

# International Law of the Sea Meets Israeli Constitutional Law: The New Israeli-Lebanese Maritime Border Agreement



On Dec. 13, 2022, the Israeli Supreme Court published a 51-page judgment in *Kohelet Forum v. Prime Minister*, providing reasons for its Oct. 23, 2022, decision to greenlight the Israel-Lebanon Maritime Delimitation Agreement. (The agreement was finalized and announced on Oct. 27, 2022.) In its judgment, the court considered and rejected three challenges to the agreement raised by the petitioners: that the agreement involved a transfer of sovereignty over Israeli territory and should have therefore been put to a national referendum; that, due to its status as a caretaker government, the Government of Israel (GOI) was legally barred from concluding the agreement; and that the GOI was required, by virtue of a constitutional usage or custom, to bring the agreement to a vote before the Israeli Knesset. The judgment offers a number of interesting insights on the interplay between international law and Israeli constitutional law, including a first-of-its-kind analysis of the application of a Basic Law, requiring the holding of a referendum in connection with territorial concessions, to maritime delimitation questions.

## Background Developments

Israel and Lebanon share a land and maritime border, but the boundary line on land and at sea has remained for many years contentious and mostly undelimited. In 2000, Israel unilaterally demarcated a 7.5-kilometer-long security line perpendicular to the de facto land border on the coast through the placing of 10 buoys (that is, the buoys line), and

deployed its navy to prevent vessels from crossing that line in proximity to the coast. In 2010, Lebanon deposited with the United Nations a set of maritime boundary coordinates, representing its claim to maritime zones in the boundary area (referred to below as Line 23 or the Southern Lebanese Line). The following year, in 2011, Israel deposited with the U.N. its own coordinates representing its counterclaim to Lebanon's coordinates (namely, Line 1, which effectively constituted a seaward extension of the buoys line). The maritime area locked inside the triangle formed by Line 1 (the Northern Israeli Line), Line 23 (the Southern Lebanese Line), and the beginning of the Cypriot maritime zone (which is parallel to the Israeli/Lebanese coastline, running approximately 130 nautical miles from that coast) comprises some 870 square kilometers.

Following over a decade of negotiations, facilitated by U.S. mediation and featuring many delays and interruptions, Israel and Lebanon reached the Oct. 23, 2022, agreement on maritime boundary delimitation. This development took place against two competing plans from Israel and Lebanon. Israel has plans to commence the commercial exploitation of a natural gas field (called Karish), south of Line 23, which nonetheless falls inside an area of the Mediterranean Sea that Lebanon claimed at one stage of the negotiations (when it presented a revised line going considerably beyond the line it deposited with the U.N.). Lebanon has plans to commence exploration of another natural gas field (called Qana) that is north of Line 23 but is potentially traversed by Line 1. According to the agreement, Israel would accept Line 23 but would receive a fixed percentage from the proceeds from the Qana field (a separate agreement was concluded in November 2022 between Israel and the private energy companies involved in the exploitation of the Qana field). As part of the deal, the parties agreed to maintain, until the time in which a land boundary delimitation agreement would be concluded, the status quo in and around the first 5 kilometers of the buoys line, effectively accepting Israel's security control of the area

south of that line. The parties furthermore agreed that the agreement established a permanent and equitable resolution of their maritime dispute.

The Institute for National Security Studies (INSS) has created a map of the newly agreed-upon maritime order:

### New Israeli-Lebanese Maritime Border



Since the agreement was finalized in the weeks running up to the Israeli general elections, which occurred on Nov. 1, 2022, its conclusion became part of the election conversation. Opposition leader Benjamin Netanyahu (who has since returned to power) accused the GOI of unjustifiably surrendering Israeli maritime areas and economic assets to Lebanon, an enemy state, and to Hezbollah—which Israel and other states consider a terror organization, and which exercises considerable influence on political affairs in Lebanon. By contrast, then-Prime Minister Yair Lapid proclaimed the agreement to be a historical achievement of his government that would increase stability and economic prosperity in the region.

### The Litigation

Following media reports concerning the impending conclusion of the agreement, a number of public interest groups brought petitions in the first half of the month of October 2022 to the Israeli Supreme Court against the GOI, the Knesset, and a number of government ministers, challenging the authority to conclude the agreement. The two initial petitioners—the Kohelet Forum and Lavi Organization (two right-wing civil society groups)—were joined by a group of private citizens and by Itamar Ben Gvir's Otzma Yehudit (also known as Jewish Power, an extreme right-wing party represented in the

Knesset). Their request to obtain interim injunctions against the GOI were rejected by the Supreme Court, and following a televised hearing held on Oct. 20 before a panel of three justices, their petitions were rejected on Oct. 23 by a unanimous decision of the panel of three justices assigned to the case. On Oct. 27, the GOI and Lebanon finalized the agreement.

The court's judgment was published on Dec. 13, 2022 (the Oct. 23 decision was announced without an accompanying opinion from the court). It addressed the three main challenges presented by the petitioners: that the agreement involved a transfer of sovereignty over Israeli territory and should have therefore been put to a referendum; that, due to its status as a caretaker government, the GOI was legally barred from concluding the agreement; and that the GOI was required, by virtue of constitutional usage or custom, to bring the agreement to a vote before the Israeli Knesset. In an unusual manner, the three justices divided between them the task of explaining the court's position on the three questions at issue and expressed agreement with the explanations provided by each other.

