

# Noble Energy Wins Big Gas Deal From Israel Electric Corporation



**Israel Electric awarded the deal to the partners in the Leviathan gas field over the Tamar field partners**

It was Yitzhak Tshuva and Noble Energy competing against Yitzhak Tshuva and Noble Energy for a giant contract to supply the Israel Electric Corporation with natural gas. One side bid to supply the gas at a price of \$4.78 per thousand cubic feet and the other put in a bid for \$4.78, too.

In the end, no surprise, the winners, who were revealed on Sunday, were Yitzhak Tshuva and Noble Energy with a bid of \$4.78, although it in the end the two rivals may split the contract.

That strange bidding process was possible because on one side, there were the partners who control the Tamar gas field, which include Noble, Tshuva's Delek Drilling and Isramco, and the other side were the partners who control the Leviathan field,

which include Noble, Delek Drilling and Ratio.

State-owned IEC said it opted for Leviathan's identically priced bid because it was seeking to diversify its sources of natural gas, which is now supplied exclusively by Tamar. Tamar will lose a major part of its sales to IEC because the Leviathan contract will replace much of the gas Tamar is now supplying.

The interim contract calls for Leviathan to supply about 4 billion cubic meters of gas, once production begins in October of this year, through June 2021. The contract is a so-called "interruptible" agreement, meaning IEC does not have to buy all the gas it has contracted for. It represents a big cost savings for IEC, which has been paying \$6 for its Tamar gas up to now.

"IEC encouraged competition and achieved savings in the hundreds of millions, which is resulting in lower electricity rates to customers," the utility said on Sunday, and vowed: "In the next stage, the company will begin a competitive process with Karish and Tanin."

Karish and Tanin are gas fields off Israel's coast that are controlled by the Greek energy company Energean, the only other major player in the Israeli gas industry besides the Tamar and Leviathan partners.

Ella Fried, an analyst at Leumi Capital Partners, noted that the contract isn't important financially for the Leviathan. Revenues from it will not exceed \$700 million. In fact, shares of the Ratio partnership, which holds a 15% stake in Leviathan and has no interest in Tamar, edged up just 0.9% to close at 2.85 shekels (80 cents) on the Tel Aviv Stock Exchange.

However, she said it did represent a step toward making the Israeli natural gas market more competitive.

"It appears that the gas framework has chalked up a success

this week, even before Karish and Tanin have gone into production," Fried said. "For the first time, we are seeing signs of competition in the sector."

The issue of competition has shadowed the industry for years and continues to be a source of controversy even after the government and the industry agreed three years ago on a gas framework agreement for the industry. Leviathan and to a lesser extent Tamar are also seeking contracts to export gas to Egypt and Jordan, and maybe Europe down the road.

Among other things, the framework agreement breaks up the Noble-Delek monopoly and has allowed IEC to reopen its contract with Tamar by giving it the freedom to reduce the quantity of gas it is required to buy from it to three billion cubic meters annually, from five billion.

Analysts and industry sources agreed there was a good chance that in the end, Leviathan and Tamar would split the contract. Isramco said on Sunday that the Tamar partners had asked IEC to see documents related to the bidding so it could weigh further steps. It asked that the result be frozen for 14 days.

In the meantime, shares of Tamar Petroleum, which owns 12.75% of Tamar, skidded 5.2% to 14.35 shekels. Shares of Isramco, which owns a 28.75% stake in Tamar, dropped just 3.6% to 37 agorot.

Analysts said the differing reaction by investors could be laid to Tamar Petroleum's higher debt levels, which make it more sensitive to any loss in future income. A source close to Tamar expressed confidence it could meet all of its 5 billion shekels in debt coming due between now and 2028 and continue paying dividends.