit to long-term supply. In its search for such buyers, Israel was mainly eyeing the European continent. It hoped to reach Europe through the projected EastMed pipeline, which was to carry Israeli and Cypriot gas 1,900km under the sea to Europe via Greece. Israel saw the opportunity to be geostrategic as well as commercial: the pipeline would not only deliver profits but also bring it more closely into the European orbit.⁵ In 2015, the European Union (EU) launched a feasibility study for the project, which was expected to wrap up by the end of 2022 (but instead, as discussed below, seemed to die a quiet death).

Finally, in 2015, Italy's ENI corporation discovered Zohr, an Egyptian "super" gas field estimated to hold around 30tcf (roughly 849.50bcm), the basin's biggest reserve, which dwarfed Leviathan and thus undermined overnight Israel's hopes of emerging as the region's gas hub. Having already constructed export infrastructure

¹ Governments and industry sources use either the (imperial) trillion cubic feet system or the (metric) billion cubic metre (bcm) system for measuring gas volumes. One tcf is equivalent to 28,316,846,592 cubic metres, so 10tcf is roughly 283.17bcm, and 17.6tcf is about 498.38bcm.

² Israel's energy ministry estimates that Israel has close to 1,000bcm – roughly equivalent to 35tcf – of natural gas reserves, while its own long-term domestic needs are unlikely to exceed half that, allowing Israel to become a net exporter of gas. See "How Israel is using gas exports to boost its diplomatic standing", *The Jerusalem Post*, 19 June 2022.

³ For background on this gas field, see Crisis Group Europe Report N°216, *Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue?*, 2 April 2012.

⁴ A Middle East gas expert said Cyprus will not be able to produce gas before 2027 at the earliest. It is preparing to import gas to cover domestic needs in the interim. Crisis Group interview, Mona Sukkarieh, Middle East Strategic Perspectives, Beirut, January 2023.

⁵ "The Israel-Europe Gas Pipeline Agreed on in the Energy Ministers' Summit", Israeli Ministry of Energy, 2020.

– the Damietta and Idku LNG terminals on the Egyptian coast, both of which can be used to export either Cypriot or Israeli gas – Egypt quickly became the de facto centre for gas export in the eastern Mediterranean. Given its large domestic market, Egypt also promised to soak up much of the gas it was producing, mainly at Zohr.

The discovery of these resources has inevitably played a role in shaping foreign relations in the eastern Mediterranean basin, but it has been less of a game changer than some outside actors (like the U.S.) might have hoped. Looking forward, calibrated expectations seem appropriate. On one hand, the region's recent history suggests that prospects for shared interests in the region's hydrocarbon wealth to bring about transformational change are fairly low.⁶ On the other hand, gas finds certainly have the potential to alter the status quo in the eastern Mediterranean, either by encouraging greater regional integration or by acting as a catalyst for destabilising competition.

Against this backdrop, this report offers an initial mapping of the complex interaction between regional politics and the eastern Mediterranean's natural gas landscape. It describes the aspirations that both local and outside actors have had for "gas diplomacy" and discusses how and why reality has tended to fall short of those ambitions. The report is based on more than 70 interviews carried out in 2020-2022 with officials, policymakers, experts, journalists, activists and professionals who are or have been involved in the gas sector during the past decade in Lebanon, Jordan, Palestine, Israel, Cyprus, Türkiye, Egypt, the United Arab Emirates (UAE), Italy, France, Greece, the UK and the U.S., as well as at the EU. It also draws on Crisis Group's earlier work on dynamics relating to gas exploration in the eastern Mediterranean.⁷

⁶ For more, see Charles Ellinas, "Hydrocarbon Developments in the Eastern Mediterranean: The Case for Pragmatism", Atlantic Council, August 2016; and Yana Popkostova, "Geopolitics of Energy à la méditerranéenne: Key Issues, Latest Developments and Future Prospects for the Eastern Mediterranean Gas", European Centre for Energy and Geopolitical Analysis, 2017.

⁷ See, eg, Crisis Group Europe Report N°268, *An Island Divided: Next Steps for Troubled Cyprus*, 17 April 2023; Crisis Group Alert, "Time to Resolve the Lebanon-Israel Maritime Border Dispute", 18 August 2022; Crisis Group Europe Report N°263, *Turkey-Greece: From Maritime Brinkmanship to Dialogue*, 31 May 2021; Crisis Group Statement, "How to Defuse Tensions in the Eastern Mediterranean", 22 September 2020; and Crisis Group Report, *Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue?*, op. cit.

II. Actors, Relations and Fault Lines

Actors in the eastern Mediterranean roughly fall into three overlapping categories. First, there are states that enjoy pre-existing peace agreements, allowing them to expand economic relations to encompass trade in gas, albeit within limits. Secondly, there are those with ongoing conflicts or political disputes – which tend to severely limit or constrain, or even prevent, engagement on economic issues. Thirdly, there are states – Türkiye chief among them – that harbour regional ambitions and treat competition over eastern Mediterranean gas reserves as a means of pressing that agenda. The question of how successfully regional actors have worked and are working together to exploit new gas discoveries tends to hinge on where their relationships sit on this spectrum.

A. *Actors at Peace*

The most successful gas agreements that have been concluded in the eastern Mediterranean over the course of the past decade are those signed between Israel and each of Jordan and Egypt. In both instances, Israel had pre-existing peace agreements with the countries, and also enjoys economic and security ties with them, particularly with Egypt. Yet even with the new agreements, relations between Israel and its counterparties have not warmed appreciably, largely because the Egyptian and Jordanian populations remain opposed to Israel's treatment of the Palestinians. Any expansion of formal relations with Israel beyond the bounds of what might be described as a "cold peace" remains likely to spark public outcry.

1. Israel and Jordan

Until 2009, Israel appeared destined to remain a net gas importer. It relied heavily on Egyptian imports transported through a pipeline owned by the Egyptian East Mediterranean Gas Company. The pipeline, which begins in Port Said, traverses the Sinai Peninsula. At an above-ground terminal in al-Arish it forks into a branch running undersea to Israel's Ashkelon port and another passing overland to Jordan. For Israel, dependence on Egypt for energy security was a point of concern, and its 2009 discovery of the Tamar field offered the welcome prospect of reducing it.⁸ The government used Tamar primarily for domestic consumption. Then, the discovery of Leviathan a year later turned Israel into a gas exporter, with significant implications for its role in the region – including for its relations with neighbouring Jordan.

Jordan had struggled to enhance its energy security for years. Its heavy dependence on Egyptian gas exposed it to frequent supply shortages, particularly after 2010, due to attacks on Egypt's al-Arish terminal.⁹ To make up the shortfalls, the country had to burn heavy liquid fuels, rather than gas, to produce electricity, though these are pricier and more polluting. Already in 2007, the Jordanian government energy commission began exploring ways to diversify sources of electricity production in an effort to reduce the country's reliance on the pipeline gas and its energy bill. The ensu-

⁸ Michael Ratner, "Israel's Offshore Natural Gas Discoveries Enhance Its Economic and Energy Outlook", Congressional Research Service, 31 January 2011.

⁹ Most of these attacks were carried out by Sinai-based militants opposed to Egyptian gas sales to Israel. "Sinai militants blow up Egyptian gas pipeline", *Times of Israel*, 26 February 2014.

ing strategy had three pillars: supply diversification, development of local resources and environmental considerations.¹⁰

An outcome of this strategy was that Jordan began constructing a terminal in its Red Sea port city of Aqaba to allow it to buy LNG on the open market. Completed in 2015, the terminal provided Jordan with flexibility in terms of supply (the buyer, the National Electricity Producing Company, could purchase gas through both long-term agreements and the spot market). The LNG was a costlier source of electricity than pipeline gas from Egypt but a cheaper one than heavy liquid fuels.¹¹

In 2014, Jordan also signed a memorandum of understanding with Israel to import \$10 billion worth of gas for a period of fifteen years. An official deal followed in 2016, and gas began flowing in January 2020.¹² The agreement was a lifeline for Israel's gas export potential. Leviathan's size made it ideal for export, as domestic demand alone would not have made it a viable investment for producers. The signing of a long-term agreement underpinned investor confidence in Leviathan, allowing production's first phase to begin.¹³ A former Jordanian energy minister said "Jordan ... gave Israel the ability to commercialise its own gas".¹⁴

In Jordan, the deal has had at best a mixed reception. Parliament had voted against the memorandum of understanding in 2014. To pre-empt another possible rejection, the king dissolved the legislature before making the pact official in 2016, so there was no way for it to block the deal.¹⁵ The moment the deal became public, popular protests broke out that were the biggest since the 2011 uprisings roiled the country.¹⁶ Many balked at the idea of deeper ties to Israel on principle. Others argued that the deal had made Jordan dependent on Israel for its energy security, for questionable benefit. A former energy minister said:

The gas agreement makes no sense. If we have an LNG terminal and are importing gas, why would we need Israeli pipeline gas? People are against any agreement with Israel on human rights grounds. But also, why place yourself at their mercy? They can close the tap [at any time].¹⁷

The government's main justification for the deal is its claim that using Israeli pipeline gas is cheaper than burning liquid fuels or buying LNG abroad, saving the country close to \$500 million annually.¹⁸ Some industry experts, drawing upon price pro-

¹⁰ "Jordan 2020-2030 Energy Strategy", EQ International, 31 December 2020.

¹¹ "Aqaba LNG Terminal Project", 2015.

¹² "Israel consortium signs 'historic' 15-year, \$10b gas deal with Jordan", *Times of Israel*, 26 September 2016. This deal followed a less publicised agreement by which Jordan's Arab Potash Company committed \$771 million to Noble Energy to import gas from Tamar for fifteen years. "Resource extraction in potash and phosphate supports the Jordanian economy", Oxford Business Group, 2015.

¹³ "Leviathan gas flowing to Jordan", *Offshore*, 16 January 2020.

¹⁴ Crisis Group telephone interview, 5 February 2021.

¹⁵ Hisham Bustani, "Exposing Jordan's Gas Deal with Israel", *Middle East Report*, no. 219 (Summer 2019).

¹⁶ Beverly Milton-Edwards, "Protests in Jordan over gas deal with Israel expose wider rifts", Brookings Institution, 26 October 2016.

¹⁷ Crisis Group telephone interview, former Jordanian energy minister, 5 February 2021. A former senior U.S. diplomat who worked on energy issues agreed that Jordan had gone into "over-dependence" on Israel but stressed that there is no reason for it not to try to diversify its energy sources rather than rely so heavily on Egypt. Crisis Group telephone interview, 11 February 2021.

¹⁸ "Jordanians voice concerns over imports of Israeli gas", Al Jazeera, 30 January 2020.

jections and their own analysis, concur, noting the deal allowed Jordan to reduce both the cost of its energy mix and damage from pollution.¹⁹ The claims are impossible to verify at present, however, as the government has not made the deal's terms public.²⁰

The opacity exposed the deal's authors in Amman to more criticism. A parliament member said, "I challenge any minister to honestly declare the agreement's terms", saying he doubted that Israeli gas was cheaper than LNG.²¹ Others also pushed back against the government's economic rationale.²² They also argued that the agreement would distract the government from pursuing a better energy security agenda focused on renewables and job creation.²³ Many saw it as a capitulation to Israel. A leading activist said, "This government and its decision-makers are invested in Israeli interests, not Jordanian ones. Any energy agreement should be related to a 'Jordan first', not an 'Israel first', motto".²⁴ Whatever the economic rationale's merits, critics were convinced that the U.S. government, fixated on advancing Israel's interests, had pushed the deal through at Jordan's expense. A former minister said:

There was American pressure to sign the gas deal. We get \$1.3 billion in aid from the Americans annually, almost equal to government salaries and retirement benefits for two months. So, we can't afford to piss them off and lose that money, which was clearly at stake had we refused the deal.²⁵

U.S. sources tell a different story. A former U.S. diplomat said Jordan was a "test case" for Washington, which was keen to find out if it could use gas diplomacy in the Middle East. He claimed that energy deals of this type create inter-dependency that can prevent conflict. He also contended that U.S. mediators had not pressured Jordan in the talks leading to the agreement but provided it with a lifeline at the request of senior Jordanian officials who feared the destabilising impact of energy insecurity at a time of unrest in the Arab world.²⁶

Thus, even after it had been concluded, the deal continued to face domestic opposition. In 2019, months before the gas was to start flowing, parliament voted unanimously to approve a proposal for the government to draft a law that bans Israeli

¹⁹ Crisis Group telephone interview, senior European energy executive, 25 March 2021.

²⁰ For an investigation of the Jordanian government's efforts to shape public perceptions of the deal, see Bustani, "Exposing Jordan's Gas Deal with Israel", op. cit.

²¹ Crisis Group interview, Jordanian parliament member, Amman, 21 March 2021.

²² A former Jordanian energy minister said, "The sense of the country is that importing LNG, even if it is more expensive, can be tolerated. I personally do not see the Israeli imports offering a big gain; maybe it is a gain for the phosphate industry, but not for us". Crisis Group telephone interview, 5 February 2021.

²³ A Jordanian energy executive said, "Given that Jordan is in a dangerous political region, we cannot depend on anyone other than ourselves. We used to depend on Saudi Arabia, then on Iraq, and then, with Egyptian gas, our expenditure rose to more than \$6 billion when it was cut. There are no options for Jordan other than to invest in local supply sources". Crisis Group interview, Amman, 22 April 2021.

²⁴ Crisis Group interview, Amman, 13 April 2021. The activist was using the government's own language: for well over a decade, Amman has packaged its major policy initiatives under the rubric of "Jordan first". Activists have also called the government hypocritical for denouncing Israeli occupation practices in the Palestinian territories while investing more than \$10 billion in Israeli companies through the gas deal.

²⁵ Crisis Group interview, former minister, Amman, 25 April 2021.