### The Inapplicability of the Referendum Basic Law

The first, and probably most interesting, challenge made by the petitioners related to the interplay between the agreement and Israeli constitutional law on the transfer of sovereign territory. As part of an effort by right-leaning members of the Knesset to render it more difficult for the GOI to agree on territorial concessions in future peace deals, the Knesset passed in 1999 a law that was amended in 2010 (the formal title of the law is "Administration and Law Procedures (revocation of application of law, jurisdiction and administration) Law"), providing that a GOI decision to revoke the application of Israeli "law, jurisdiction and administration" with respect to a territory to which it applies must be approved by a majority of at least 61 members

of the Knesset and a referendum or, alternatively, by a vote of 80 (out of 120) members of the Knesset. The Knesset reiterated this in 2014 when it passed the Basic Law: Referendum, which repeated the language found in the 2010 law, while affording it with a constitutional status.

The petitioners claimed that the agreement involved the transfer of sea territory from Israel to Lebanon and that, as a result, it fell under the terms of the Basic Law: Referendum. To make this argument, the petitioners relied on the Territorial Waters Law (1956), which resulted in extension of Israeli law to the 12 nautical miles area adjacent to the coast, and on the Undersea Water Lands Law (1953), which proclaimed the coastal continental shelf as "State territory." The Attorney General's Office claimed, by contrast, that maritime areas outside the territorial sea are not part of the sovereign territory of the State of Israel (although Israel has certain sovereign rights in respect of them) and that the northern boundary of the territorial sea has not been conclusively delimited before the agreement was concluded.

Justice Uzi Vogelman rejected the petitioners' claims regarding the application of the Basic Law: Referendum to the agreement. He held that the Basic Law was enacted with the specific aim of limiting the power of the GOI to transfer territories in East Jerusalem and the Golan Heights—areas in relation to which Israel clearly and explicitly applied its laws through Knesset legislation and/or GOI decisions. He did not consider the maritime areas found outside Israel's territorial sea to meet a comparable "clear and explicit application" standard, given the ambiguity of existing legislation and the lack of sovereignty in economic waters (exclusive economic areas and continental shelves) under customary international law. (Note that Israel is not a party to the 1982 U.N. Convention on the Law of the Sea, but it regards most of the convention's provisions as customary in nature.) Whereas Vogelman was willing to consider the

territorial waters as falling under the Basic Law, he accepted the GOI's position that Line 1 was submitted to the U.N. merely as a negotiating position and not as a conclusive act of demarcation of the outer limit of Israeli territory for Israel law purposes. In effect, he noted that, beyond the first 5 kilometers of the buoys line, Israel did not enforce its laws north of Line 23. Hence Vogelmann reasoned that the small territorial sea area affected by the agreement (the area between the relevant segments of the two lines, located 3-12 miles from the coast; a gap averaging 300 meters in breadth) is not de jure or de facto subject to Israeli law.

### The Powers of a Caretaker Government

Israeli Supreme Court President Esther Hayut addressed in her opinion the second challenge raised by the petitioners, pertaining to the powers of a caretaker government. After new elections were called on June 30, 2022, the outgoing government continued to serve as a caretaker government—which under the Israeli public law jurisprudence means a government with limited powers. According to the Supreme Court's case law, it would be inappropriate for such a government to make appointments or adopt measures in order to bind the next government or to sway the elections. As a result, the court has held that a caretaker government must exercise its powers with moderation and restraint. Still, the government might justifiably—and, at times, even be required to—take measures that serve a vital public interest even before the elections, so as to avoid creating a decision-making vacuum.

In the case at hand, Hayut accepted the GOI's position that the conclusion of the agreement before the elections served a vital and time-sensitive public interest. She noted that the government was presented with classified reports composed by Israeli security agencies (which the court also reviewed ex parte, with the consent of the parties to litigation), which identified a unique “window of opportunity” for concluding the agreement in light of political developments in Lebanon

(presumably the end of President Michel Aoun's term in late October 2022) and overriding security considerations (presumably Hezbollah threats to attack the Karish natural gas field, should extraction commence by Israel without an agreement). Against these facts, and in light of the broad discretion that the GOI enjoys in the field of foreign relations and national security (which extends mutatis mutandis to a caretaker government), Hayut held that there were no grounds for judicial intervention.

### Approval of the Agreement by the Knesset

Justice Noam Sohlberg dealt in his opinion with the third objection raised by the petitioners pertaining to the role of the Knesset in approving international agreements. According to Israeli constitutional law, the GOI is competent to sign and ratify international agreements (this is pursuant to the British model, which associates such powers with the prerogatives of the Crown). Under the relevant Knesset and GOI by-rules, there is an obligation to deposit with the Knesset international agreements two weeks prior to their ratification (unless exceptional reasons of urgency or secrecy preclude this). During that time, different Knesset committees and the Knesset plenary may discuss the pending agreement. Still, the GOI has tended to bring important political agreements, such as peace agreements, to a vote of approval before the Knesset. There is some academic literature claiming that this practice amounts to a binding "constitutional usage" or "custom."

