

## EASTERN MEDITERRANEAN POLICY NOTE

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### The Political Economy of Energy and National Security: The Case of Israel

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#### 1. Introduction

The aim of this research was to investigate the factors of Energy Security and National Security and how do they interact and exist in the case of Israel. Interviews with key stakeholders have been conducted and the outcomes are hereby presented. Based on the research outcome, the interviewees agree that the energy security of Israel is of high importance and that its impact on national security is evident.

#### 2. The case of Israel

The State of Israel was traditionally "dependent on imports to supply its energy." This has changed recently and Israel became "a growing natural gas industry." The recent discoveries of natural gas provide new routes for "adequate amounts of energy to meet domestic demand, while allowing the country to export excess volumes" (EIA, 2017).

The growth in production and total consumption in the case of Israel is given in the next Table 1 and Figure 1:

**Table 1: Energy facts for Israel**

(ktoe)	1990	1995	2000	2005	2010	2014	2015
Total							7346
Production	424	548	642	2076	3858	6763	
Imports	12549	17894	21762	22157	24530	22988	23562
Exports	-1146	-2039	-3593	-4334	-4053	-7063	-6692
Total							
Consumption	6967	9804	11980	11949	14833	13202	13822

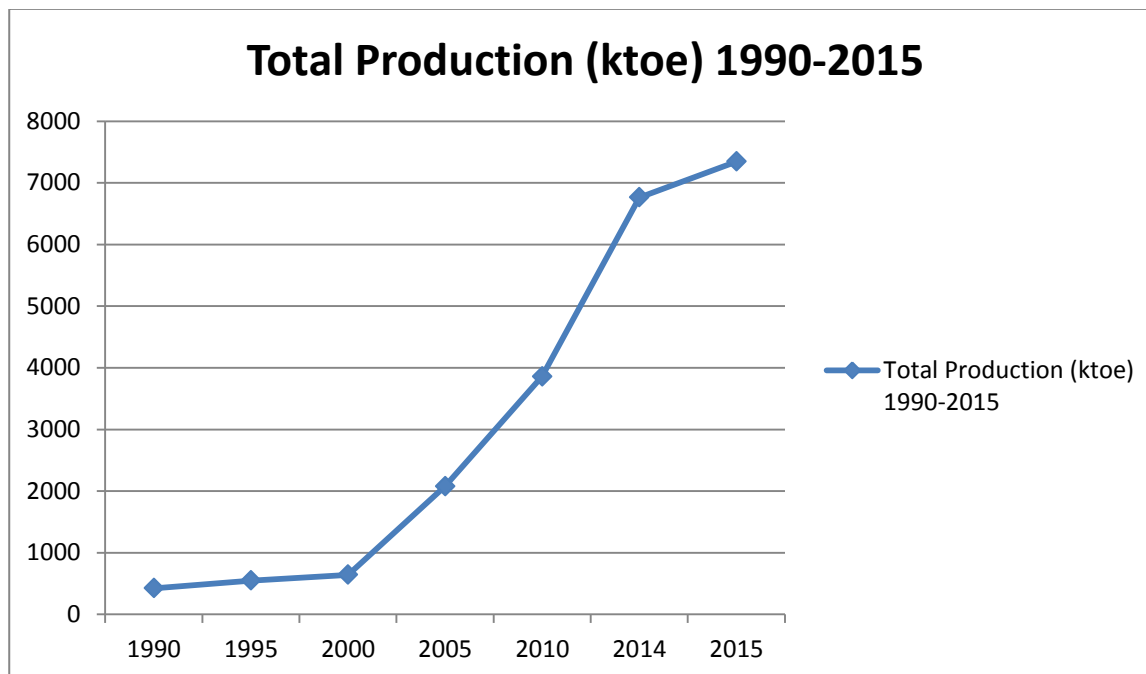
(Source: IEA, 2017)

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Based on these facts, we observe that production has been increasing in the last years and it is expected that this will continue happening in the near future.

**Figure 1: Production in Israel**



(Source: IEA, 2017)

In addition to Figure 1 it is important to note that in 2015 the energy mix of Israel consisted of Petroleum by around 43%, Natural Gas (NG) by 30% and Coal by 26%. Coal-generated consumption decreased during the period 2005-2015 and Natural Gas-related energy consumption “grew more than fourfold” (EIA, 2017).

### 3. The Research

The field of energy was considered as part of the natural resources sector. The interviews revealed that the notions of energy and water could be potentially studied jointly, because they are often jointly handled during the negotiations for the design of new policies in Israel, so examining them under the concept of natural resources in future studies would be very helpful.

Furthermore, it must be stressed that the case of Jordan is similar to that of Israel, since both countries discuss energy and water in the same context. It has been seen that when they are jointly discussed during a negotiation process, more expectations for a final deal arise. Such joint treatment is of particular importance during international negotiations, due to the fact that it can create expectations for gains to the other party on a field which was not in the main agenda but it is of high importance for them. This is an example of “issue linkage” during a negotiation process (Poast, 2011, Davis, 2004): one of the negotiating parties raises additional issues, which are not included in the

negotiations' agenda and they check whether it is in the interest of the other party to consider it as potentially beneficial. Issue linkage may contribute to further understanding and cooperation in some fields, but it may also undermine the efficiency of a negotiation process, due to a faulty combination of issues or asymmetric negotiation capacity of the parties.

According to the interviews' findings, it is essential to separate the study of the case of Israel into two distinct periods, based on the recent discoveries of NG in Israel's Exclusive Economic Zone (EEZ). Thus, the outcomes of the research are organized according to this distinction: before and after the recent discoveries of NG.