²⁶ Crisis Group telephone interview, former senior U.S. energy diplomat, 11 February 2021.

gas imports. The government apparently did not submit such a law to parliament, however.²⁷ A former minister, who was a cabinet member at the time, said:

No one [in the government] could do anything about it. And no one could defend it publicly because no one can adopt the narrative of the need to buy gas from Israel. The deal was very unpopular, and it would have been political suicide for any government official to publicly defend it on economic grounds or any other justification.²⁸

In the end, the government pushed the deal through by means of a contract with Noble Energy, the U.S. partner firm in Leviathan, rather than Delek, its Israeli counterpart.²⁹ The ploy did not pacify the critics, however. Parliamentarians and civil society leaders hurled accusations of wrongdoing at officials, submitting papers purporting to document misdeeds to the government's anti-corruption office, but with no result.³⁰ When gas began flowing in early 2020, the government imposed a gag order on media outlets seeking to report the story, which activists claimed was an effort to disguise the prices Jordan was paying.³¹ While the start of imports did not trigger popular mobilisation like the first news of the deal had, it remains a source of grievance.³² A Jordanian energy sector executive noted that, "The gas agreement with Israel could be a driver of future unrest, particularly since the agreement has caused acute popular resentment among people who are opposed to any kind of agreement with the Zionist entity".³³

2. Israel and Egypt

For Israel, the agreement with Jordan was a major coup, not least because it made Leviathan a viable producer and thus paved the way to exporting gas to Egypt.³⁴ With production from Leviathan now enjoying a guaranteed market, Israel signed a deal with Egypt in 2019 for \$15 billion, covering supplies for ten years. Egypt is to re-export most of the gas to external markets following liquefaction at its coastal export ter-

²⁷ "Jordan parliament passes draft law to ban gas imports from Israel", Reuters, 19 January 2020.

²⁸ Crisis Group interview, former minister, Amman, 25 April 2021. A former senior U.S. diplomat said the normalisation agreement between Israel and the United Arab Emirates would ease this political problem for the Jordanian government. "After the Abraham Accords, you'll see a lot of military cooperation and intelligence sharing. The Jordanians have always been hesitant about economic cooperation with Israel. They do not highlight the dividends of peace. But with the Emiratis involved, they've got cover". Crisis Group telephone interview, 12 March 2021.

²⁹ Crisis Group telephone interview, senior Israeli energy diplomat, 16 December 2020.

³⁰ Crisis Group interview, leading anti-gas deal activist, Amman, 13 April 2021.

³¹ Crisis Group interview, leading anti-gas deal activist, Amman, 13 April 2021.

³² A former Jordanian energy minister said, "I bet you that if you ask Jordanians, 80 to 90 per cent of them will say they don't want gas from Israel. But would they organise properly [against such a deal]?" Crisis Group telephone interview, 5 February 2021.

³³ Crisis Group interview, Jordanian energy executive, Amman, 22 April 2021. He added that the agreement will not reduce the price of electricity for consumers. It might even increase the cost, because gas prices are sometimes pegged to the price of oil, which is volatile, for instance shooting up after Russia's all-out invasion of Ukraine in February 2022. The Jordanian government has not made public if its deal links gas to oil prices.

³⁴ Gas fields are developed in phases. At the time of the Jordan deal, Leviathan was in its first phase. To assure investors that the field was worthy of being prepared for production, Israel needed to secure a committed buyer in principle. The deal with Jordan provided that.

minals.³⁵ Israeli Energy Minister Yuval Steinitz described the pact as a “historic landmark”, calling it the most important example of economic cooperation between the countries since the 1979 Camp David peace agreement, and saying it would revolutionise the Israeli economy.³⁶ Shortly after Israeli gas began flowing to Jordan, it also started going to Egypt.

Egypt’s situation with respect to Israeli gas differs from Jordan’s in two ways. First, the internal response was different, in that there were no organised protests. Secondly, Egypt itself has become a major energy player in the region with the 2015 discovery of the Zohr field.³⁷ Thanks to Zohr’s massive size, coupled with the gas distribution and export infrastructure already in place, including the Idku and Damietta LNG terminals on the Mediterranean, Egypt is positioned to be a gas hub and export gateway. Prior to this field’s discovery, Israel had eyed Egypt as the key destination for Leviathan gas, but the availability of Zohr gas suggested that, notwithstanding the 2019 deal, Egypt might be able to meet its domestic demand itself. In 2018, Egypt’s domestic production exceeded its consumption for the first time, establishing a pattern that has more or less held, indicating that Egypt may be self-sufficient in gas for some time to come.³⁸

At first, Egypt’s newfound resources heightened Israel’s drive to secure European interest in and backing for an EastMed pipeline to run from Israel to Europe via Greece (discussed below), but that vision has changed. With the pipeline project’s prospects having faded, Israel is increasingly looking to Egypt to export Israeli gas under arrangements that could boost both countries’ ambitions in the region and beyond.³⁹ The reason is clear: in the absence of export infrastructure in Israel, Egypt’s LNG terminals are best placed to deliver Israeli (and Cypriot) gas to European and Asian markets.⁴⁰ Egypt is also well positioned to continue exporting gas by pipeline to Jordan, and possibly also to Syria and Lebanon (see below), given its facilities.

The sort of arrangement that both countries are likely to find interesting is exemplified by the provisional deal among the EU, Israel and Egypt – sketched out in a memorandum of understanding signed in June 2022, amid the Ukraine crisis – to pipe Israeli gas to Egypt, where it will be liquefied before shipment to European markets.⁴¹ In 2022, Egypt’s imports of Israeli gas rose by 49 per cent to an average of 607 cubic feet per day.⁴²

³⁵ “Israel to start pumping gas from Leviathan, making country an energy powerhouse”, *Times of Israel*, 16 December 2019.

³⁶ “Egypt gas deal makes Israel a major energy exporter”, *Christian Science Monitor*, 16 December 2019.

³⁷ The lack of protest led some in Israel to conclude that Egyptians are “less fussed” about the Palestinian question than Jordanians. Crisis Group telephone interview, senior Israeli energy diplomat, 16 December 2020. Yet the Egyptian deal also faced domestic criticism, mainly due to lack of transparency and perceptions of corruption. See Hossam Bahgat, “Who’s buying Israeli gas? A company owned by the General Intelligence Service”, *Mada Masr*, 23 October 2018; and Asa Winstanley, “This is how Egypt became an Israeli gas company”, *Middle East Eye*, 17 July 2018.

³⁸ For Egypt’s gas production and consumption figures for 2016–2021, see “Informational Bulletin of Monthly Statistics”, Egyptian Central Agency of Public Mobilisation and Statistics, 2017–2021.

³⁹ Crisis Group telephone interview, Israel gas expert, 10 December 2020.

⁴⁰ A gas exporter said Egypt’s LNG terminals have “massive export potential” in the medium to long term, particularly if expansion plans go through, making the facilities capable of handling both Leviathan and Aphrodite gas. Crisis Group telephone interview, 10 December 2020.

⁴¹ *Israel Hayom*, 16 June 2022. On 30 May 2022, Israeli Energy Minister Karin Elharrar said, “The global energy crisis provides an opportunity for the State of Israel to export natural gas, along with

Backed by Zohr's production power, Egyptian officials view the 2019 deal with Israel as part and parcel of Egypt's vision to cement its position as an energy hub and pioneer of regional integration.⁴³ It recognises that its relations with Israel are central to that vision, and it sees the gas agreement as strengthening pre-existing ties between the two countries.⁴⁴ Egypt's regional aspirations are also manifest in its leadership role in the Cairo-based East Mediterranean Gas Forum, which it co-founded with Israel (see below), and where it is positioning itself – with U.S. support – as a new source of supply to undergird Europe's energy security.⁴⁵

Yet Egypt's aspirations at this point may outstrip the reality of its energy and economic needs. A senior international oil company representative noted that Egypt's ambition to become a major gas exporter is "not materially founded"; the country is still focused on securing supplies, as it puts both domestically produced and imported Israeli gas into the same pool, using most of it for domestic consumption.⁴⁶ A local gas investor said ensuring the availability of cheap gas for domestic consumption over the next twenty years will remain a key driver of Egypt's economic growth.⁴⁷

B. *Actors in Conflict and Dispute*

1. Israel and Palestine

Palestinians in the Israeli-occupied territories rely almost exclusively on Israel for their electricity needs, alongside minor supplies from Jordan and Egypt. Residents of both the West Bank and Gaza purchase power from the Israeli Electricity Compa-

the honest and real concern for what is going on in Europe". Quoted in "How Israel is using gas exports to boost its diplomatic standing", op. cit.

⁴² "Israel-Egypt energy ties deepen as 2022 sees record gas flows", *MEES*, 24 February 2003.

⁴³ "How Egypt benefits from gas agreement with Israel", *Al-Monitor*, 25 February 2021; and "Molla: Egypt taking steady steps to become regional hub for energy, trade", *Egypt Today*, 4 March 2021.

⁴⁴ Crisis Group interview, Israeli diplomat, Cairo, 9 June 2021. The diplomat said Egypt and Israel have far more extensive relations in security, gas and trade than is publicly known and have a mutual interest in expanding ties further.

⁴⁵ A senior European diplomat said, "This was the card they were playing with strong American support. It is significant that at the Forum's second meeting they invited the U.S. energy secretary on a non-official basis". Crisis Group telephone interview, senior European diplomat stationed in Cairo, 23 February 2021.

⁴⁶ Crisis Group interview, Cairo, 12 July 2021. Various energy experts and officials in Egypt reiterated that the government has not yet worked out how to adapt its infrastructure and market pricing to the role of being a gas transit hub rather than just a consumer. Crisis Group interviews, government advisers and energy professionals, Cairo, May-June 2021. Israel and Egypt are also pursuing plans to connect Israel directly to Egypt's LNG facilities through a subsea pipeline. "Subsea pipeline could double Israeli gas exports to Egypt: minister", *Reuters*, 9 March 2021.

⁴⁷ Crisis Group interview, Egyptian gas investor, Cairo, 25 May 2021. Against this backdrop, in striking the deal Egypt may have been motivated by the idea that Israel could supply gas to Egypt's domestic market, thereby freeing up Egyptian gas for (more profitable) export; the idea of charging Israel for use of its export terminals was no doubt also attractive. Others dismiss Egypt's need for Israeli gas, noting that measures to reduce subsidies will rein in domestic demand. Crisis Group telephone interview, regional gas expert, 4 December 2020. Another explanation for the deal is that it was born of the government's need to resolve the international arbitration case that Israel raised against it after militant attacks in the Sinai disrupted the supply of gas from Egypt to Israel following the Hosni Mubarak regime's downfall. Crisis Group interview, senior government adviser on gas, Cairo, 7 June 2021.

ny.⁴⁸ The energy dependence persists despite the presence of an oil field in the West Bank – the Rantis field, which Israel calls Meged – and the Gaza Marine gas field offshore.⁴⁹ In both instances, Israel has prevented Palestinian authorities from asserting sovereignty over the fossil fuels or even gaining access to them.

In the West Bank, the Palestinian Authority (PA) has tried to break out of dependency by starting a power generation company in Jenin. The plan is for the company to have a 150MW capacity to cover the territory's entire needs, with possible expansion to 450MW. For the company to distribute that kind of power, it would need to manage its own electricity grid, which in turn would require getting off the Israeli grid that supplies Israeli settlements.⁵⁰

The Palestine Investment Fund, the plant's main funder, has played a primary role in drawn-out negotiations with Israel and international backers to secure Israeli gas supplies and Israeli approval to build the necessary infrastructure for power generation and distribution, much of which would have to traverse Israeli-controlled Area C, which makes up some 60 per cent of the West Bank's territory. Negotiations began in 2014, and two years later, Israel issued a provisional permit for the plant's construction, prompting Palestinian Prime Minister Rami Hamdallah to lay the cornerstone.⁵¹

But progress stopped there. Though Israel has issued approvals for Palestinian control of four electricity substations, it has yet to give the final green light to build the plant and electricity grid.⁵² A lead negotiator for the investment fund, speaking of his Israeli counterparts, complained, "They talk the talk but don't walk the walk", in reference to their practice of stating support for the project but dragging their feet in getting it going.⁵³

After British Gas discovered the Gaza Marine gas field in 1999, Yasser Arafat, the Palestine Liberation Organisation chairman, famously rode out to the find in a boat, expressing his hope that it would power the journey to Palestinian statehood.⁵⁴ Yet Israeli restrictions prevented British Gas from securing enough supply contracts to make production commercially viable.⁵⁵ Following Hamas's takeover of the Gaza Strip in 2007, and fearing that gas profits might help fill the Islamist movement's coffers, Israel began citing security concerns to explain its refusal to allow Palestinians to develop the field.⁵⁶ After Israel bombed Gaza's power generation company – the only

⁴⁸ The PA often struggles to repay its debt to the company, which in October 2021 amounted to \$120 million. "Israeli electrical company to cut power to West Bank Palestinians over debts", *Times of Israel*, 28 October 2021.

⁴⁹ "Does Israel walk a thin line with West Bank oil drill?", BBC, 10 July 2012.

⁵⁰ To distribute that amount of power requires a high-voltage system, which does not exist in the West Bank. Instead, there are lines running from Israel eastward that supply the settlements.

⁵¹ "PA PM lays foundational stone for first power plant in West Bank", *Jerusalem Post*, 24 November 2016.

⁵² In 2018, the PA and Israel signed an agreement allowing the Palestinians to control substations for their own electricity distribution; the PA has secured control over four thus far. For more, see "How Palestinians plan to overcome electricity shortages", *Al-Monitor*, 6 April 2017; and "Israel to shift West Bank power supply to Palestinian Authority in \$775 million deal", Reuters, 1 May 2018.

⁵³ Crisis Group telephone interview, senior Palestinian energy negotiator, 11 February 2021.