Sohlberg noted that, in the case at hand, the GOI deliberated on whether or not to submit the agreement for Knesset approval and decided against it, citing that the classified reports on which it relied when supporting the agreement would not be available to all Knesset members (they can be presented only in a security-cleared Knesset subcommittee meeting behind closed doors). Under these circumstances, it opted for pursuing the standard two weeks deposit track (which involved, inter alia, a subcommittee discussion). Sohlberg held that, in

following this path, the GOI was exercising its lawful discretion. As for the petitioners' claim that the government should follow past precedents and submit the agreement to the Knesset for approval, Sohlberg was of the view that practices of past governments do not bind the existing GOI (or, in other words, that there is no established legal doctrine of binding custom generated by past parliamentary practices). In any event, he opined that past practice on submitting important agreements to a vote did not generate clear criteria as to what constitutes an "important agreement" that would merit Knesset approval. It is noteworthy in this regard that the 2010 maritime delimitation agreement between Israel and Cyprus was not brought to a Knesset vote. Having found no basis in law for requiring the GOI to submit the agreement to a vote by the Knesset, Sohlberg rejected this part of the petitioner's case as well.

### Judicial Conservatism in Support of Progressive Foreign Policy?

The proceedings in Kohelet Forum represent an interesting reversal of roles. Conservative groups that have often criticized the court for excessive judicial activism, including broad construction of constitutional instruments in ways that limit the power of the legislative and executive branches, have called on the court to do exactly that: to review a decision placed squarely within the government's power to conduct foreign policy and protect national security. It is also interesting to note that the three justices on the panel acted in unison to reject the petitions, notwithstanding the fact that they have greatly diverged in the past on questions of judicial activism. (Sohlberg is considered among the most conservative justices on the court and Vogelmann among the most activist of justices.) Their joint decision seems to underscore that, despite its tradition of expansive judicial review, the court is still apprehensive about interfering with high-stakes foreign policy and national security matters, and



does not wish to assume responsibility for any political or security fallout that might have ensued from the derailing of the agreement.

The judgment also offers a first-of-its kind engagement with the Basic Law: Referendum, which has not received much attention until now in Israel and beyond. Such limited attention can be explained by the lack of any serious peace talks vis-a-vis Syria or the Palestinians that might result in the transfer of territory currently subject to Israeli law. It could also be explained by the assumption that, if push comes to shove, the GOI will amend or abrogate the Basic Law (a simple majority of 61 out of 120 members of the Knesset may achieve that). The Israel-Lebanon agreement, however, presented a unique case in which it was plausible to argue that a transfer of territory governed by the Basic Law was being contemplated, without there being a realistic option of amending the Basic Law given the collapse of the governing coalition (a factor that can also explain the reluctance to bring the agreement to a Knesset vote). The approach that the Supreme Court took for this agreement—a narrow interpretation of the scope of application of the Basic Law, limiting its application to territories clearly and explicitly subject to Israeli law—may reflect unease on the part of the court with the institution of a national referendum (Israel has never held a national referendum, on any issue), as well as concerns about the implications for the government's ability to effectively conduct foreign policy and protect national security if it were to operate under an overly tight constitutional straightjacket.

Finally, it is noteworthy that the court conducted its analysis of the legal status of the different maritime areas in relation to which Israel has legal rights in light of customary international law rules on sovereignty rights at sea (reading down the terms of the Undersea Water Lands Law accordingly). This implies that although there is no clear

doctrine of interpretive compatibility between Israeli constitutional law and international law, the content of the latter significantly informs the former.

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# من هو سعيد الحظ الذي فاز بالترخيص رقم 8 للرقابة على البواخر الفيول؟



فضحية مخالفة لكل الاصول: شروط غير متوفرة وتداخل مصالح سياسية

”خاص - “أخبار اليوم

منذ نحو عشر سنوات توقفت وزارة الطاقة عن منح التراخيص لشركات الرقابة على بواخر الفيول والمحروقات، ليستقر العدد على سبع شركات التي تقوم بعملها بشكل دوري لجهة اخذ العينات من حمولة البواخر واجراء الفحوصات المخبرية اللازمة تطبيقا للقانون الساري...المفعول

ولكن الجديد على هذا المستوى هو الترخيص الذي منحه وزير الطاقة وليد فياض في الاسابيع الاخيرة لشركة جديدة ليرتفع العدد الى 8. ”بحسب ما كشف مصدر مطلع لوكالة “أخبار اليوم

وفي التفاصيل، اشار المصدر الى ان وزير الطاقة عمل على توقيع هذا الترخيص قبل بلوغ مديرة عام النفط في وزارة الطاقة والمياه أورور فغالي السن القانونية، وإحالتها إلى التقاعد الشهر الفائت، كاشفا ان انطوان الفرد دوره (الذي ترشح الى الانتخابات النيابية في طرابلس على اللائحة المدعومة من التيار الوطني الحر ولم يفز) حصل عليه دون ان يمرّ الملف بالاجراءات التقنية ومطابقة كل الشروط. الواجب توفرها.

:وهنا تحدث المصدر عن ابرز الشروط التي يجب الالتزام بها

، ان يكون لدى الشركة خبرة تتجاوز العشر سنوات -

الالتزام بالمذكرة رقم 3 التي تنص على ضرورة ان تكون الشركة - المحلية منضمة الى "شركة ام" عالمية" التي تغطي كل اعمال الشركة العاملة في لبنان اكان على المستوى التقني او اللوجستي، ما يكسبها الصدقية .

وهنا سأل المصدر: هل ان الشركة الجديدة تتمتع بالخبرة المطلوبة؟ كما انه حتى اللحظة لم نعرف من هي الشركة الام التابعة لها، حيث لم يحدد الامر في بياناتها .

