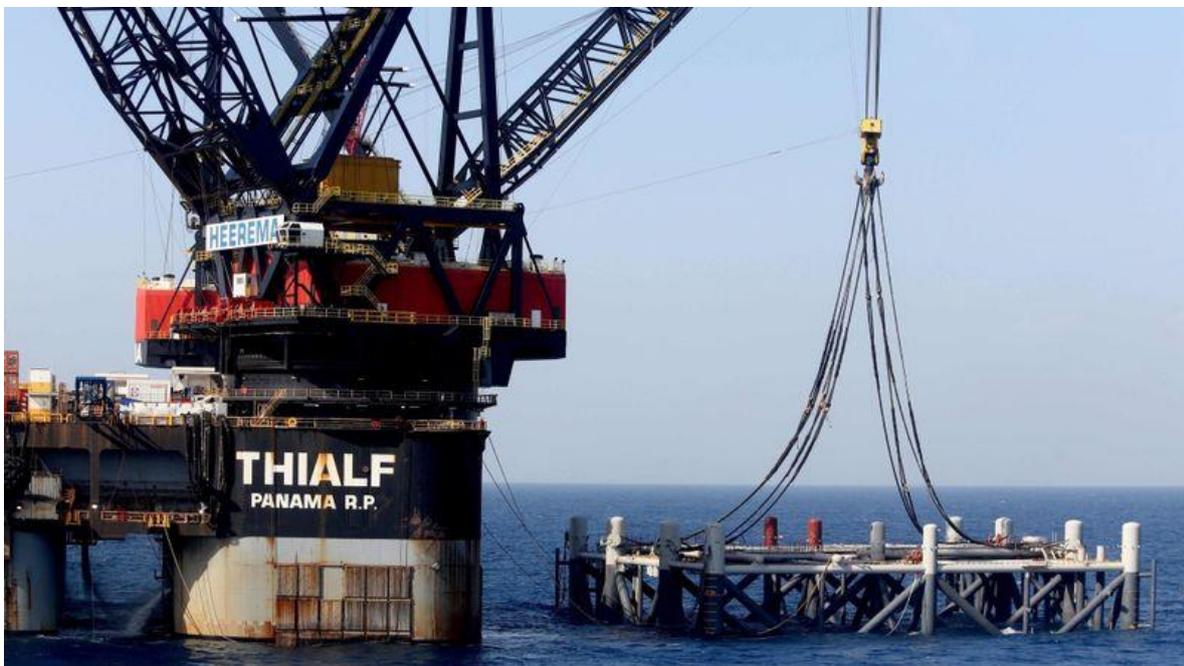


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# An oil boom is transforming the eastern Mediterranean — and changing relationships, especially with Israel

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*The SSCV Thialf crane vessel lays the foundation platform for the Leviathan natural gas field in the Mediterranean Sea about 80 west of Haifa, Israel, on Jan. 31. (Marc Israel Sellem / AFP/Getty Images)*



In 2007, Mathios Rigas spent \$1.13 million to buy a near-dormant oil well in Greece with a license that was about to expire. The engineer-turned-banker hired a Venezuelan petroleum chemist, the only person he had met in Greece who knew about oil and gas. He called his company “Energean,” a play on the words energy and the Aegean Sea.

It paid off. The Prinos oilfield, Greece’s only oil-producing asset, held more reserves than thought and is now producing thousands of barrels a day. In 2016, armed with the experience, Rigas placed another bet and bought the rights to develop the Karish and Tanin natural gas fields off the coast of Israel — a country that bigger oil and natural gas exploration companies were avoiding because it could affect their business with Arab countries or Iran.

Energean now has agreements with Israeli customers for 15 years, securing \$12.9 billion in future revenue. The company is now valued at \$1.3 billion and has a staff of 385, including the original Venezuelan chemist.

“Converting 1 million euros into a 1-billion-pound company today is, I think, a successful 10-year journey,” said Rigas. “The opportunity to buy into Israel when everybody was busy looking at other opportunities and we were there taking advantage of a fantastic project.... These are eureka moments ... when you see opportunity in front of you — we took the risk both times.”

The eastern Mediterranean, better known for strife and conflict, has become a hive of prospecting activity. Israel was once at the mercy of volatile, largely unfriendly neighbors for fuel supplies but now has enough natural gas for itself and to sell to others. Egypt boasts facilities that can process and export natural gas both from its own field, the largest in the region, as well as its new gas-rich neighbors. Tiny Cyprus is grappling with how to best exploit newly discovered natural gas fields off



the shores of the long-divided island. And Greece has joined the oil and natural gas search, hoping for another bonanza in its waters after a bruising decade of economic depression.

Israel is the poster child of the natural gas rush that is transforming energy paupers into princes. In 2009, a natural gas field about 50 miles west of the Israeli port of Haifa, dubbed Tamar, was discovered. Then, in 2010, Houston-based Noble Energy Inc. located massive offshore fields 80 miles from Haifa. Named Leviathan, it is a monster of a natural gas field that would not only make Israel self-sufficient but also allow it to export.

### [The bucolic north of Israel is relatively peaceful for now. »](#)

Greece, Israel, Italy and Cyprus are now set to sign an agreement to build the world's longest and deepest undersea natural gas pipeline, EastMed, to transport Israeli and Cypriot natural gas to Europe. The project is backed by the European Union, and Secretary of State Michael R. Pompeo is expected to push forward the \$7-billion project that will help wean Europe off Russian natural gas during a visit to Israel later this month.

“A gas pipeline will run from here and will link us to the gas economy of Europe. It will reach our Arab neighbors,” Israeli Prime Minister Benjamin Netanyahu said on Jan. 31 while taking delivery of the foundation of the platform that will pump natural gas from Leviathan.