⁵⁴ Victor Kattan, "The Gas Fields off Gaza: A Gift or a Curse?", *Al-Shabaka*, 24 April 2012.

⁵⁵ Ibid.

⁵⁶ Tim Boersma and Natan Sachs, "Gaza Marine: Natural Gas Extraction in Tumultuous Times?" Brookings Institution, February 2015.

such plant in the Palestinian territories – during the 2014 war, the enclave began suffering from chronic electricity shortages. It came to rely on Qatari fuel deliveries to keep the plant going, supplementing the power it produced with electricity from Israel and Egypt.

After discovering Leviathan, Israel began looking to Gaza as a destination for its gas, claiming that the resulting energy would ease the besieged enclave's humanitarian crisis, while continuing to prevent production from Gaza Marine.⁵⁷ It is considering a project, Gas for Gaza (G4G), which entails constructing a pipeline to Gaza from Ashkelon, on Israel's southern coast.⁵⁸ The idea is that Qatar would stop providing its free liquid fuel, or diesel, to the Gaza power plant, which would revert to running on gas.⁵⁹ The Palestinians would be buying this gas from Israeli sources, with the bill footed by foreign donors through the PA and private investors.

The G4G project has support from many quarters. It has Qatari financing, with Doha viewing the project as a way of weaning Gaza's power plant off the diesel that it has been supplying.⁶⁰ It also has the backing of the EU, which views it as a humanitarian measure while the Israeli-Palestinian peace process is on hold.⁶¹ The PA supports G4G, seeing it as a way to reduce dependence on Israel and cut the fees it pays to the Israeli Electricity Company, thus lowering the cost of electricity for consumers. Ramallah also backs it because it would allow the Authority to get a foot back into Gaza, having been displaced by Hamas.

But while the Israeli government is also ostensibly supportive of G4G, it has, in effect, blocked its progress by imposing the condition that the PA, not Hamas, control the Gazan gas supply.⁶² Because of Hamas' de facto control of Gaza, that condi-

⁵⁷ "Qatar, PA advance deal to supply Gaza power plant with Israeli natural gas", *Times of Israel*, 27 December 2021.

⁵⁸ For more on G4G, see "Energy", Office of the Quartet, undated. Despite the extensive project backing, there are few signs of a breakthrough. A global gas expert said discussions involved little more than "tinkering". Crisis Group telephone interview, 10 December 2020.

⁵⁹ Israeli electricity is only a portion of Gaza's energy supply. The main source of energy for Gaza is Qatar-supplied liquid fuel, which Israel allows through the blockade. These supplies are often held up, however, either because Israel is applying punitive measures on Hamas, or because of drawn-out negotiations with Qatar, or both. The unreliability of these supplies has aggravated the energy crisis. The thinking is that a gas pipeline from Israel will reduce Gaza's reliance on Qatari good-will and Israeli willingness to allow truckloads of liquid fuel into the territory, because the gas will just flow (the way it did, up to a point, from Russia to Europe even amid political differences). The counter-argument is that a pipeline would afford Gaza a mere illusion of control. Israel could turn off the tap at will (as, indeed, Russia has done in Europe).

⁶⁰ An Israeli energy diplomat said a reason the G4G project is progressing is that "everyone can see themselves in it": it allows Gaza to be more secure; the PA can say it is doing something for the strip's residents; Israelis make money; it fits into Israel's national security perspective that Gaza is "calm"; Hamas approves of it; and Qatar likes it because it reduces the emirate's energy bill. Crisis Group telephone interview, 16 December 2020.

⁶¹ Crisis Group interview, EU official, Brussels, July 2022. An EU energy diplomat said, "Gas for Gaza gives the Gazan population the tool to develop economically. It is stabilising. This is why the Israelis love this project. For us, it's humanitarian". In February 2021, the EU committed an initial €5 million for the Gaza portion of the pipeline, which will run about 4km and cost around €20 million in total. "Gas to Gaza? The pipeline that might provide a lifeline", Reuters, 23 February 2021.

⁶² An EU energy diplomat agreed that building on common ground around water or gas could have a significant impact, given the paralysis in Israeli-Palestinian peacemaking. Such plans are "grounded in reality, and deal with Israeli security needs", while also paving the way for the PA to attain some control of Gaza, in light of Israel's insistence that the project be under its auspices. Crisis Group tele-

tion is not presently realistic. Hamas officials who spoke to Crisis Group professed no knowledge of the details of G4G, having been excluded from the negotiations. They made clear, however, that no project of this type could go forward without the movement's approval.⁶³

As for Gaza Marine, from their side, Palestinian non-governmental organisations accuse Israel of robbing the Palestinians of access to their national resources while securing its own production, calling it a form of plunder.⁶⁴ Palestinian political factions in the Gaza Strip, including Hamas, staged a demonstration on 13 September 2022 demanding the enclave's right to Gaza Marine's gas, under the slogan "Our Gas Is Our Right".⁶⁵

But the PA seems to have a more accommodating attitude. In early 2021, news broke that Palestinian officials were negotiating with Israeli and Egyptian counterparts to allow for the production of gas from Gaza Marine and its transport to Egypt. In return, Palestinians would receive Leviathan gas.⁶⁶ (The PA has agreed that Leviathan gas will fuel the West Bank's Jenin power plant, in the hope that it will eventually also have access to Gaza Marine.) Hamas officials, cut out of the loop, criticised the talks' lack of transparency, which they said underscored the PA's corruption.⁶⁷

Some Palestinian and other analysts criticise both these talks and G4G as manifestations of "economic peace" logic – ie, treating improvements to Palestinian livelihoods, rather than ending Israel's occupation or negotiations, as the focus of diplomatic engagement in the Israeli-Palestinian conflict.⁶⁸ Underlying this criticism is the worry that pursuit of "economic peace" will allow Israel to put off political compromise with the Palestinians indefinitely, while advancing its de facto annexation of the occupied West Bank. While economic interventions to calm the conflict may have development and humanitarian benefits, there is little evidence to suggest that

phone interview, 2 March 2021. A former senior U.S. diplomat said, "G4G is positive. It will provide a consistent energy supply to Gaza, which has long suffered under Hamas rule. A key issue is where the revenues will go: to Hamas would be a non-starter but to the PA is workable". Crisis Group telephone interview, 12 March 2021.

⁶³ Crisis Group interview, Hamas official, Gaza, December 2022.

⁶⁴ "Annexing Energy: Exploiting and Preventing the Development of Oil and Gas in the Occupied Palestinian Territory", Al-Haq, 5 December 2015. See also "Palestinian gas: The black box", *Middle East Eye*, 28 April 2015.

⁶⁵ "Palestinians demand right to natural gas field off Gaza Strip", *Al-Monitor*, 14 September 2022; and "Hamas claims Palestinian right to offshore Mediterranean gas", *Al-Monitor*, 19 September 2022.

⁶⁶ Crisis Group telephone interview, senior Palestinian energy negotiator, 11 February 2021. For more on these reports, see "Led by Hussein al-Sheikh: Sources reveal Israel's approval for the extraction of Palestinian gas", *Sama News*, 25 February 2021.

⁶⁷ Musa Abu Marzouq, a Hamas leader, said, "Some of the PA leaders commented on our previous tweet about the Gaza gas agreement. Their comments are not justified, because transparency is required of state [institutions], and this requires that the details of the agreements should be known [to the public]. This applies even more when those in power exert absolute and unchecked authority and are not accountable to anyone. We learned this lesson [the hard way], through the establishment of the Gaza power plant and the extent of corruption that marred the contracts for its construction". Tweet by Musa Abu Marzouq, @mosa_abumarzook, 3:47pm, 23 February 2021 (Arabic). Earlier, he said, "If Gaza is forced to import natural gas from the occupation [ie, Israel] to fuel the Strip's only power plant, we should not stand by and watch while our resources go to waste. We need to know the details of the agreement signed with the Investment Agency". Tweet by Musa Abu Marzouq, @mosa_abumarzook, 8:37am, 23 February 2021 (Arabic).

⁶⁸ For a Palestinian perspective on this subject, see Ibrahim Shikaki, "'Economic Peace' with Israel Won't Help Palestinians", Al-Shabaka, 2 June 2021.

previous such interventions have moved the needle on the peace front, or that gas diplomacy will bring better results. A former senior U.S. diplomat privy to the Leviathan negotiations says a focus on near-term improvements of this sort does indeed underlie these discussions.⁶⁹

2. Israel and Lebanon

A new maritime boundary agreement between Lebanon and Israel has averted a potentially dangerous clash over offshore gas fields, but the deal does not resolve the underlying conflict between the two countries. On 27 October 2022, Israel and Lebanon separately signed a final demarcation agreement for their shared maritime border, resolving a decade-long impasse that has hindered the exploitation of natural gas reserves off both countries' coastlines.⁷⁰ The dispute revolved around two expanses of eastern Mediterranean seabed, which contain at least two untapped gas fields: Karish (which is ready for commercial exploitation) and Qana (an unconfirmed "prospect" north east of Karish). The agreement, which came after extensive U.S. mediation, leaves all of Karish in Israeli waters and most of the unexplored Qana prospect inside Lebanese territory.⁷¹

Under the agreement, Israel and Lebanon have accepted a maritime border that represents a compromise between each country's maximalist claims. Back in 2011–2012, negotiations focused on a disputed area of 860 sq km, the difference between Israel's northernmost claim (known as "line 1") and Lebanon's southernmost claim at the time (known as "line 23"). The divergence between lines 1 and 23 stemmed from disagreement over both the angle and starting point of the maritime border.⁷²

⁶⁹ For this reason, he said, he prefers that Palestinian rather than Leviathan gas go to the West Bank and Gaza. The diplomat said, "I prefer to see Gaza Marine come up. I agree with Palestinians who say that if you put Leviathan gas into Jenin, you are promoting the Bibi [Netanyahu] narrative: 'Why do you need a Palestinian state? As long as I give you better lives, cafés, paychecks, etc., everything is fine'. His point is economic peace". Crisis Group telephone interview, 11 February 2021.

⁷⁰ The Lebanese government has licenced an international consortium led by the French company Total to conduct exploratory drilling in a zone referred to as "block 9" near the disputed areas. "Total strengthens its position in the Mediterranean region by entering two exploration blocks offshore Lebanon", press release, Total Energies, 2 September 2018. Upon receiving the exploratory drilling license, Total pledged that the consortium's exploration would not interfere "with any fields or prospects" in the disputed maritime area. "Lebanon to begin offshore energy search in block disputed by Israel", Reuters, 9 February 2018. Working in Lebanese waters about 20km from the disputed border causes anxiety among both policymakers and company professionals. Crisis Group telephone interview, regional gas expert, 26 January 2021. Yet, even though exploration of block 9 has been postponed repeatedly, the consortium did not officially blame the border dispute. "Lebanon launches second offshore licensing round", Reuters, 26 November 2021. In December 2021, however, Lebanese Energy Minister Walid Fayyad told journalists that Total had linked the start of exploration to resolution of the maritime dispute; Fayyad repeated this claim to local media in September 2022, amid escalation over the disputed territory between Hizbollah and Israel. "Total linking gas exploration in southern Lebanon with Israeli border demarcation", Lebanon ON, 30 December 2021; "Top al-Jumhuriya stories: Aoun clings to 'six', Baabda media representative responds to Berri", *Al-Jumhuriya*, 2 September 2022 (Arabic). In May 2022, with little publicity, the Lebanese government extended the consortium's exploration licence for three years, likely in response to Total's concerns about the demarcation dispute. "Extension of Total's first exploration period for blocks 4 and 9", *Lebanon Gas News*, 22 May 2022 (Arabic).

⁷¹ "What to know about the Israel-Lebanon maritime border deal", Al Jazeera, 14 October 2022.

⁷² Michael Harari and Gabriel Mitchell, "Lines in the sea", *Newlines Magazine*, 2 June 2021.

After the negotiations collapsed, Lebanon extended its claim to what has become known as line 29, which would have given Lebanon an additional 1,430 sq km south of line 23, including nearly half of the Karish field. The final demarcation agreement places the border at line 23, which cuts through the Qana prospect. Under the deal that was reached, while Lebanon alone can exploit Qana, Israel is entitled to receive compensation from the consortium exploiting the field out of gas revenues for the segment of Qana falling south of line 23.⁷³

For now, the agreement has defused a flashpoint between Israel and Lebanon, which at times threatened to erupt into conflict. In mid-2022, before the demarcation deal was reached, a dispute over the Karish field escalated between Israel and Hizbollah, the powerful Lebanese political party-cum-militia. With demarcation negotiations stalled, Israel had assumed it could proceed with exploiting the Karish field, because Lebanon had never made an official claim to line 29 – which runs through Karish – or any area nearby.⁷⁴ On 5 June 2022, a floating production, storage and offloading facility operated by the London-based company, Energean, arrived at a position near the disputed maritime border to prepare to extract gas from Karish for Israel, in an area clearly south of line 29. On 9 June, Hizbollah Secretary-General Hassan Nasrallah said his party would consider Karish a disputed resource, absent an agreement, and would defend it from Israeli exploitation if the Lebanese state failed to do so.⁷⁵

Over several months, observers expressed concern that these tensions would spill over into violent confrontation – and with reason.⁷⁶ On 2 July, Hizbollah's military wing, the Islamic Resistance, claimed responsibility for sending three unarmed drones toward Karish. Israel shot down the drones, describing the incident as “an attempt to

⁷³ The agreement provides for the “Block 9 Operator” (the legal entity holding rights to explore Lebanese natural gas reserves in the area, which is currently a Total-led consortium) and Israel to continue discussions to “determine the scope of Israel’s economic rights in the (Qana) (p)rospect”. The Block 9 Operator and Israel must sign a financial agreement to guarantee these compensation rights: “Full text of the maritime border deal agreed between Israel and Lebanon”, *The Times of Israel*, 12 October 2022. In August 2022, Lebanese Energy Minister Fayyad announced that Russian gas company Novatek had withdrawn from the consortium due to “economic and financial” reasons as well as “political risks”. Sally Abou AlJoud, “Novatek pulls out of offshore gas exploration consortium, leaving future of operation unclear”, *L’Orient Today*, 26 August 2022. Since October 2022, the state-owned petroleum company Qatar Energy has been negotiating to purchase Novatek’s former 20 per cent share in the consortium, as well as an additional 10 per cent stake (comprising 5 per cent each from Total and Eni). On 22 November, Israel approved the Qatari Energy Consortium as a prospective consortium partner, despite the absence of formal diplomatic relations between Israel and Qatar. Rina Bassist, “Israel agrees for Qatar to drill in Lebanese maritime gas field”, *Al-Monitor*, 23 November 2022. In Israel, observers’ views diverge over the implications of Qatar’s potential entry into the consortium. While some fear that Qatar wishes to provide support to Hizbollah, others argue that it wants to prevent the consortium from collapsing in the wake of Novatek’s exit and bolster its international credentials as a pragmatic regional actor. Maya Margit, “Qatar’s foray into Lebanon’s gas could spell trouble – or opportunity – for Israel, analysts say”, *The Media Line*, 31 October 2022. Lebanese analysts mainly view Qatar Energy’s potential involvement as a commercial decision. By this reading, Qatar Energy would join the consortium based on its existing business partnerships with Total, as well as Qatar’s broader objective of diversifying its natural gas portfolio. Crisis Group telephone interview, 19 December 2022.