وفي سياق متصل ذكر المصدر بدراسة اجرتها وزارة الطاقة منذ نحو خمس سنوات تبين فيها ان السوق لا يحتمل شركة ثامنة، قائلا: اليوم السوق في تراجع نظرا الى الازمة الاقتصادية التي يعاني منها البلد، الامر الذي سيؤدي الى تسريح موظفين من الشركات السبعة .

وامام هذا الواقع، لفت المصدر الى ان اصحاب الشركات السبعة وجدوا خلا، واجتمعوا مع احد وزراء الطاقة السابقين من اجل استيضاح الامر وعبروا عن اعتراضهم على هذا التجاوز، كما طالبوا بان يتم تصنيف الشركة وتحديد حصة كل واحدة منها من رقابة البواخر وفق تراتبية الاقدمية .

الى ذلك، اوضح المصدر ان دوره يملك وكالة بحرية، (تعمل على تخليص المعاملات ودفع الرسوم) وبالتالي اي ترخيص رقابي له سيؤدي الى تداخل المصالح .

وختم سائلا: هل ما حصل هو استعمال النفوذ، هل هذه الرقابة هي رشوة غير مباشرة من قبل مرجع سياسي؟

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## Lebanon-Israel deal counts as

# big win for both parties – and for US diplomacy



The United States accomplished a diplomatic tour de force in October when Lebanon and Israel agreed to settle most of their maritime boundary.

Of course, credit for this achievement is also due to the principals, but U.S. mediation was essential to setting the stage for the mostly indirect negotiations, regaining momentum when it looked like the process might be permanently stalled, and keeping the parties on-course until they reached agreement. Simply put, in this instance, the U.S. really was the “indispensable nation” it has so often strived to be.

The very fact that an agreement was reached is itself a remarkable departure from decades of mutual enmity between Lebanon and Israel. After all, the deal is anything but the usual sort between two sides that have recently been at odds over one or more particular issues.

Instead, from the moment of Israel’s establishment in 1948, a state of war has existed between it and Lebanon. A cease-fire was agreed to the following year, but since then there have been countless confrontations between the two sides, including at least three full-scale wars (1978, 1982, 2006), multiple smaller conflicts, a 22-year occupation of South Lebanon ending (for the most part) in 2000, and hundreds of skirmishes. Although the Lebanese have sustained far more than their share of losses in blood and treasure alike, the Israelis also have paid a painful price. Each side has plenty of reasons to distrust the other, and any Lebanese or Israeli advocating accommodation between the two risks running afoul of powerful domestic constituencies bent on continued mutual hatred.

It took more than a decade of intermittent contacts, virtually all of them consisting of messages exchanged through American intermediaries, but eventually logic prevailed, and the deal got done. And it's a good deal for both sides. The Israelis have been extracting offshore gas since 2004 and exporting some of it to Jordan since 2017, but the agreement enhances their ability to expand production and tap enormous markets in Europe. Lebanon's gas industry is far less advanced, so recognition of its maritime boundaries is even more important: Recognition of its Exclusive Economic Zone (EEZ) makes it a viable destination for the foreign investment required for offshore hydrocarbon activities, and the country's crippling economic and financial crises make the chance to become energy self-sufficient and even earn badly needed export revenues even more attractive.

If it was patience that kept hope alive despite repeated periods of soaring tensions threatened to derail the process, it was creative diplomacy that proved the wisdom of that patience by identifying practical compromises both sides could see as fair and equitable.

For one thing, the agreement bridged proverbial gaps between the two sides' positions by leaving actual gaps in the line separating their respective maritime zones. One of these is at the western end of the agreed boundary, where it stops just under a kilometer short of the line established bilaterally by Israel and Cyprus in 2010. This leaves for future negotiation the precise location of the "trijunction" point where the Israeli and Lebanese zones will meet up with that of Cyprus. The other gap is at the eastern end, leaving a much longer (approximately 5 kilometers) stretch of open water between the agreed maritime boundary and the land terminus point (LTP) of the two countries' terrestrial border. Since Lebanon and Israel have yet to agree on a location for that LTP, and since the most promising resource areas – in particular the Qana Prospect thought to constitute a significant reservoir of

natural gas – lay much farther offshore, it made sense to lock in the rest of the line now and leave this coastal section for later.

A similarly pragmatic approach was applied to the Qana Prospect itself, believed to straddle the agreed boundary between Lebanon's Block 9 and adjacent Israeli waters. Here the challenge stemmed from Lebanon's longstanding withholding of diplomatic recognition from Israel and, therefore, its refusal to engage directly with its neighbor. The solution was to have an independent third party – specifically the international company, France's Total Energies, licensed to act as the Block 9 operator – handle any necessary communications with, and prospective financial compensations of, the Israeli side.

For all of these (and other) reasons, the Lebanon-Israel agreement is nothing short of remarkable, not only because of what it says about the principals and their intermediary, but also because of the example it sets for the resolution of other maritime disputes around the world.

With a lot of effort, both Lebanon and Israel demonstrated politico-diplomatic maturity by recognizing that their interests were best served by embracing dialogue (however indirect) and accommodation, not the bombast and self-defeating dogmatism that only deepen divisions without solving problems.