“This is a great revolution — we are turning the state of Israel into an energy power. An independent Israel will not depend on anyone for its energy needs.”

The pipeline is turning out to be an important factor in a new regional alliance involving Greece, Cyprus and Israel even as so many other international alliances are fraying. The nations' leaders have held five



trilateral meetings in the last three years and are already talking about pursuing another energy initiative to connect their power grids — the EuroAsia interconnector undersea cable — and establishing a permanent agency in Nicosia to oversee joint projects.

But the region's longstanding rivalries may be stubborn obstacles to the vision to feed Israeli natural gas to Europe.

Lebanon on Thursday warned that the planned EastMed pipeline from Israel to the European Union must not be allowed to violate its maritime borders. Beirut has an unresolved maritime border dispute with Israel — which it regards as an enemy — over a sea area of about 330 square miles.

Pompeo is set to visit Beirut as part of his tour of the region, and Netanyahu said the secretary of State will help with Israel's plan to build the pipeline.

Lebanon has its own plans to seek hydrocarbons, and last year licensed a group comprising Italy's Eni, France's Total and Russia's Novatek to carry out the country's first offshore energy exploration in two blocks, including one containing waters disputed with Israel.

In the last decade, Greece plunged into the financial abyss, dragging Cyprus with it. Israel and Turkey, formerly close allies, spent much of the last decade mired in ongoing tension after the killing by Israeli commandos of 10 Turkish activists on board a ship that was part of a flotilla attempting to deliver aid to Palestinians in the Gaza Strip in 2010. Greece, a longtime rival of Turkey, is now trying to step into the breach between Israel and Turkey.



The Arab Spring sparked revolts against authoritarian leaders, resulting in a migration of refugees to Europe through Greece and Italy. Egypt temporarily tipped into turmoil in 2011 with the overthrow of President Hosni Mubarak, who had safeguarded the 1979 peace treaty with Israel.

But as on-the-ground politics and alliances remain up in the air, what lay below the seas of the eastern Mediterranean has become more clear. The Tamar field's significance hit home in 2011, as unrest spread through Egypt. In the Sinai desert, militants frequently attacked the pipeline carrying natural gas from Egypt to Israel and Jordan, crippling supplies.

Israelis waited and worried about the natural gas that they needed to produce nearly half of their electricity. The price of electricity rose 20%. In April 2012, the Egyptian government called a halt to supplies altogether in a spat with Israel over nonpayment for the sputtering supply.

But by then, Tamar was poised to begin supplying the Israeli market with its own natural gas. And the Leviathan field found in 2010 contained an estimated 22 trillion cubic feet of natural gas, enough for the domestic market and exports. Netanyahu called it a "gift of God." There were other discoveries: In 2011, Noble Energy discovered the field off Cyprus and another last year. The massive Zohr field off Egypt was located in 2015 and, as the largest thus far, galvanized the interest of international oil companies in the region.

For Europeans, the Israeli experience of 2011-12 is familiar. In 2009 a natural gas dispute between Russia and transit country Ukraine left many EU countries with severe shortages. A pipeline such as EastMed, running from Israeli natural gas fields to Cyprus, then Crete, through



mainland Greece and to the heel of Italy, would lessen Europe's reliance on Russian natural gas.

The EU imports more than half of all the energy it consumes. Many countries are heavily reliant on a single supplier for natural gas, including some that rely entirely on Russia. This dependence leaves them vulnerable to supply disruptions.

The EastMed pipeline would cost an estimated \$7 billion, take as many as seven years to build and pose an engineering and technical challenge, with pipe to be laid in extremely deep waters.

To make the pipeline viable more natural gas finds are still needed, as most finds thus far have already been contracted to the region. Analysts say, however, that there are an array of alternatives to the pipeline if needed. Egypt, for example, has two plants that can liquefy natural gas so it can be transported by ship and provide an export outlet to Europe and Asia.

“Politicians love big, flashy projects and the photo ops they present,” said Nikos Tsafos, an analyst at the Center for Strategic and International Studies. “But in the end, governments can only do so much — the market needs to support this project. So far, it's not clear that this is the case.”

A pipeline to Turkey from Israel and via Cyprus could be more commercially viable, allowing natural gas to get to Turkey, a major market, and then possibly onward to the EU. But the lingering tensions between Turkey and Israel, as well as the four-decade conflict over the occupation of northern Cyprus by Turkish troops, make such a pipeline unfeasible for the present.



Talks to unify the island have foundered repeatedly and Turkey generally objects to the internationally-recognized Republic of Cyprus in the south of the island drilling for oil and natural gas, saying that Cyprus' resources are jointly owned by Greek and Turkish Cypriots.

In February 2018, the Turkish navy blocked a drill ship belonging to Italian company Eni from reaching its destination in Cypriot waters, a reminder of the sort of tension that can occur at any time in the region. Nevertheless, the natural gas rush has led to some political reconciliation. Israel was included in the first meeting of the East Mediterranean Gas Forum in Cairo in January, alongside the Egyptians, Jordanians and Palestinians as well as the Greeks and the Cypriots.

It was the first visit by an Israeli minister since 2011 and, Israeli Energy Minister Yuval Steinitz said, “the first meaningful economic cooperation between Israel and Egypt since the peace treaty was signed in 1979.” While natural gas has smoothed over some divisions in the region, a legacy of volatility remains. That may be the biggest argument for building a pipeline to Europe, a massive, wealthy and stable customer and ally.

“The region’s politics are always unpredictable,” said analyst Tsafos. “Having more options is always better.”