⁷⁴ “Lebanon preparing to offer compromise on maritime spat with Israel, officials say”, Reuters, 13 June 2022.

⁷⁵ “Nasrallah warns Israel and Greek firm, urges ‘unified’ Lebanese stance”, Naharnet, 9 June 2022.

⁷⁶ Crisis Group Alert, “Time to Resolve the Lebanon-Israel Maritime Border Dispute”, op. cit.

undermine negotiations”, adding: “Hizbollah wants to destroy Lebanon”.⁷⁷ Nasrallah doubled down, vowing on 13 July that Hizbollah would block gas exploitation by Israel even “beyond Karish” until Lebanon could mine its own maritime resources.

But the parties’ growing economic and political incentives to reach a deal helped them step back from the brink. As Russia’s war in Ukraine led European countries dependent on Russian gas exports to scramble for alternatives, Israel believed that prospects might improve dramatically for marketing eastern Mediterranean gas.⁷⁸ Israel thus had an immediate incentive to boost its output by exploiting Karish as quickly as possible and to remove the security threat that a conflict with Hizbollah could have created for its entire Mediterranean gas operation.

Some Israeli officials have also expressed hope that the deal could be a springboard for more lasting conflict resolution with Lebanon and its various political factions. Israeli security officials suggested that Lebanon might covet stability on the shared maritime border if it could get access to natural gas reserves.⁷⁹ Some also justified accepting a compromise on the Qana prospect primarily for political rather than economic reasons, claiming that it would set a precedent for resolving other disputes between Israel and Lebanon through negotiation. In the words of one senior Israeli official, a deal would “erode a [Lebanese] taboo” regarding Israel.⁸⁰ When the agreement was signed, then-Prime Minister Yair Lapid claimed that Lebanon’s entry into the deal in effect recognised the state of Israel “in front of the entire international community”.⁸¹

As for Lebanon, the country’s fractious political leadership perceived collective political benefits in concluding the maritime deal. After the demarcation agreement was finalised, both President Michel Aoun and Hizbollah leader Nasrallah heralded it as a new dawn for Lebanon’s devastated economy, claiming that Lebanon had become an “oil-producing country”.⁸² This narrative provided a distraction from Lebanon’s escalating economic crisis, for which many Lebanese hold their political leaders responsible. Aoun also repeatedly claimed the border demarcation deal as a major diplomatic achievement of his presidency, which ended only days later.⁸³ He

⁷⁷ The Islamic Resistance claimed that “the [reconnaissance] was accomplished and the message was conveyed”. “Lebanon-Israel maritime dispute returns to the fore”, *Arab News*, 3 July 2022. On 11 July, Israel submitted an official complaint to the UN, holding the Lebanese government accountable for the launch. “Israeli UN ambassador submits complaint regarding Hezbollah’s drones”, *L’Orient Today*, 12 July 2022.

⁷⁸ At an East Mediterranean Gas Forum conference, which occurred just after announcement of the Israel-Lebanon demarcation agreement, an EU official explicitly described eastern Mediterranean natural gas reserves as an “increasingly important” short-to-medium-term solution for Europe’s energy crisis. “EU official: East Med gas can wean bloc off Russian energy”, Associated Press, 14 October 2022.

⁷⁹ Crisis Group interview, Tel Aviv, July 2022.

⁸⁰ Crisis Group interview, Tel Aviv, July 2022.

⁸¹ “Has Lebanon recognised Israel by striking a maritime border deal?”, *Al Jazeera*, 27 October 2022.

⁸² “Aoun: Lebanon has become an oil-producing country”, *Al-Mayadeen*, 13 October 2022 (Arabic); and “Nasrallah refutes any normalisation with Israel after deal signing”, *L’Orient Today*, 27 October 2022. Oil and gas experts have tempered this enthusiasm, pointing out that Lebanon would need to begin drilling operations before confirming such claims. “Lebanon and Syria: oil fortunes locked in deferred demarcation”, *Al-Araby al-Jadeed*, 26 October 2022 (Arabic).

⁸³ “United Lebanese position: speed up agreement or war”, *Al-Modon*, 2 August 2022 (Arabic); and “Maritime border: Why Israel refused Lebanon’s amendments to Hochstein’s proposal”, *L’Orient Today*, 7 October 2022.

lauded the negotiating efforts of Gebran Bassil, his son-in-law and anointed political successor as party leader.⁸⁴ For its part, Hizbollah took credit for Israel's sudden willingness to compromise, suggesting that the episode demonstrated Lebanon's continued need for Hizbollah's weapons, which it maintains controversially beyond the state's purview.⁸⁵

But much as the maritime agreement was a welcome achievement in its own right, and a positive development in terms of regional dynamics, it will need to be joined by much broader efforts if there is to be a breakthrough in overall relations between the two neighbours. Lebanon's political leaders, including Nasrallah, have stressed that the maritime border deal is not an agreement between Lebanon and Israel, let alone a move toward normalisation.⁸⁶ The deal's terms and structure deliberately avoid putting Lebanon in the position of formally recognising Israel's existence, notwithstanding Lapid's claims to the contrary. The countries will seal the deal by depositing matching decrees about the border compromise with the UN, allowing Lebanon to avoid signing a direct agreement with Israel.⁸⁷ The French oil giant Total,

⁸⁴ On 13 October, when publicly announcing his approval of the final maritime agreement, Aoun traced the successful outcome back to Bassil's initial efforts as energy and water minister in 2010. "In 'celebratory' speech, Aoun announces approval of demarcation agreement", *Janoubiya*, 13 October 2022 (Arabic). Bassil may have hoped that supporting the negotiations would convince Washington to drop economic sanctions imposed on him due to corruption allegations. This allegation has been raised repeatedly against Bassil, including by Samir Geagea, his main Christian rival, who heads the Lebanese Forces party. "Geagea: Aoun wasted 40 years of our lives", *L'Orient Today*, 26 October 2022. For his part, Bassil denied any link between his role in the maritime border negotiations and potential sanctions relief, saying the sanctions would be lifted purely because they are "unfair". U.S. Ambassador to Lebanon Dorothy Shea stated that Washington would not lift sanctions in such a quid pro quo transaction. "That's not how sanctions work", she said. "We're not that cheap". Quoted in "Lebanon MP sanctioned by US says he played behind-the-scenes role in border talks", Reuters, 13 October 2022.

⁸⁵ Even before the final agreement was signed, schisms had seemingly emerged among Lebanese political actors over who had secured the deal. On 22 October, a member of Hizbollah's central council stressed that Lebanon owed its gratitude to Hizbollah's drones, which "changed the equation" for the dispute. "Negotiations have not freed up one metre of our maritime territory in eleven years", he added, referring to the lengthy border talks for which Aoun and Bassil have taken credit. Quoted in "Hizbollah to Aoun: demarcation is thanks to our drones, not your negotiations", *Al-Nahar*, 25 October 2022 (Arabic).

⁸⁶ On 27 October 2022, after the deal was signed, Nasrallah pointed out that the Lebanese and Israeli negotiating teams had not met in the same room. Nor had they signed the same physical document. "Claims on normalising ties between Lebanon and (Israel) after the maritime deal are baseless and false accusations", he said. Quoted in "Sayyed Nasrallah: mission accomplished, maritime deal great victory for Lebanon", *Al-Manar*, 27 October 2022. Similarly, Aoun dismissed the notion that the maritime border agreement had altered Lebanon's existing foreign policies in any way. "Aoun says signing the maritime border deal is 'technical work' and has 'no political dimensions'", *L'Orient Today*, 27 October 2022.

⁸⁷ Indeed, Parliament Speaker Nabih Berri justified not submitting the deal's final text for parliamentary approval on the basis that it does not constitute an international agreement, which the legislature would ordinarily need to ratify. Instead, Berri argued, Lebanon would merely update information previously submitted to the UN. "Berri: no need to discuss the maritime border agreement 'because it is not an agreement with Israel'", *L'Orient Today*, 14 October 2022. Similarly, Aoun stressed after the deal's announcement that it did not amount to normalisation with Israel. "Lebanon president accepts maritime border deal with Israel", Reuters, 13 October 2022.

not Lebanon, will pay any compensation owed to Israel.⁸⁸ While Hizbollah approved the Lebanese negotiating team's decision on the maritime border, it insisted that the deal explicitly acknowledge that land border negotiations remain unresolved.⁸⁹

The maritime agreement still could be a first step toward a more concerted push at cross-border peacemaking. But with Lebanon beset by economic challenges and deadlocked over the selection of political leadership, and Israel facing domestic upheaval over the new right-wing government's plans for a drastic judicial overhaul, there is no sign – nor much promise – of near-term movement on that front.

C. *An Actor with Regional Ambitions*

Türkiye is rising as a regional power with an assertive foreign policy that shapes its approach to hydrocarbon extraction. Ankara's defence of Turkish Cypriot claims to sovereignty drives its position with respect to the exploration and exploitation of seabed hydrocarbons around the island of Cyprus. Its 2019 deal with the UN-recognised government of Libya – in which it committed to help Tripoli militarily in exchange for favourable terms on maritime delimitation – is best seen as an effort to counter-balance regional economic and political blocs that it sees as impinging on its interests.

1. Türkiye, Greece and the Cyprus question

Efforts to exploit gas discoveries around the island of Cyprus both fuel and are complicated by a decades-old sovereignty dispute between the island's Greek Cypriot population (which controls the internationally recognised Republic of Cyprus or RoC) and Turkish Cypriots (who are concentrated in the breakaway and de facto "Turkish Republic of Northern Cyprus" or "TRNC"). Türkiye is the only nation to recognise the "TRNC" as sovereign and is deeply implicated in Cyprus-related geo-politics, as are a number of other outside powers, including the U.S., the UK and Greece.

In some respects, it is hardly surprising that gas discoveries would exacerbate the sovereignty dispute between Greek and Turkish Cypriots.⁹⁰ With the UN recognising

⁸⁸ "Full text of the maritime border deal agreed between Israel and Lebanon", *The Times of Israel*, 12 October 2022.

⁸⁹ Days before the final deal was announced, Hizbollah reportedly refused to accept an Israeli request that the agreement acknowledge a line of buoys near Naqoura, which Israel had established after withdrawing from Lebanon in 2000, as the "status quo" border. Instead, the final agreement designated the line of buoys as the "de facto" border, implying that the issue could be subject to further discussion in the future. This seemingly small detail threatened to derail the border demarcation agreement at the last minute, as Israeli Defence Minister Benny Gantz asked the Israel Defense Forces to prepare for "escalation" near the Israeli-Lebanese land border. "Maritime border: Why Israel refused Lebanon's amendments to Hochstein's proposal", *L'Orient Today*, 7 October 2022.

⁹⁰ The Republic of Cyprus, established in 1960, was to be bicomunal, with effective representation and power sharing between its Greek and Turkish constituent communities. In December 1963, following constitutional standoffs in which the Turkish Cypriot side used its veto power, the Greek Cypriot leadership proposed amendments that set the stage for a centralised unitary state with minority rights for the Turkish Cypriots (18 per cent of the population). In response, Turkish Cypriot officials vacated all state positions; no mutually acceptable power-sharing formula has been found to date. Intercommunal violence starting in 1963 drove Turkish Cypriots into UN-protected enclaves. In 1974, Greek Cypriot paramilitaries backed by the Greek junta carried out a coup, with the aim of removing the legally elected president, Archbishop Makarios. Invoking its rights under the 1960 Treaty of Guarantee among Greece, Türkiye, the Republic of Cyprus and the UK – prohibiting Cyprus from joining any political or economic union – Türkiye intervened militarily, with the stated aim of

the RoC as representing the entire island, the latter claims the exclusive right to explore and exploit resources in the surrounding maritime zones. Rejecting the north's assertion of sovereignty, and labelling Türkiye's military presence there an "occupation", the Greek Cypriot administration objects to Turkish Cypriot representatives having any say in resource management.