Arriving at such an agreement required each side to exercise a measure of strategic empathy toward the other, no small feat for parties so accustomed to viewing one another as enemies. It is fair to predict, too, that if and when the parties decide to settle other aspects of their dispute, or even when they just need to defuse some future crisis without bloodshed, this experience will be a useful touchstone.

For the U.S., its successful stewardship of the Israeli-

Lebanese negotiations proves that it still matters in the Middle East and North Africa region, and comes at a time when some Arab capitals have been questioning American reliability and resolve. Washington's performance shows that it can get things done without having to take or threaten military action.

For parties to maritime disputes worldwide, the Lebanon-Israel agreement offers proof that even sworn enemies can find mutually acceptable outcomes on at least some of the issues that divide them.

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## **QatarEnergy wins working interest in new Brazilian offshore exploration block**



QatarEnergy, in a consortium with TotalEnergies and Petronas, has been awarded the Agua-Marinha Production Sharing Contract (PSC), under the 1st Cycle Permanent Offer round, by Brazil's National Agency of Petroleum, Natural Gas, and Biofuels (ANP). Under the terms of the PSC and associated agreements, QatarEnergy will hold a 20% working interest, alongside the

operator Petrobras (30%), TotalEnergies (30%) and Petronas Petroleo Brasil Ltda (20%).

The Agua-Marinha block has a total area of 1,300sq km and is located in water depths of about 2,000m off the coast of Rio de Janeiro in the prolific Campos Basin.

Commenting on this occasion, HE the Minister of State for Energy Affairs, Saad bin Sherida al-Kaabi, also the president and CEO of QatarEnergy, said: “We are pleased to achieve this latest successful joint-bid, which adds further highly prospective acreage to our upstream portfolio in Brazil, and particularly in the prolific Campos Basin.”

Al-Kaabi added: “We are delighted to achieve this success with our valued partners Petrobras, TotalEnergies, and Petronas. I wish to take this opportunity to thank the ANP and the Brazilian authorities for this opportunity and for their ongoing support.”

The acquisition, which is expected to close in the first half of 2023, further establishes QatarEnergy as one of the leading upstream players in Brazil, where it already holds working interests in two producing fields and numerous exploration blocks.

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## **EU countries agree gas price cap to contain energy crisis**



BRUSSELS, Dec 19 (Reuters) – European Union energy ministers on Monday agreed a gas price cap, after weeks of talks on the emergency measure that has split opinion across the bloc as it seeks to tame the energy crisis.

The cap is the 27-country EU’s latest attempt to lower gas



prices that have pushed energy bills higher and driven record-high inflation this year after Russia cut off most of its gas deliveries to Europe.

Ministers agreed to trigger a cap if prices exceed 180 euros (\$191.11) per megawatt hour for three days on the Dutch Title Transfer Facility (TTF) gas hub's front-month contract, which serves as the European benchmark.

The TTF price must also be 35 eur/MWh higher than a reference price based on existing liquefied natural gas (LNG) price assessments for three days.

"We have succeeded in finding an important agreement that will shield citizens from skyrocketing energy prices," said Jozef Sikela, industry minister for the Czech Republic, which holds the rotating EU presidency.

The cap can be triggered starting from Feb. 15, 2023. The deal will be formally approved by countries in writing, after which it can enter into force.

Once triggered, trades would not be permitted on the front-month, three-month and front-year TTF contracts at a price more than 35 euros/MWh above the reference LNG price.

This effectively caps the price at which gas can be traded, while allowing the capped level to fluctuate alongside global LNG prices – a system designed to ensure EU countries can still bid at competitive prices for gas in from global markets.

Germany voted to support the deal, despite having raised concerns about the policy's impact on Europe's ability to attract gas supplies in price-competitive global markets, three EU officials said.

An EU official told Reuters Germany agreed to the price cap after countries agreed changes to another regulation on

speeding up renewable energy permits, and stronger safeguards were added to the cap.

Those safeguards include that the cap will be suspended if the EU faces a gas supply shortage, or if the cap causes a drop in TTF trading, a jump in gas use or a significant increase in gas market participants' margin calls.

Soaring power and gas prices have rocked energy companies across Europe, forcing utilities and traders to secure extra funds from governments and banks to cover margin call requirements.

Germany's Uniper (UN01.DE) has booked billions of euros of losses on derivatives, exacerbating a crisis as it rushed to fill the gap left after Russia cut supplies.

Jacob Mandel, senior associate at Aurora Energy Research, said the TTF front-month contract has rarely closed above 180 eur/MWh, noting this has occurred on 64 days in its history. All of those were in 2022.

Two EU officials said only Hungary voted against the price cap.

The Netherlands and Austria abstained. Both had resisted the cap during negotiations, fearing it could disrupt Europe's energy markets and compromise Europe's energy security.

Dutch energy minister Rob Jetten said: "Despite progress the last couple of weeks, the market correction mechanism remains potentially unsafe."

"I remain worried about major disruptions on the European energy market, about the financial implications and, most of all, I am worried about European security of supply," he added.

The EU proposal has also drawn opposition from some market participants, who have said it could cause financial

instability.

The Intercontinental Exchange (ICE) (ICE.N), which hosts TTF trading on its Amsterdam exchange, last week said it could move TTF trading to outside of the EU if the bloc capped prices.

On Monday, it said it will assess whether it can continue to operate fair and orderly markets for TTF gas hub trading. For now, ICE TTF markets will continue trading as normal.