In terms of geopolitics, the two periods are totally different. During the second period a peace with Egypt had already been reached, while the two countries were already connected through a gas pipeline. In addition, relations with other neighboring countries are dynamic: a peace agreement with Jordan exists, relations with Greece and Cyprus are rapidly improving, while relations with Turkey have been characterized by instability since 2010 (Ratner, 2016, pp.12-13).

Israel discovered its own gas resources and this could be considered as a game-changer for its relations with the rest of the world. In addition, the Arab boycott was softened and there are new players in the energy market who can assure availability of energy sources. Specifically, there are available reserves in Russia, South America, and Nigeria, while there are also oil producers who were not that much available in the past, like Norway and Latin American countries. Thus, diversification of sources is feasible and the thorny issue of dependency, which was the case during the first period, is less important in the second period. Finally, Israel deals with a new situation where, instead of addressing problems related with the need to import foreign energy resources, it has to consider problems related with the need to export its own.

According to the interviewees, the suitable option for Israel could be a terminal in Cyprus, along with a liquefaction plant that can be a part of it. Such an option would be much less expensive than a floating liquefaction plant. The installations are estimated to cost about three billion dollars and it is a high-capital investment. Another option for exports could be a pipeline through Turkey, but there is still skepticism regarding this option because of the involvement of other stakeholders since this would increase dependency on Turkey and the US allies in the region. If so, then this would provide US with an additional leverage on Turkey and, additionally, Israel should undertake a significant investment (Ratner, 2016, p. 13).

During the second period, Israel needs to view the issue of affordability through a different angle, since the notion of national security should be also considered: how much natural gas should Israel secure and save in the

Mediterranean gas fields as national reserves for the generations to come? This could be in contradiction to what the private owners of the concessions want, as they wish to export as much as possible. This is an ongoing debate in Israel, but according to the interviewees it is the policy of Prime Minister Netanyahu, and the question whether this is the correct decision to make may reemerge, especially in case of a future governmental change.

The above mentioned parameters are part of the interviews taken, however they are frequently mentioned and indicated in the literature, for example in Kryut et al (2009) and Elkind (2010).

The parameters the national security of Israel consists of are the following:

- What are the capabilities of the country to act in the global geopolitical nexus, in relation to its enemies?
- How strong and capable are the country's military forces in relation to its enemies and other hostile neighbors?
- Who are country's alliances? Are they are powerful countries, especially in military terms?.
- What is the energy security strategy of the country that can provide it with the necessary leverage to act independently and support its military needs?
- What are the export options of other neighboring countries? Based on this, different options may generate different outcomes regarding relations with other actors, and gains in terms of strategic interests may vary. The issue of exporting NG to Jordan is of high importance. Furthermore, if there were no recent oil and gas discoveries in the fields of Egypt, then an agreement with Egypt could have been achieved, including also the use of the refineries, thus further cementing bilateral relations. Regarding the Palestinian Authority, a project on the NG field offshore Gaza has been prepared by British Gas, which has been authorized to develop this field, after 20 years of negotiations. This issue is directly connected to Israel's national security.
- Are Israeli authorities politically willing to act against any threat? Israel's strategy of deterrence is mainly based on the influence it exerts on the other country's political will.
- The geographical location of the country also plays an important role because Israel (like Cyprus) is located in a hostile regional environment, which creates different needs compared to countries located in peaceful neighborhoods where no external threats emerged for decades (such as Northern European countries).
- Finally, new technologies suggest an important factor where Israel has been investing a lot in its effort to reduce its dependency from fossil energy sources, either gas, oil or coal. Due to geopolitics and long-term strategic views, dependence on fossil energy was used by hostile countries (like Iran and the Arab world) as leverage against Israel;

This field is under the national advisor for economics. Related developments mainly took place during the second period, when Israel had already discovered its own sources of fossil energy.

#### 4. Conclusions

The main conclusions that derive from our analysis are the following:

Our research evaluated the factors that the notions of “energy security” and “national security” consist of. Most of the interviewees referred to the same or similar notions, while they agreed to use the categories of low/medium and high to characterize the levels of the examined notions.

According to our findings, the state of Israel seems capable enough to stand alone despite the fact that it is located in a hostile environment. Even though it is not self-sufficient in energy resources, there are major developments in the renewable energy sector, and Israel is trying to implement them in irrigation projects for food sufficiency in arid environments.

Regional alliances also play a significant role. A critical decision for Israel would be how to export: through a liquefaction plant in Cyprus or through a pipeline to Turkey, which would take a direct state investment.

In the Mediterranean region there are many political uncertainties and economic hardships, like in the case of Greece, which are amplified by military conflicts. The governments of Greece and Israel have shown eagerness to strengthen their relations further. However, this is connected to the shift of Israel into a potential exporter, while there is also a Greek company involved in oil and gas operations. Thus, if one takes a look at the dynamics of this issue he will discover huge potential opportunities. Instead of being a dividing element in geopolitics, energy can be a connecting element.

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## **Appendix: Identity of research.**

The research identity is characterized by the following:

- Scope of Research: This research was conducted in the context of an academic study under the concept of the International Political Economy.
- Research Type: Qualitative research.
- Method: In depth interviews; one-to-one with personal meetings
- Sampling: Purposeful sampling and most particular snowball with quotes by use of screener.
- Size of sample: eight (8).
- Selection criteria: Leading administrators of international politics/diplomacy, government (environmental policy/defense), and academia (energy/security). Leading professionals in the field of energy, engineering, international relations, and public affairs.
- Period: Beginning of February to the end of March 2017 (2 months).

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