But Türkiye and the Turkish Cypriot administration see things differently. Ankara does not recognise the RoC and contests its right to enter into "exclusive economic zone" agreements or draft hydrocarbon development plans unilaterally. It aligns with the Turkish Cypriot claim to co-ownership of the country's natural resources based on bicomunal decision-making structures that broke down in 1963, and argues that in addition to receiving a fair share of revenues, it should have a say in managing them. Turkish authorities invoke their status as a guarantor state under the 1960 Treaty of Guarantee among Greece, Türkiye and the UK in asserting that they will prevent the "usurpation" of Turkish Cypriots' rights, and say they will not allow Greek Cypriots to benefit from the exploitation of natural gas reserves unless they come to an agreement with the Turkish Cypriots.⁹¹

Turkish officials have voiced their concerns about alleged violations of Turkish Cypriots' rights ever since the RoC signed its first delimitation deal with Egypt in 2003.⁹² They redoubled their protests in 2004, after the Greek Cypriots rejected a UN plan proposed by then Secretary-General Kofi Annan for reaching a political settlement with the north, shortly before the RoC joined the EU. They did so again after the RoC proceeded to sign new delimitation deals with Lebanon in 2007 and Israel in 2010.⁹³

But the RoC's discovery of gas reserves in 2011 meant that the economic stakes were suddenly much higher. "We said this is going to lead to problems. The island is still divided, and the EU was silent", a Turkish official said. "We had to do something".⁹⁴ He also said (on a later occasion) that the "TRNC" has been "mirroring" the

preventing *enosis* (union of Cyprus with Greece) and protecting Turkish Cypriots. Turkish forces seized 37 per cent of the island's territory, displacing around 200,000 Greek Cypriots. Turkish Cypriots displaced from the south took over Greek Cypriot properties in the north, joined in time by Turks who settled there from Anatolia. Nearly a decade later, Turkish Cypriots proclaimed their own state in the north, the "TRNC", which Türkiye alone has recognised. See, most recently, Crisis Group Report, *An Island Divided: Next Steps for Troubled Cyprus*, op. cit.

⁹¹ A Turkish Cypriot representative said, "Our position has been consistent, as the TRNC leadership said in 2003: either the Greek Cypriots need to wait for a solution to the Cyprus problem, or they have to work with us". Crisis Group interview, Nicosia/Lefkoşa, 6 September 2021. Echoing this message, a Turkish official said, "There are three options: both sides conduct exploration and drilling activities in parallel; they join together and do so in cooperation; or neither side will". Crisis Group interview, Ankara, November 2021.

⁹² Crisis Group telephone interview, Turkish official, September 2020. See also the presentation by Çağatay Erciyes, director-general for bilateral political and maritime-aviation-border affairs at the Turkish foreign ministry, titled "Addressing the East Mediterranean Maritime Dispute and Unilateral Activities: Factual Background and International Law and Turkish Standpoint", 9 December 2019.

⁹³ When the so-called Annan proposal came to an island-wide referendum in April 2004, a majority of Turkish Cypriots voted "yes". Most Greek Cypriots, however, voted "no", dooming the plan. When the RoC entered the EU one month later, it did so with the north deemed "non-government-controlled areas where the *acquis Communautaire* was suspended". The RoC signed agreements on the delimitation of exclusive economic zones with Egypt (2003), Lebanon (2007) and Israel (2010), all registered with the UN.

⁹⁴ Crisis Group telephone interview, September 2020.

moves of the Greek Cypriot state since 2011. For example, after the RoC signed delimitation agreements, the “TRNC” followed suit by signing a deal with Ankara purporting to establish a maritime boundary between the island’s northern part and the Turkish coast. The official noted that:

Between 19 and 25 September 2011, in just one week, a lot happened: the Greek Cypriot state delineated parcels and licenced them to international companies to conduct exploration and drilling. Immediately, the TRNC identified licence areas [*ruhsat sahaları*] and gave exploration licences to Turkey’s TPAO [Türkiye Petrolleri Anonim Ortaklığı, the Turkish national oil company].⁹⁵

⁹⁵ Crisis Group interview, Turkish official, Ankara, November 2021. In 2011, the RoC divided maritime areas it claimed to the island’s south into thirteen blocks, nine of which it licenced to international energy consortiums. Following appraisal at one of these fields, Aphrodite in block 12, it sealed a licencing agreement with the Chevron-Delek-Shell consortium in November 2019 and updated production-sharing contracts with the consortium, details of which have not been revealed. “Aphrodite exploitation license issued”, press release, Cyprus Hydrocarbons Company, 8 November 2019.

Although Cyprus' status as a divided island has led to quarrels over how to apportion its energy resources, those resources have also been a source of hope. Because duelling claims meant that the two sides were impeded from exploiting the potential wealth off the island's shores, and because the best option for exporting the gas to Europe would be through Türkiye, the expectation was that the two sides would have more incentive than ever to resolve their disputes and reunify the island. By setting their differences aside, and collaborating on exploitation, they would be better positioned to reap economic rewards. Thus, as the island's sixth round of major negotiations over a political settlement reached a crescendo between 2015 and 2017, some were optimistic that natural gas projects would provide economic incentives to resolve the conflict.⁹⁶

But these hopes were disappointed. The talks collapsed in 2017, and in their aftermath, the parties' zero-sum approaches only hardened. In separate talks about energy issues, the "TRNC" and Ankara have continued to insist on joint decision-making, pressing the RoC for what they consider an equitable revenue-sharing scheme with respect to the island's energy wealth.⁹⁷ Moreover, in 2018, Türkiye for the first time supplemented its verbal objection with a military show of force. Turkish naval vessels prevented an ENI ship from drilling in RoC-licensed areas. That same year, the "TRNC" began conducting its own hydrocarbon exploration in disputed waters by licensing TPAO. Türkiye has also sought to limit Greek Cypriot exploration, using its navy to deter drilling by international companies operating under RoC licences in disputed waters off the island's coast.

In response, the Greek Cypriot side has pursued partnerships with a view to countering Turkish intimidation. For example, when Turkish warships stopped Italy's energy firm ENI from drilling in RoC waters in 2018, the government responded by suggesting that ENI pair with France's Total in allocated blocks because it believed

⁹⁶ See Matthew Bryza, "Eastern Mediterranean Natural Gas: Potential for Historic Breakthroughs among Israel, Turkey and Cyprus", *Turkish Policy Quarterly*, vol. 12, no. 3 (Fall 2013); and Crisis Group Report, *Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue?*, op. cit. Since the breakdown of the last round of negotiations aimed at reunifying Cyprus – in Crans Montana, Switzerland, in 2017 – Ankara's position has been that agreement on an equitable bicomunal, bizonal federation is not possible. While the Greek Cypriot leadership calls for renewed reunification talks, both the Turkish Cypriot leadership elected in October 2020 and Ankara advocate for new negotiating parameters on the basis of what they call "sovereign equality", requiring reaffirmation of the "inherent rights" granted in 1960 to Turkish Cypriots as an equal constituent community. With hopes for a solution waning, the "TRNC" is increasingly geared toward meeting basic energy needs via Türkiye, including plans for an underwater electricity cable.

⁹⁷ In February 2019, the RoC established a national sovereign fund to manage prospective energy incomes. It proposed to also set up an escrow account for Turkish Cypriots to dip into once a political settlement is reached, including a maritime boundary delimitation agreement with Türkiye. (Later, the requirement to wait for a political settlement weakened, and the condition became for Türkiye to sign a delimitation agreement with the RoC.) The Turkish Cypriot administration proposed instead a cooperation mechanism (such as a joint committee) to decide on offshore activities together, and that revenues be shared at percentages to be negotiated. It argued that Turkish Cypriot rights should not hinge on a solution to the Cyprus problem, lest the RoC hold too much leverage, ie, be able to compel the Turkish Cypriot administration to make further political compromises in return for access to energy resources. For its part, the RoC is concerned that other countries will recognise its adversaries' sovereignty claim – a red line – if they are granted a share in decision-making, in addition to gaining access to hydrocarbon revenues. See Crisis Group Report, *An Island Divided: Next Steps for Troubled Cyprus*, op. cit.

Paris would be more assertive than Rome in confronting the Turkish navy. That proved correct: when Total and ENI jointly engaged in offshore exploration in the following years, France deployed its own naval assets, including its flagship *Charles de Gaulle* aircraft carrier. Since then, a Greek Cypriot expert said, Türkiye “has not hindered ENI-Total drilling in Republic of Cyprus waters, even though it had threatened to do so”.⁹⁸

Greece has worked with the RoC to rally other states against Türkiye’s conduct. In November 2019, based on a proposal by Greece and the RoC, the European Council adopted a new sanctions mechanism to counter what it saw as Türkiye’s “unilateral” actions in the eastern Mediterranean.⁹⁹ Under these “restrictive measures”, the EU imposed limited sanctions on two Turkish TPAO officials the following February.¹⁰⁰

Greece and the RoC have also sought to galvanise support from, and fortify their partnerships with, heavyweights both in and outside the region.¹⁰¹ The RoC stepped up its efforts to bolster defence and diplomatic alliances, focusing on countries that have also had difficult relations with Türkiye, such as Egypt, Israel and the United Arab Emirates. Greece, too, has forged new defence ties, especially with France, the U.S. and the UAE.¹⁰² Turkish officials are disgruntled in particular over Washington’s growing military partnership with Athens and its full lifting of an arms embargo on the RoC in September 2022.¹⁰³

Over the past several years, these developments have only prompted Ankara to push back harder. In mid-2020, Turkey dispatched naval vessels to the eastern Mediterranean to intimidate energy majors and highlight what it claimed was the RoC’s illegitimate drilling. It also sent seismic research ships flagged by its navy to gas fields claimed by the RoC on several occasions between January 2020 and mid-2022.

⁹⁸ Crisis Group correspondence, Greek Cypriot academic, February 2022.

⁹⁹ The mechanism stipulates that the EU can impose sanctions on individuals or entities for being “responsible for or involved in planning, directing and implementing unauthorised offshore hydrocarbon exploration activities in the Eastern Mediterranean”. The framework was extended for a year in November 2020, and again in November 2021. “Unauthorised drilling activities in the Eastern Mediterranean: Council prolongs the sanctions regime by one year”, Council of the EU, 11 November 2021.

¹⁰⁰ The sanctions consist of a ban on travel to the EU, an asset freeze and a measure prohibiting EU persons and entities from making funds available to the named persons.

¹⁰¹ See Crisis Group Report, *An Island Divided: Next Steps for Troubled Cyprus*, op. cit.

¹⁰² In November 2020, Greece and the UAE signed an agreement on joint foreign policy and defence cooperation. In October 2021, Greece signed a five-year defence agreement with France, the first of its kind between two NATO members; it includes a mutual assistance clause in case of an armed attack on the other party. Two months later, the two countries signed an agreement by which Greece would buy three French Belharra frigates, with delivery scheduled to be completed by the end of 2024. In October 2021, the U.S. and Greece signed a deal expanding their existing bilateral Mutual Defence and Cooperation Agreement, first signed in 1990, allowing U.S. troops to train and operate on Greek bases. See “UAE, Greece sign defence pact to counter Turkish aggression”, *The EurAsian Times*, 23 November 2020; “Greek lawmakers ratify major defence pact with France”, Associated Press, 7 October 2021; “France-Greece frigate deal ‘signed’, says Paris after US makes rival offer”, *France 24*, 11 December 2021; and “Signing of Protocol of Amendment to the Mutual Defence Cooperation Agreement with Greece”, U.S. Department of State, 14 October 2021.

¹⁰³ The arms embargo had been in place since 1987 and was a measure that Washington had initially intended to discourage an intra-island arms race. Blocked from arming itself in the U.S., the RoC looked to Moscow. “US decision to lift arms embargo will embolden Greek Cypriot administration, lead to escalation”, Anadolu Agency, 17 September 2022; and “Greece upgrades military base deal with US despite opposition”, *Daily Sabah*, 12 May 2022.

This practice has at times created a dangerous risk of escalation.¹⁰⁴ Tit-for-tat rhetoric and actions from the last eighteen months include the following:

- ❑ In November 2021, the RoC issued a navigational telex (Navtex) announcing drilling by Exxon Mobil-Qatar Petroleum in seas over which it claims jurisdiction.¹⁰⁵ Ankara condemned the agreement, stating that Türkiye “will never allow any foreign country, company or vessel to engage in unauthorised hydrocarbon exploration activities in its maritime jurisdiction areas, and will continue to resolutely defend her rights and those of the TRNC”.¹⁰⁶
- ❑ In May 2022, RoC-licenced ENI and Total resumed drilling activities in the RoC-claimed exclusive economic zone for the first time since the COVID-19 pandemic had put it on hold. The “TRNC” and Türkiye again repeatedly protested the RoC’s unilateral drilling activities, arguing that these violate Turkish Cypriots’ rights.¹⁰⁷
- ❑ In August 2022, tensions between the RoC and Ankara reignited when Türkiye announced it would dispatch a new drillship to the Mediterranean near Cyprus. Both Greece and the RoC objected, saying Türkiye would thus violate their rights within their respective exclusive economic zones. Ankara later clarified that the ship would operate within Türkiye’s own sovereign territory outside of the disputed waters of Cyprus.¹⁰⁸
- ❑ In December 2022, ENI and Total announced that they had found more gas off Cyprus, to which the “TRNC” and Türkiye responded with harsh statements dismissing the legitimacy of the RoC-claimed exclusive economic zone and accusing the RoC of ratcheting up tensions in the eastern Mediterranean.¹⁰⁹

¹⁰⁴ Meanwhile, tensions at sea with Greece were also flaring. In July 2020, Türkiye dispatched a seismic research vessel under military escort into disputed maritime zones with Greece, prompting Athens to put its navy on high alert. Amid the remonstrations of EU leaders, Ankara cancelled its exploration plans – only to revive them days later in anger over Athens signing a delimitation deal with Cairo that challenges Turkish maritime claims. Tensions further spiked when two rival frigates collided south of the Greek island of Kastellorizo, near the Turkish coast in August. The crisis was defused when Ankara pulled back its seismic vessel in September 2020, but tensions surged back just months later. Crisis Group Report, *Turkey-Greece: From Maritime Brinkmanship to Dialogue*, op. cit. See also Helena Smith and John Henley, “Greek military put on high alert as tensions with Turkey rise”, *The Guardian*, 13 August 2020; Yaroslav Trofimov and David Gauthier-Villars, “Turkish, Greek frigates collide in the Mediterranean Sea”, *The Wall Street Journal*, 14 August 2020; and Ece Göksedef, “Doğu Akdeniz: Oruç Reis ve NAVTEX’ler, Türkiye-Yunanistan gerginliğinde nasıl rol oynadı?”, BBC Türkçe, 22 October 2020.