The front month TTF gas price closed trading on Monday 9% lower, at 107 euros/MWh, Refinitiv Eikon data showed.

The contract hit a record high of 343 euros in August – a price spike that prompted the EU to move ahead with its price cap.

Italy's energy authority ARERA expects further increases in gas prices as the winter season kicks in, its President Stefano Besseghini said on Monday.

Meanwhile, Russia's Kremlin spokesman Dmitry Peskov said the cap was an attack on market pricing, and unacceptable, Russia's Interfax news agency reported.

The deal follows months of debate on the idea and two previous emergency meetings that failed to clinch an agreement among EU countries that disagreed on whether a price cap would help or hinder Europe's attempts to contain the energy crisis.

Roughly 15 countries, including Belgium, Greece and Poland, had demanded a cap below 200 euros/MWh – far lower than the 275 euros/MWh trigger limit originally proposed by the European Commission last month.

Poland's prime minister said the price cap would end Russia and Gazprom's ability to distort the market.

“At the recent meetings in Brussels, our majority coalition

managed to break the resistance – mainly from Germany,” Mateusz Morawiecki wrote on Twitter. “This means the end of market manipulation by Russia and its company Gazprom.”

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# The global climate finance challenge



The world will not avoid dangerous levels of climate change without a significant increase in investment. This commentary presents three priorities for climate finance for the achievement of Paris targets and protection of the world's most vulnerable communities.

The dust has now settled after the United Nations climate change conference (COP27) in Egypt, but there are still many unanswered questions about how to finance emissions reductions and adaptation. The world will not avoid dangerous levels of climate change without a significant increase in investment in developing countries. If these countries lock in dependency on fossil fuels and dirty technologies, they will be largest source of emissions growth in the coming decades.

Fortunately, such investment can not only reduce emissions and build resilience; it can also drive a new form of growth and development that is much more attractive than the dirty and destructive paths of the past. It is therefore in developed countries' own interests to help these countries accelerate the transition to sustainable, inclusive and resilient economies.

We were commissioned by the Egyptian COP27 Presidency and the British COP26 Presidency to conduct an independent analysis of

the financing that developing countries (other than China) will need by 2030 in order to realize the goals outlined in the Paris climate agreement. Our report, published during the first week of COP27, concluded that these countries' annual investment in climate action needs to increase immediately, from about \$500 billion in 2019 to \$1 trillion by 2025 – and to \$2.4 trillion by 2030. That investment will not only deliver on the Paris Agreement; it will also drive this new form of growth and advance progress toward achieving the UN Sustainable Development Goals.

We identified three investment priorities for climate finance. First, financing should go toward accelerating the energy transformation, particularly the deployment of renewables, as this is essential to keeping the Paris Agreement's targets within reach.

Second, we need increased investments in resilience to protect lives and livelihoods – particularly among the world's poorest communities – against the increasingly devastating effects of climate change, as well as effective, properly-funded mechanisms for addressing Loss and Damage (defined as costs that cannot be prevented by mitigation or adaptation).

And third, we urgently need to enhance biodiversity and conserve the ecosystems on which we all depend. Investments in nature represent vital contributions to both resilience-building and emissions reductions.

About half the financing for these investments could be met from domestic public and private sources in developing countries, and an additional \$1 trillion or so per year could come from outside sources. While public sources of finance, both internal and external, will be essential, the largest share can come from the private sector, which will invest in order to secure attractive returns from the growing market for zero-emissions and climate-resilient goods and services, provided that the risks can be reduced and managed.

A stronger partnership between the private and public sectors can unlock new investment opportunities, manage risk, reduce the cost of capital and mobilise the necessary financing at a much larger scale. But this funding must come from the right kinds of sources, such as philanthropic foundations, the International Monetary Fund's special drawing rights (the IMF's reserve asset), or the sale of carbon credits.

Furthermore, grants and low-interest loans by developed-country governments should increase from \$30 billion in 2019 to \$60 billion in 2025. This funding will represent only a small share of the overall sums required, and it should be carefully targeted at priorities that will not attract significant investments from the private sector. To put this in perspective, \$60 billion would represent only about 0.1% of developed countries' projected economic output in 2030, or about 0.7% of the \$9 trillion that rich countries allocated over the past two years to cope with COVID-19.

Finally, the World Bank and other multilateral development banks have a critical role to play in achieving the Paris targets. Their annual investments in climate action will need to triple to \$180 billion by 2025, from about \$60 billion today, to realise co-financing with the private sector on the necessary scale, combined with support for public infrastructure.

The decision at COP27 to create new Loss and Damage funding arrangements recognises that additional investment by developed-country governments is needed to help developing countries to limit the harm from more frequent and severe extreme-weather events, rising sea levels, desertification and other climate-driven problems. All countries are already suffering Loss and Damage from climate change, but the social and economic consequences can be far more devastating for developing countries, which face not only repair and reconstruction costs but also severe reductions in economic output, employment and living standards.

Loss and Damage also increases the risk that people in vulnerable and highly exposed parts of developing countries will be forced to migrate, further jeopardising social and political stability. If poor countries can become more resilient to climate impacts, and can recover from them more quickly and effectively, they will be able to invest more in low-carbon development and they will pose less of a risk to regional and global security and stability. Again, while developing countries have long argued, with justification, that rich countries should provide separate financing to developing countries as compensation for the Loss and Damage related to past emissions, doing so is also in rich countries' interest.