¹⁰⁵ Nermina Kulovic, “ExxonMobil kicks off drilling operations offshore Cyprus”, *Offshore Energy*, 23 December 2021. The companies have licences for zones that overlap with Turkish-claimed areas, but they are not drilling in the parts of the parcel that Ankara disputes.

¹⁰⁶ “QA-47, 2 December 2021, Statement of the Spokesperson of the Ministry of Foreign Affairs, Ambassador Tanju Bilgiç, in Response to a Question Regarding Media Reports that the GCA Granted Natural Gas Exploration Permits within the So-called License Area Number 5 to ExxonMobil - Qatar Petroleum Consortium”, Turkish Ministry of Foreign Affairs, 2 December 2021.

¹⁰⁷ “Turkish Cyprus condemns Greek Cypriot admin’s unilateral drilling”, *Daily Sabah*, 25 May 2022.

¹⁰⁸ “Turkey’s new drill ship to operate outside disputed waters in Mediterranean”, Reuters, 9 August 2022.

¹⁰⁹ “Regarding the unilateral activities of the Greek Cypriot side in the East Med”, Ministry of Foreign Affairs of the “TRNC”, 22 December 2022 (Turkish). In its statement, the “TRNC” also claimed that the parcel where RoC activities are conducted coincided with Türkiye’s continental shelf. Türkiye

This back-and-forth has not yet led to confrontation between the two sides. But the continued RoC-“TRNC” sovereignty dispute and the role Ankara plays in backing the Turkish Cypriots has laid to rest hopes that Greek and Turkish Cypriots will seize the opportunity to use hydrocarbon wealth for mutual benefit. While Türkiye and Greece softened their rhetoric after the February earthquakes, when Greece dispatched aid and rescue teams, it is possible that frictions will rise again in the run-up to elections in both countries in the summer of 2023. In the meantime, though Turkish vessels have not proceeded with exploration in disputed zones around the island, they do criss-cross the area with naval escorts and their activities can create friction.¹¹⁰

2. The Libya angle

In 2019, Ankara, seeing war-torn Libya as a potential ally in countering the group of countries that had formed the East Mediterranean Gas Forum (discussed below), threw its weight behind the UN-backed government of Prime Minister Faiez Serraj in Tripoli and struck a deal.¹¹¹ That deal had the following contours. Türkiye agreed, in effect, to offer military assistance to the Tripoli-based government, which at the time was struggling to fend off an offensive by Egypt- and UAE-backed forces loyal to Field Marshal Khalifa Haftar. For its part, Tripoli acquiesced in a memorandum of understanding that established the two countries’ respective maritime economic exclusive zones in the eastern Mediterranean on terms that benefited Ankara.¹¹² The deal gave Türkiye claim to maritime areas west of the 28th meridian that overlap with waters Athens considers part of its continental shelf, including around islands such as Rhodes and Crete.¹¹³

Through this arrangement, Ankara hoped to achieve several objectives. These included both disrupting plans for an EastMed pipeline that were being developed without it (see below) and encouraging Egypt and Israel to backtrack on delimitation

did not explicitly advance such an argument but said, “It is out of question for any country, company or ship to conduct exploration activities within the Turkish continental shelf in the East Mediterranean without our consent”. See “Statement of the Spokesperson of the Ministry of Foreign Affairs in response to a question regarding the ongoing hydrocarbon activities of the Greek Cypriot Administration in the Eastern Mediterranean”, Ministry of Foreign Affairs of Türkiye, 22 December 2022.

¹¹⁰ In January 2022, Turkish naval escorts intercepted the Greek Cypriot *Nautical Geo* research vessel, which was conducting a financial feasibility study underwritten by the European Commission for the EastMed pipeline, ordering it to change course. “Turkish frigate calls on *Nautical Geo* to change course just south of Paphos”, KNEWS, 15 January 2022; and “Financial feasibility study will show whether the EastMed gas pipeline is attainable”, KNEWS, 17 January 2022.

¹¹¹ The East Mediterranean Gas Forum talks kicked off with preparatory work in late July 2019, followed by a big launch in Alexandria, Egypt, by which time it was obvious that Türkiye would be excluded.

¹¹² “Memorandum of Understanding between the Government of the Republic of Turkey and the Government of National Accord – State of Libya on Delimitation of the Maritime jurisdiction areas in the Mediterranean”, 27 November 2019.

¹¹³ “Turkey and Libya renew commitment to contested maritime deal”, Al Jazeera, 12 April 2021. The deal has only an indirect connection to Cypriot waters. The delimitation cuts through Greek-claimed zones and appears intended to increase the political cost of constructing the EastMed pipeline, which would need to run across them. See Crisis Group Report, *Turkey-Greece: From Maritime Brinkmanship to Dialogue*, op. cit. In March 2021, Turkey also demanded that the EU seek Turkish approval for the EuroAsia interconnector, which would link the electricity grids of Greece, the RoC and Israel through subsea pipelines. “Turkey demands its approval in EU’s East Med project”, Anadolu Agency, 15 March 2021.

agreements they had reached with, respectively, Greece and the RoC. More broadly, Türkiye hoped this approach would give it a say in regional energy projects.¹¹⁴ “As a major player with rights in the eastern Mediterranean”, a Turkish official said, “we want to have a seat at the table when it comes to exploiting its resources”.¹¹⁵

Türkiye has yet to gain such a seat, however, and tensions perpetuated in large part by its assertive tactics persist. While Ankara attempted to mend ties with some of its Arab foes, notably Saudi Arabia and the UAE, its relations with Egypt remain troubled. They soured even further after Turkish officials signed a new memorandum of understanding with Tripoli in October 2022 that paves the way for joint Libyan-Turkish offshore projects in their respective declared maritime zones.¹¹⁶ If acted upon, the agreement could lead to joint Libyan-Turkish explorations close to the Greek island of Crete in waters Libya considers its economic exclusive zone but infringe on Greece’s claim. Officials from Egypt, Greece and other EU member states denounced it as illegitimate.¹¹⁷ The move particularly alarmed Greek officials, who announced that any such explorations would prompt a response “both at a bilateral level and at the level of the European Union and NATO”.¹¹⁸ While Ankara is keeping its options open, it does not appear eager to test that proposition. It has thus far refrained from such activity.

¹¹⁴ See Crisis Group Report, *Turkey-Greece: From Maritime Brinkmanship to Dialogue*, op. cit.; and Crisis Group Europe and Central Asia Report N°257, *Turkey Wades into Libya’s Troubled Waters*, 30 April 2020. See also “Turkey and Libya renew commitment to contested maritime deal”, op. cit. In December 2019, following the memorandum’s signing, Egyptian officials made strong statements against the Libya-Turkey deal, arguing that it was illegal without the Libyan parliament’s ratification. Yet, Egypt’s opposition notwithstanding, the new line would leave Egypt with a greater portion of the Mediterranean as an exclusive economic zone. (In Türkiye’s continental shelf vision, it draws a median line in the sea between Türkiye and Egypt rather than allocating Greek islands’ continental shelves, thereby in effect giving Egypt a larger slice.) Nor were increased Egyptian-Turkish tensions only about the memorandum: Egypt had to contend with the prospect of Türkiye intervening militarily against its Libyan ally Haftar – as indeed happened.

¹¹⁵ Crisis Group telephone interview, November 2020.

¹¹⁶ Signed on 3 October, the agreement outlines in general terms that the two countries will cooperate in training and exploration in the field of oil and gas, and states that Libya’s National Oil Company will invite its Turkish counterpart, TPAO, to participate in joint onshore and offshore projects, and ask BOTAS (a state-owned crude oil and natural gas pipelines and trading company, and a TPAO subsidiary) to help with pipelines and other maintenance services. For the text of the agreement, see “Libya-Turkey: here is the controversial secret agreement on hydrocarbons signed in Tripoli – photo”, *Nova News*, 6 October 2022. Egypt and Greece denounced the deal as illegal, while the EU issued a vague statement not taking a specific position but reiterating that it considers the 2019 memorandum of understanding demarcating the Turkish-Libyan economic exclusive zone as an infringement upon other states’ sovereign rights. Nazlan Ertan, “Turkey Libya energy deal clouds waters in East Mediterranean”, *Al-Monitor*, 4 October 2022; and “Libya/Turkey: Statement by the Spokesperson on a reported agreement on hydrocarbons”, EEAS, 3 October 2022. It is unclear what will happen to the deal, as a Tripoli appeals court in January 2023 ordered its suspension until the Libyan parliament ratifies it. “Tripoli Appeals Court suspends implementation of Libya-Turkey hydrocarbons MoU”, *The Libya Observer*, 10 January 2023.

¹¹⁷ “Turkey and Libya sign maritime hydrocarbons deal”, France 24, 3 October 2022.

¹¹⁸ “Statement by the Ministry of Foreign Affairs regarding the signing of a ‘memorandum of understanding’ on hydrocarbons between the Government of National Unity of Libya and Turkey”, Greek Ministry of Foreign Affairs, 3 October 2022.

III. The East Mediterranean Gas Forum

The parties involved in establishing the EU-backed East Mediterranean Gas Forum, which aims to enhance economic cooperation and regional integration through the region's gas reserves, consider it a success story.¹¹⁹ The 2020 partnership among Egypt, Israel, Cyprus, Greece, Jordan, the PA, Italy and France made headlines, especially in the region.¹²⁰ Actors with no direct stake in the forum – including the U.S. – are knocking on its doors, seeking to join the plenary. The forum is discussing major new plans, including whether it should remain focused on gas reserves or expand into other areas, including energy more broadly, as well as economic and security issues.¹²¹ A senior European energy executive said, “My simple common-sense answer to the question of whether it is working is yes. Other countries are looking to join, not just countries from the region but also from outside the region and even big powers, and not just to talk about energy”.¹²² But the forum's exclusionary approach has also helped entrench regional divisions and drive up tensions.

A. Türkiye's Exclusion

The most prominent absentee is Türkiye. Many actors in the eastern Mediterranean view Türkiye as a destabilising power seeking to increase its influence in several places, from the eastern Mediterranean to Libya and Palestine.¹²³ Forum members seeking to enhance regional cooperation view excluding Türkiye as a means of facilitating discussion. A European diplomat, speaking of Türkiye's diplomatic manoeuvres outside the forum as they relate to eastern Mediterranean gas, said:

Turkey puts all kinds of things on the table to ensure discussions go nowhere, and can go on for years, but by then the market will no longer need gas. This is why they have not invited Turkey yet. Once there is a common understanding and an amicable and international law-based discussion, there is no problem with Turkey joining.¹²⁴

Against this backdrop, claims by forum advocates that it is open to any party interested in cooperating on gas reserves, including Türkiye, ring hollow.¹²⁵ When France joined the forum in March 2021, Paris barely concealed its desire to use the body as

¹¹⁹ The forum was established by the EU, which initiated discussions in 2017, assisted in its launch and has backed it financially and politically. Crisis Group interviews, EU officials, Brussels, July 2022. For more on the forum, see “The East Mediterranean Gas Forum: Regional Cooperation Amid Conflict Interests”, Natural Resource Governance Institute, 1 March 2021.

¹²⁰ For example, “East Mediterranean states formally establish Egypt-based gas forum”, Reuters, 22 September 2020; “East Mediterranean Gas Forum can play pivotal role in resolving global energy crisis: Sisi”, *al-Ahram*, 15 June 2022; and “Egypt, Greece discuss boosting cooperation within East Mediterranean Gas Forum”, *Asharq al-Awsat*, 12 April 2023.

¹²¹ Crisis Group telephone interview, international oil company executive, 15 December 2020.

¹²² Crisis Group telephone interview, 25 March 2021.

¹²³ Crisis Group telephone interview, former senior U.S. diplomat, 12 March 2021.

¹²⁴ Crisis Group telephone interview, EU official, 25 February 2021.

¹²⁵ Crisis Group telephone interview, senior Israeli official, 1 February 2021.

a vehicle for pushing back against Türkiye.¹²⁶ Describing Egypt's perspective, an energy professional said Cairo saw the forum as "a political forum to keep Türkiye out, keep Arab countries close, build relations with the EU and close the door on the EU's criticism of Egypt's human rights record".¹²⁷

To be sure, the forum is about much more than just keeping Türkiye out. Prominent members have multifaceted economic and political agendas. Egypt and Israel had their own motives for establishing the forum. The latter seeks to integrate itself more into the region, while the former sees the forum as a platform for its broader ambitions.¹²⁸ Beyond seeing the forum as a vehicle for pursuing its objectives in the region, France's entry application to the forum was also likely motivated by competition with Italy, as Total (French) and ENI (Italian) are both key corporate players in the basin.¹²⁹

But the forum's exclusionary approach has become part of its identity, which creates problems. Much as Ankara's detractors see Türkiye as driving increased tensions around eastern Mediterranean gas reserves, the forum's critics note that it has arguably deepened divisions in the eastern Mediterranean basin, aggravating Türkiye's sense of isolation, and further politicising the very assets that diplomats are touting as means of ameliorating political disputes.¹³⁰

In this sense, the forum has become part of a vicious circle: Türkiye is angry at being left out, and in response doubles down on projecting its power. Its reaction, in turn, irritates Greece, Egypt and the RoC, which see even less reason to consider Türkiye for entry into the East Mediterranean Gas Forum. Whether these tensions will ebb following the 14 May Turkish elections remains to be seen: Türkiye's slow normalisation with Egypt as well as its improved relations with Israel offer some hope that a calmer phase and more constructive dialogue may be within reach.