The 2020s are the crucial decade in the fight against climate change. Further delay would be profoundly dangerous. But all countries will need to advance the transition to carbon neutrality. The rich world must not only do much more to reduce its own emissions. It must also generate the financing needed to help others and to protect the world's poorer countries from a problem they did not create.

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## Debunking Geoengineering

## Solar



Proponents of solar geoengineering say that lowering Earth's average temperature by reflecting sunlight into space will tackle global warming. But if we are to avoid a climate catastrophe, there is no substitute for phasing out fossil fuels.

BERLIN – As climate chaos threatens the Global North and the lifestyles of the world's richest people, we might expect to hear elites demand a rapid exit from reliance on fossil fuels. Instead, a controversial idea is coming to the fore: dimming the sun. Advocates claim that through science fiction-like methods, known as solar geoengineering, we can dial down the planet's thermostat by decreasing the amount of energy that reaches the atmosphere. The idea has gained enough traction for rich philanthropists to notice and for the White House to fund research. There's just one problem: it's a recipe for disaster.

One technological proposal currently making headlines is Stratospheric Aerosol Injection (SAI), with advocates claiming releasing aerosols into the upper atmosphere and bouncing sunlight back into space would reduce surface temperatures. This idea is gaining traction at a time when some contend that we should be working on a plan B because it is too late to limit global warming to 1.5° Celsius as agreed in the 2015 Paris climate agreement. But giving up this ambition would be a gift to carbon polluters, as International Energy Agency Executive Director Fatih Birol recently explained, and the notion that solar geoengineering could ever be a plan B is false and dangerous.

Experts have repeatedly debunked the idea that we can "control" the earth's thermostat. The world's foremost authority on climate science, the Intergovernmental Panel on Climate Change, has warned that solar geoengineering is not a credible solution. Climate models show that masking global heating with sunlight reduction could bring massive changes in atmospheric circulation and alter rainfall patterns – such as the monsoon – with especially pronounced effects in countries that are already experiencing increasingly severe and frequent storms, droughts, fires, and other climate-related events.

To work, solar geoengineering technologies like SAI would require unprecedented international cooperation. Governments



would need to align to get chemical-spraying airplanes off the ground, for example, implying that only powerful countries or military regimes could provide the necessary infrastructure. Chemical mining and production would require additional infrastructure on a massive scale. And all of this would need to be sustained for decades or longer. If a new government stopped an aerosol injection program after regime change, it could trigger a “termination shock” that sent global temperatures soaring, in line with existing greenhouse-gas levels in the atmosphere.

Despite this, Harvard University is set to test the equipment associated with SAI in the context of a controversial research project. But this method is effectively ungovernable. That is why hundreds of academics are calling for a Solar Geoengineering Non-Use Agreement to block public funds for the technology, ban outdoor experiments, patenting, and deployment, and to counter support in international fora and policy discussions.

In addition to the technological and political limitations, prominent lawyers say solar geoengineering is at odds with international human rights and environmental law. If geoengineering changes weather patterns, it could infringe on people’s rights to life, health, and a livelihood. Moreover, SAI could violate the legal duty to avoid causing transboundary environmental harm. A technology set to impact the climate on the global scale would also require everyone potentially affected to have a say – an impossible idea.

But if we know these schemes won’t work, are full of risks, cannot be tested or governed, and delay near-term climate action, why are we seeing increased momentum and support for them? Put simply, they give big polluters a get-out-of-jail-free card and allow them to patent and profit from the relevant technologies and associated infrastructures.

Oil and gas companies have been researching and patenting

(solar and other) geoengineering technologies for decades. In fact, most solar geoengineering models rely on large-scale deployment of Carbon Dioxide Removal to deal with the continued production and combustion of fossil fuels. Proponents of CDR offer carbon removal offsets to polluters, undermining long-term solutions and exacerbating the climate emergency. Worryingly, calls for CDR gained momentum at this year's COP27, which risks blowing a massive hole in the Paris agreement.

While geoengineering supporters often say it is in the interest of the disadvantaged Global South, the Global South isn't buying it. In fact, most groups in the global climate movement reject solar geoengineering entirely. Indigenous communities have rallied against solar geoengineering experiments in places such as Alaska and Sweden. In reality, it is the richest and most polluting countries (especially the United States) that are researching and funding these technologies.

Once the world awakens to the reality that there is no quick fix to remove carbon from the atmosphere and no substitute for a rapid phaseout of fossil fuels, solar geoengineering might gain undeserved credibility as a last-ditch option – full of risks but supposedly without alternative. We must not allow that scenario to come true.

This means that we must not allow it to become normalized through policy debates, private initiatives, government proposals, and research. The science is clear: We can still prevent irreversible harms to ecosystems and human rights. But the only way to avoid further climate disasters is real climate action now. We must accelerate the transition away from fossil fuels – and leave the science fiction on the shelf.

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# Aramco in talks with investors on \$110bn Jafurah gas project



Saudi Aramco has started talks with potential backers for its \$110bn Jafurah gas development, according to people familiar with the matter, as the oil producer plans to exploit one of the world's largest unconventional gas fields.

The state-controlled company is seeking equity investors that could help fund the development of midstream and downstream projects at Jafurah in the east of the kingdom, the people said, asking not to be identified as the information is private.