B. *Other Notable Absences*

Beyond Türkiye, there are other notable absences from the forum's membership – Lebanon and Palestine – although the dynamics around these actors are someone different.

In the case of Lebanon, Beirut refuses to join because of its objections to Israel's membership. While Lebanon currently lacks a president, its political leaders show

¹²⁶ French officials explained France's animosity toward Türkiye as deriving from what they saw as Turkish President Recep Tayyip Erdoğan's ambitions, including the possible annexation of northern Cyprus. Crisis Group interviews, late 2021.

¹²⁷ Crisis Group telephone interview, international oil company executive, 15 December 2020. A European diplomat in Cairo said Egypt, which acts as something of a gatekeeper, will not accept Türkiye in the forum as long as it continues its "destabilising behaviour". Crisis Group telephone interview, 23 February 2021.

¹²⁸ A senior Israeli official said, "For the first time, Israel can play openly in the region, discussing economic issues as an equal member, but also as a leading member. The initiative was tailored by Egyptian and Israeli energy ministers who created a platform where countries in the region and the PA can discuss ways of collaborating on energy matters". Crisis Group telephone interview, 1 February 2021. Concerning Egypt, an Israeli gas expert said it "wants to be the number one and the face of this process". Crisis Group telephone interview, 10 December 2020.

¹²⁹ Crisis Group telephone interview, 23 February 2021.

¹³⁰ Crisis Group Report, *An Island Divided: Next Steps for Troubled Cyprus*, op. cit.

no sign of having moved away from this position in the aftermath of the October maritime boundary deal.¹³¹

As for the Palestinians, while the PA belongs to the forum, it does not control the territory – the Gaza Strip – off whose shore the gas reserves are located. That territory is run by Hamas. The PA's decision to enter the forum was political, akin to its strategy of joining international treaties as a way of demonstrating its legal sovereignty, particularly since the forum's charter recognises state sovereignty over natural resources.¹³² While the Palestinians view their ability to assert themselves as equals in the forum to be "a very significant statement", it remains to be seen how they can leverage this platform, if at all, to assert control of Palestinian gas reserves.¹³³

C. *Incremental Moves*

While the forum may not be able to integrate all the region's major energy players, the absence of so many has a cost. As long as it remains what is in effect a strategic partnership, rather than a neutral entity that manages a regional resource in a manner that promotes stability, the forum will be prone to sowing division rather than fostering unity. The forum might consider changes to help itself succeed in its self-declared mission to increase regional gas cooperation – and even become a regional hub for renewable energy and electricity links in line with some visions for its future. It could expand its membership and commit itself to mediating between conflicting views both inside and outside the group, perhaps even including on issues like sovereignty over the seabed around Cyprus (although this idea is highly aspirational at present). Perhaps the most important step in this direction would be to find a way to accommodate Türkiye, including by signalling an intent to allow that country to move toward membership.

All these things are of course easier said than done, and if moving incrementally would be helpful, the forum might consider an interim step. Forum members might ask the EU to sponsor an eastern Mediterranean gas conference in which Ankara could participate alongside them, as a preliminary measure to clarify, and perhaps overcome, the principal differences. The EU mentioned the idea of an inclusive eastern Mediterranean conference as part of a "positive agenda" it proposed at an October 2020 summit.¹³⁴ Symbolic as it may be, such an initiative would give Ankara a seat at the table and counter those in Türkiye who contend that the country will be heard

¹³¹ Crisis Group telephone interviews, former U.S. diplomat, 13 May 2021; and Lebanese NGO manager, Beirut, 4 June 2021. A regional gas expert said, "The forum twice extended an invitation to Lebanon, but it refused because of Israel's membership. If there is a solution to the maritime dispute, the situation could change". Crisis Group telephone interview, 26 January 2021.

¹³² Crisis Group telephone interview, senior Palestinian energy negotiator, 11 February 2021.

¹³³ Crisis Group telephone interview, senior Palestinian energy negotiator, 11 February 2021. Egypt viewed it as a coup that it was able to bring Israel and the PA into the forum. Crisis Group telephone interview, senior regional energy diplomat, 16 December 2020.

¹³⁴ In October 2020, the European Council "agreed to launch a positive political EU-Turkey agenda with a specific emphasis on the modernisation of the Customs Union and trade facilitation, people to people contacts, high-level dialogues, continued cooperation on migration issues, in line with the 2016 EU-Turkey Statement", and called for a multilateral conference on the region. "European Council conclusions on external relations, 1 October 2020", European Council, 1 October 2020.

only if it projects military power.¹³⁵ But since the EU dangled the idea, there has been little discussion of staging such a confidence-building exercise, and elections, both recent and forthcoming, in several countries in the region may cause the idea not to be picked up until the newly elected governments have settled in – ie, likely not in 2023.¹³⁶

¹³⁵ On the 2016 refugee deal, see “EU-Turkey statement, 18 March 2016”, European Council, 18 March 2016.

¹³⁶ Israel voted Prime Minister Benjamin Netanyahu back into office at the end of 2022, and Cyprus got a new president in March. Greece and Turkey will hold elections in May.

IV. The Limits of Gas Diplomacy

The countries in and around the eastern Mediterranean will be best positioned to benefit from the energy wealth in the basin if they and their partners from outside the region take a clear-eyed view of what gas diplomacy can achieve, and where the primary markets for the region's resources are likely to sit.

A. *Managing Expectations about Gas Diplomacy*

Diplomatic interventions by the U.S., the EU and EU member states around the eastern Mediterranean gas reserves came to be dubbed "gas diplomacy". The term was shorthand for efforts to use the prospect of gas exports to encourage regional players to make breakthroughs toward conflict resolution in non-energy-related matters. An affinity for gas diplomacy was prevalent during the administration of U.S. President Barack Obama (2009-2017). After a hiatus, it returned when President Joe Biden entered the White House in 2021, even if his administration tends not to use the term.¹³⁷ A former U.S. diplomat encapsulated the idea as follows: "We saw energy as a proxy for other forms of collaboration, because people need it, they want it and it creates a bridge toward a degree of cooperation. The hypothesis was that it would have a halo effect on the region's political relations as well".¹³⁸ At the least, said another former U.S. diplomat, energy creates relationships that can help prevent conflict.¹³⁹

But while that is the U.S. theory, practice has been more of a mixed bag. On the one hand, bilateral deals between Israel and Jordan, and between Israel and Egypt, have encouraged stronger economic cooperation facilitated by energy discoveries. The above-referenced gas forum is a space for collaboration and partnership, at least among its members. Some prospective arrangements are also worthy of notice. For example, a complex gas deal that has been under discussion for some time would link Lebanon, which is in desperate need of electricity, with Syria, Jordan, Egypt and, indirectly, even Israel. That deal must still overcome major stumbling blocks including possible exposure to U.S. sanctions, obtaining World Bank funding amid Lebanon's governance crisis, and possible Lebanese concerns about Israel's indirect role.¹⁴⁰ Whether it will move forward is anyone's guess at this point.¹⁴¹

¹³⁷ Gas diplomacy is not just a strategy designed to help resolve the region's conflicts. There is a direct U.S. private-sector interest in the eastern Mediterranean through Exxon. Moreover, a U.S. official suggested a range of views characterised the Obama administration, with Obama's energy czar, Amos Hochstein, representing the end of the spectrum that was pushing connectivity, and others more concerned with climate considerations, which loom even larger today. Crisis Group interview, Washington, March 2022.

¹³⁸ Crisis Group telephone interview, former senior U.S. diplomat, 13 May 2021.

¹³⁹ Crisis Group telephone interview, former senior U.S. energy diplomat, 11 February 2021.

¹⁴⁰ Crisis Group interviews, U.S. officials, Washington, 22 September 2021. The U.S. expressed support for the deal in August 2021, after Hizbollah's Nasrallah announced that the party would start importing fuel from Iran. "US talking to Egypt, Jordan to help Lebanon's fuel, energy needs: Senior US diplomat", *Al Arabiya*, 19 August 2021. Amos Hochstein, the U.S. special envoy and coordinator for international energy affairs, indicated in October 2021 that the Biden administration had issued a "letter of comfort" stating the deal would not violate applicable sanctions regulations. Sunniva Rose, "Lebanon to get six more hours of power a day in Syria-Egypt gas deal, says minister", *The National*, 21 October 2021. Egyptian diplomats have consistently asked the U.S. for solid guarantees. Crisis Group interviews, Beirut and Washington, February 2022. Moreover,

But modest successes and works-in-progress aside, gas diplomacy has yet to show major geopolitical results, and many doubt that it will. Some gas diplomacy advocates have come to recognise its limitations, noting that gas agreements cannot dispel the fundamental distrust between countries or heal “deep wounds”, even as others continue to insist that economic agreements can “break the status quo” by creating an entry point for political discussions among warring parties.¹⁴²

What the record in fact shows is that the openings created by gas diplomacy will only take adversaries so far, absent an effective strategy for achieving political reconciliation. In Cyprus, for example, the Aphrodite discovery prompted hopes that Turkish and Greek Cypriots would come together to exploit the area’s energy bounty; instead, the find added to tensions over who was entitled to licence extraction and export the offshore resources around the island.¹⁴³

The limits on how far economic interests can go to accelerate political deals that could contribute to conflict resolution are perhaps most starkly evident, however, in Lebanon. Here, the maritime delimitation deal with Israel, informed by the presence (Israel) or suspected presence (Lebanon) of quantities of gas that could find their way to ravenous European markets, combined with other motives to momentarily defuse a dangerous situation.¹⁴⁴ But they did little to create sustained momentum toward addressing the larger Lebanese political crisis or easing the overall hostility between Israel and Hizbollah.¹⁴⁵

according to official Egyptian statements, Syria would retain a percentage of the gas as an in-kind compensation in lieu of a transit fee, omitting the need for direct payments to Damascus. “Intel: Egypt seeks US sanctions assurance in gas plan for Lebanon”, *Al-Monitor*, 14 December 2022. In January 2022, Israeli media reported that Israel had signed a U.S.-mediated “secret deal” to provide natural gas to Lebanon. Lebanese and U.S. officials swiftly denied it. “US denies Syria-Lebanon-Israel gas deal; was it ever going to happen?”, *The Jerusalem Post*, 17 January 2022. Meanwhile, Egypt has given “assurances” that it has technical solutions for the possible problem that Israeli gas will be mixed in with Egyptian gas. Rose, “Lebanon to get six more hours of power a day”, op. cit. Yet no such technical solution exists, as Egypt has an integrated gas network and gas molecules cannot be separated. Crisis Group correspondence, international gas expert, November 2021. See also “Why gas earmarked for Lebanon is not Egyptian”, *Mada Masr*, 23 February 2022.

¹⁴¹ To pay for Egyptian gas, as well as Jordanian electricity it aims to import under a similar scheme, Lebanon is seeking a bridging \$250 million World Bank loan. To be eligible, Lebanon would first need to achieve cost recovery by addressing the energy sector’s chronic problems with pricing, tariff collection and theft. “Jordanian, Syrian and Lebanese officials sign electricity deal, but details remain unclear”, *L’Orient Today*, 26 January 2022. It is difficult to see how Lebanon could do so. Crisis Group correspondence, Lebanese energy expert, December 2021. A source close to the file expressed strong pessimism, citing the sorry state of the public utility *Electricité du Liban*, which has been unable to collect tariffs for years, and clientelist competition between Lebanese politicians that has marred formation of a regulatory authority for the sector. Crisis Group interview, diplomat, March 2023.

¹⁴² Crisis Group telephone interview, former senior U.S. energy diplomat, 11 February 2021.

¹⁴³ Tareq Baconi, “A Flammable Peace: Why Gas Deals Won’t End Conflict in the Middle East”, European Council on Foreign Relations, 21 December 2017.

¹⁴⁴ Negotiations had been going nowhere for nearly a decade. Only when the Ukraine war created a window of opportunity for gas exploration did Israel, in particular, make significant concessions. The deal was then closed in a matter of months.

¹⁴⁵ The border agreement has not catalysed stability; the opposite may be the case. Many Lebanese actors (politicians and bankers) are propagating wildly exaggerated expectations with regard to the expected proceeds that the deal has ostensibly unlocked to justify their resistance to crucial reform measures demanded by the International Monetary Fund that go against their narrow interests.

B. *Managing Expectations about European Demand*

Much of the excitement about the eastern Mediterranean gas discoveries in recent years has owed to their proximity to Europe. Politicians and commercial entities alike saw the newfound assets as fitting into Europe's strategic ambition to diversify its supply sources and reduce its dependence on Russia.¹⁴⁶ They hoped that eastern Mediterranean gas would have numerous, dependable consumers in Europe, making the fields commercially viable and integrating the region's countries more closely into the European neighbourhood – and with each other.¹⁴⁷

The reality is more complex, however. The main adjustment will be for stakeholders to revisit the assumption that European demand can underpin eastern Mediterranean production. It is true, of course, that Russia's actions toward Europe in the wake of its invasion of Ukraine are creating acute European demand for gas from alternative sources. Yet Europe is not looking primarily toward the eastern Mediterranean to offset a dramatic loss in Russian supplies. Indeed, energy experts understand that the region will likely become only one of many new suppliers of gas.¹⁴⁸ The priority for Europe is to find alternative sources that are sufficient in volume (which the eastern Mediterranean cannot supply), while accelerating the trend toward decarbonisation. As Josep Borrell, the EU high representative for foreign affairs and security policy, declared just before Russia's all-out invasion, "With high prices and gas supplies challenges caused by the crisis with Russia, [energy] is at the top of our agenda. We need to address short-term pressures while sticking to our long-term goal of the net-zero transition".¹⁴⁹

Following Russia's February 2022 assault, the EU articulated a policy that would allow it to cut its dependence on Russian gas within a much shorter time span than it had envisioned originally, namely by two thirds before the end of 2022 and fully by

Thus, the deal arguably makes the Lebanese crisis worse, even before one considers whether and how foreign oil firms can operate in such an environment. Hizbollah, which is hard pressed by the economic crisis, has already constructed a narrative that pre-emptively frames any hiccup in Lebanese gas exploration as part of an alleged U.S.-engineered "siege" of Lebanon. It has explicitly threatened to disrupt Israeli gas exploration once it concludes that such a "siege" is under way. "Speech by Secretary-General Hassan Nasrallah for the annual commemoration of the martyred leaders", *Al-Ahed News*, 16 February 2023 (Arabic).

¹⁴⁶ Europe is facing acute gas demand due to a combination of factors: its high dependence on Russian gas; a reduction in sources of electricity production, primarily nuclear power plants, while the energy transition, which also suffers from the variable and sometimes unpredictable nature of renewable energy sources for electricity production, is proceeding only slowly; and a lack of regional integration and diversification, including little investment in developing gas interconnectivity between northern and southern Europe.

¹⁴⁷ This logic has also driven U.S. gas diplomacy. A former senior U.S. diplomat said, "There is a very real prospect of advancing U.S. interests by reducing EU dependence on Russia if you can get the gas to Europe economically". Crisis Group telephone interview, 12 March 2021.

¹⁴⁸ Russia has more than 1,688tcf (or 47,798.84bcm) of gas; Zohr, the biggest discovery to date in the eastern Mediterranean, has a mere 30tcf (or 849.50bcm). "Russia Natural Gas", Worldometer, data for 2015. Russia supplies more than one third of the EU member states' gas needs, or 155bcm (about 5.5tcf) per year; the eastern Mediterranean's export potential is around 15-20bcm (or 0.53-0.70tcf), or 10-15 per cent of Russian gas supplies to the EU. Crisis Group telephone interview, senior European energy executive, 25 March 2021.

¹⁴⁹ Josep Borrell, "Europe's energy security and EU-US cooperation", EEAS (blog), 6 February 2022. He reiterated this message later in the year. Josep Borrell, "Europe's energy balancing act", EEAS (blog), 1 August 2022.

2027. It wants to do so by importing gas from alternative sources in the short term and sharply curtailing European gas consumption in the medium to long term, specifically by boosting energy efficiency and promoting renewable sources of energy, especially hydrogen gas.¹⁵⁰

To address its immediate needs, the EU intends to import an additional 50bcm per year (or about 1.75tcf) of LNG, mainly from the U.S. and Qatar, and another 10bcm (about .035tcf) of pipeline gas, mainly from Azerbaijan, Algeria and Norway.¹⁵¹ In June 2022, it signed a tripartite memorandum of understanding with Israel and Egypt, promising to help the two countries develop gas production and exploration in their territorial waters and increase LNG exports. Details have yet to be negotiated, but the export volume will be small because the Egyptian LNG facilities' capacity is limited.¹⁵² In the absence of available infrastructure, and given the lag times that would be involved in building it (as discussed below), there has been little discussion of exporting major quantities of Egyptian or Israeli gas to Europe in the short term.

C. *Pipeline or Pipedream?*

Rhetorically, the EU and its member states, as well as the region's gas-rich countries, remain invested in exploring prospects for European import of eastern Mediterranean gas, including through the project known as the EastMed pipeline. If built, the 1,900km pipeline would carry gas from Israeli and Cypriot fields via Greece to the rest of Europe, initially at a rate of 10bcm (or about 0.35tcf) a year.¹⁵³

In May 2015, the EU designated the EastMed pipeline as a Project of Common Interest (suggesting benefits accruing to multiple member states) and launched a feasibility study, subject to lengthy review, with results due at the end of 2022.¹⁵⁴ But in January 2022, the U.S. signalled it would not support the project by intimating that the planned pipeline should be used for electricity rather than gas.¹⁵⁵ By early

¹⁵⁰ The key documents articulating this policy are: "REPowerEU: Joint European action for more affordable, secure and sustainable energy", European Commission, 8 March 2022; "REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition", European Commission, 18 May 2022; and "EU external energy engagement in a changing world", European Commission, 18 May 2022. Hydrogen gas is decarbonised gas.

¹⁵¹ Crisis Group interview, EU official, Brussels, July 2022. See also "How much can the Mediterranean region substitute Russian gas supplies to the EU", Observatoire Méditerranéen de l'Energie, June 2022.

¹⁵² "EU signs gas agreement with Egypt and Israel to reduce 'dependency' on Russian fuel", France 24, 16 June 2022.

¹⁵³ The pipeline agreement was signed by Israel, Greece and the RoC in January 2020, and construction is scheduled to be completed in 2025.

¹⁵⁴ "Eastern Mediterranean Natural Gas Pipeline – Pre-FEED Studies", European Commission, May 2015.

¹⁵⁵ The U.S. embassy in Athens stated: "We remain committed to physically interconnecting East Med energy to Europe. We are shifting our focus to electricity interconnectors that can support both gas and renewable energy sources". "Statement on East Med Energy Cooperation", U.S. Embassy in Greece, 10 January 2022. See also "U.S. voices misgivings on EastMed gas pipeline – Greek officials", Reuters, 11 January 2022. A U.S. official commented that the announcement did not reflect a U.S. shift, but that it was "just a U.S. opinion", as the U.S., which "has clear guidance" on new fossil fuel infrastructure, is not funding the EastMed pipeline, and that Washington still supports the same pipeline route, but for an electricity cable. Crisis Group telephone interview, Washington, 3 March 2022.

2023, with Brussels having gone silent on the project and in keen pursuit of its green agenda, the EastMed pipeline seemed to have fallen by the wayside.¹⁵⁶

While there were many reasons for the project's demise, at least one is that, from the start, its proponents appeared to be driven by a primarily political agenda, one that ignored the pipeline's commercial viability. As a gas professional familiar with the project said, "The pipeline that we've been talking about for a decade is more of a political flag than a real industrial project".¹⁵⁷ For one thing, the project's cost would have to be underpinned by a 20-25-year supply agreement to justify investment. That timeframe sat uneasily with the EU's green agenda and its shift toward decarbonisation even before it decided to accelerate its pivot away from hydrocarbons in the wake of the Ukraine conflict.¹⁵⁸ A global gas expert explained to Crisis Group:

Even the best deal in the world takes four years to negotiate, followed by six years to build the pipeline. This means that it will be the late 2020s before any gas can flow even in the most optimistic scenario. Even if you say 2025, the contract will be until 2050. Europe is looking to have zero natural gas in the system by the end of 2050. So, why would anyone sign a 25-year contract on that basis?¹⁵⁹

Furthermore, a regional gas expert commented that the pipeline was too complicated politically, not least because the waters between Cyprus and Crete are contested.¹⁶⁰ Already in 2021, an EU official dismissed plans for the EastMed pipeline altogether, calling it a "pipedream".¹⁶¹ Yet, as an international energy expert put it, "None of these realities stop regional East Med politicians from continuing to talk about it. Their mantra is that the EU needs more gas to replace Russian gas and the EastMed is an option. It no longer is".¹⁶²

¹⁵⁶ An international energy expert said, "The project is not formally dead, but for all intents and purposes it is. But there is no formal statement about it. The EU does do that. Having funded the study, once it is completed it is up to its proponents to take it forward. There will not be any more EU funding. For a start the EU is not supporting long term gas projects and it is still committed to reduce natural gas consumption by 30 per cent by 2030, on the way to net-zero by 2050". Moreover, he said, "none of the majors operating in the East Med have shown any interest in this pipeline". Crisis Group correspondence, 9 March 2023.

¹⁵⁷ Crisis Group telephone interview, senior international oil company executive, 15 December 2020.

¹⁵⁸ "A European Green Deal: Striving to be the first climate-neutral continent", European Commission, undated. Given the EU goal of no longer supporting pipeline development generally, prospects for financing of this EastMed pipeline through the Project of Common Interest became even slimmer after the November 2021 UN Climate Change Conference (COP26). For more, see "EU countries agree to prolong funding for selected gas projects, with caveats", *Euractiv*, 13 June 2021.

¹⁵⁹ Crisis Group telephone interview, 10 December 2020.

¹⁶⁰ Crisis Group interview, Mona Sukkarieh, Middle East Strategic Perspectives, Beirut, January 2023.

¹⁶¹ Crisis Group telephone interview, EU official, 25 February 2021.

¹⁶² Crisis Group correspondence, 9 March 2023.

V. Rethinking Gas Diplomacy

The eastern Mediterranean gas reserves were heralded as discoveries that could change the region, creating stability in a place rife with conflict, and integrating the southern periphery closer to European shores in a way that meets the EU's strategic interests. Despite the hype of the past decade, the reality is that the eastern Mediterranean discoveries have brought no political breakthroughs. In some cases, the reserves have heightened rather than reduced tensions with actors that have chronic disputes. They may even further entrench those disagreements by adding to the list of mutual grievances. At the same time, commercially, a big part of the gas assets that were discovered risk being stranded. The European demand that many dreamed of is unlikely to reach the hoped-for levels, meaning that Europe is unlikely to be the source of major infrastructure investment.

While gas holds real promise, these commercial and political realities cannot be wished away. They must be confronted directly for these reserves to hold any benefit for the region, and to bring countries closer together. For these and other reasons, gas diplomacy as envisaged by the U.S., the EU and others could use a rethink.

First, both the countries of the eastern Mediterranean and outside investors might revisit their assumptions for where the gas is likely to be sold – a process that has already begun. It is highly improbable that a significant volume of eastern Mediterranean gas will find its way to Europe, given the huge short-term demand that eastern Mediterranean supplies cannot satisfy and the accelerating transition to renewable energy sources. Eastern Mediterranean producers will most likely have to find other markets for their gas.

The best bet would be in the region itself. Commercial viability will then depend mainly on the size of these markets accessible for each field. Israel has already positioned itself as the principal outside supplier of two consumers – Egypt and Jordan – that have a clear demand for gas, even if Egypt now supplies the bulk of its own needs. Cyprus might be able to enter the arena with a pipeline to Egypt, though Türkiye would probably play the spoiler in this scheme unless the Turkish Cypriots would also benefit from the revenues. Domestic markets could reconfigure themselves away from dependency on liquid fuels like oil and diesel, which underpin much of the region's electricity generation, and toward gas, while also expanding production of renewable energy, which would sustain regional demand for some time. The industry is already shifting away from polluting liquid fuels toward less polluting gas, while focusing on expanding the capacity for renewable energy production. The Middle East is particularly well suited for the latter, given its solar energy potential.

For its part, the EU might ask itself what its core objectives in the region are and how its involvement can be better aligned to meet those. If it is unlikely to be a major buyer of eastern Mediterranean gas, as appears to be the case, it could use its diplomatic and financial power to mediate and encourage the region's more inclusive integration and greater stability, developing a vision consistent with the global move toward decarbonisation.

In the short to medium term, commercial realities position Egypt's LNG terminals, not the defunct EastMed pipeline, as the most viable way to export the region's gas. Sending a clear message to this effect, along with showing momentum behind Europe's green ambitions, will offer a more coherent perspective to players in the region. The parties could also explore alternatives, including EU-backed regional inte-

gration efforts that look beyond gas resources toward renewable energy, likewise with export potential.

Secondly, if gas diplomacy is to make a positive contribution to more traditional forms of conflict resolution, it must be grounded on a solid foundation that accounts for the economic interests of all the players that seek a share of the gas reserves. Regional cooperation is essential to attracting investments in gas, as it allows for leveraging infrastructure and thus bringing down costs.¹⁶³ The East Mediterranean Gas Forum would therefore be more effective if it were more inclusive, becoming a platform that helps reduce regional tensions rather than exacerbate divisions.

The EU and its member states could use the opportunity of Ankara expressing an interest in “turning a new page” with the EU to engage Türkiye more actively and offer it carrots to anchor it in a regional framework. The EU could pursue aspects of the “positive agenda” it put on the table in October 2020, including the idea of a regional gas conference aimed at breaking the ice. As noted, progress on this initiative may have to wait for a period after the Turkish elections in May, and it may not be on the cards for 2023 no matter who comes out on top.

Thirdly, even if and when the eastern Mediterranean basin becomes more integrated economically, political factors will continue to be the real drivers of the region’s conflicts. The promise of a hydrocarbon bonanza may be enough to temporarily ease tensions in the right situation and at the right moment, as Israel and Lebanon showed in 2022, but it will rarely by itself be enough to defuse a conflict. Moreover, unless addressed as part of an effective dispute resolution strategy, questions about the control of seabed resources can become another front in a broader struggle – as they have in the case of Cyprus.

¹⁶³ Crisis Group interview, Mona Sukkarieh, Middle East Strategic Perspectives, Beirut, January 2023.

VI. Conclusion

Gas discoveries in the eastern Mediterranean raised expectations not only that the region could become less energy-dependent, possibly even starting to export to markets in Europe and farther afield, but also – in some quarters – that the new finds could help defuse drivers of local political conflicts. But the track record is at best mixed. Israel and Egypt have become next exporters of gas, but are producing too little, and have insufficient infrastructure in place, to satisfy the acute European demand for gas amid the Ukraine crisis. Gas discoveries have failed to ease tensions in and around Cyprus, and they may be making things worse. While some gas deals have gone forward even between enemies, as in the case of Israel and Lebanon, these have done little, if anything, to address political disputes. Moreover, the accelerating energy transition toward renewables is further shrinking markets for gas in the medium to long term. Appreciating these realities is key to understanding both the limits of gas diplomacy and its possible benefits.

April 2023

Appendix A: Map of Eastern Mediterranean Gasfields