Aramco has reached out to private equity firms and other large funds that invest in infrastructure as part of the plans, which could offer stakes in assets such as carbon capture and storage projects, pipelines and hydrogen plants, the people said.

Investment bank Evercore Inc is advising Aramco on the plans, the people said. Talks are still at an early stage and details of the funding could change, the people said. A representative for Aramco declined to comment, while a spokesperson for Evercore didn't have an immediate comment.

The war in Ukraine has led to a frantic surge in demand for natural gas, led by European nations that traditionally got their supplies from Russia. This has led to Gulf states embarking on ambitious plans to expand their gas output. Some companies have also look to boost their exposure, with Eni SpA considering a takeover of explorer Neptune Energy Group Ltd, Bloomberg News has reported.

Jafurah is a key part of Saudi Arabia's strategy to diversify its energy exports beyond oil. The field is estimated to hold 200tn cubic feet of raw gas, and Aramco expects to begin production there in 2025, reaching about 2bn standard cubic feet per day of sales by 2030.

A large portion of the gas produced there will be used to create so-called blue hydrogen, Energy Minister Abdulaziz bin Salman said last year. The process is where emissions associated with hydrogen production are captured and stored in the kingdom, allowing the fuel to then be exported as a clean energy source. The opening up of the Jafurah development to external investors would follow years of efforts to attract foreign capital into Aramco and some of its key assets. After a \$30bn initial public offering in 2019, the oil giant sold stakes in units that operate its network of oil and gas pipelines around the kingdom. The deals have raised about \$28bn for the company.

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## **Global Star becomes first Nakilat vessel to deliver cargo to Escobar LNG Terminal in Argentina**



Nakilat-managed liquefied natural gas (LNG) carrier Global Star, with a carrying capacity of 173,400 cubic metres, has become the first Nakilat vessel to deliver cargo to Escobar LNG Terminal in

Argentina. Escobar LNG terminal is located on the Parana River in Argentina. It has the capacity to handle 500mn cubic feet

(mcf) of LNG a day and a peak capacity of 600 mcf.

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# Green power is the first domino



As world leaders convene at the UN Climate Change Conference (COP27), it is obvious to all that bolder action is needed to avert disaster. The UN warns that global efforts to reduce greenhouse-gas (GHG) emissions remain insufficient to limit temperature increases to 1.5C, relative to pre-industrial levels.

To meet this target, decarbonising the power sector is critical. Electricity accounts for about 25% of the world's GHG emissions, and it also will play a critical role in decarbonising other sectors, such as buildings, transportation, and manufacturing. The challenge, then, is to achieve “24/7 carbon-free energy” (24/7 CFE): the total elimination of carbon from the electricity sector – at every hour of every day, in every grid around the world.

Research in the United States and Europe has shown that 24/7 CFE strategies have a greater impact on the decarbonisation of electricity systems than the current practice of purchasing electricity from renewable sources to match annual consumption patterns. Recent International Energy Agency modelling for India and Indonesia shows that hourly matching strategies lead to more diverse technology portfolios, with the clean, dispatchable generation and storage needed for net-zero transitions in the power sector. Critically, this approach helps electricity systems shift away from fossil fuels by accelerating uptake of the full suite of carbon-free technologies needed to deliver around-the-clock clean power.

Decarbonising energy systems worldwide is possible, but it will require collective action to accelerate the development and deployment of advanced clean-energy technologies. New investments, supportive public policies, and partnerships among stakeholders are all part of the solution. That is why the UN, Sustainable Energy for All (SEforALL), Google, and a diverse group of signatories launched the 24/7 CFE Compact in 2021. The compact represents a growing global community of stakeholders that are committed to providing the support, tools, and partnerships needed to make 24/7 CFE a reality everywhere.

Among the most recent to join the 24/7 CFE Compact is the Scottish government. "Scotland was the first country in the United Kingdom to declare a climate emergency, and indeed among the first in the world to recognise the importance of taking immediate and bold action," notes Scottish First Minister Nicola Sturgeon. "Governments must hold themselves to account in limiting global temperature rise to 1.5C. We are committed to putting accountability at the centre of all that we do. Our position is clear that unlimited extraction of fossil fuels is not consistent with our climate obligations." Similarly, just last month, Google and C40, a network of almost 100 cities, launched a first-of-its-kind 24/7 CFE programme focusing on regional electricity grids. With urban areas accounting for over half the world's population and more than 70% of global carbon dioxide emissions, cities have a critical role to play in driving the changes needed to tackle the climate crisis.

Developing and emerging economies will need more energy to bridge energy-access gaps, and to support economic growth and development. But as capacity expands, it must be clean. A 24/7 CFE approach can serve both purposes, providing both greater access and cleaner energy. We therefore must move faster to make 24/7 CFE cheaper and more accessible globally. According to the latest IEA data, the number of people living without electricity will rise by almost 20mn in 2022, reaching nearly 775mn. Most of that increase will be in Sub-Saharan Africa,

where the size of the cohort lacking access has nearly returned to its 2013 peak.

The world cannot achieve net-zero emissions without first ensuring universal electricity access. That will require annual investments of at least \$30bn – two-thirds of which will need to go to Sub-Saharan Africa – between now and 2030. Fortunately, not only is 24/7 CFE a moral imperative, but it also represents the most cost-effective option for connecting underserved populations.

Many of these populations will otherwise continue to rely on dirtier sources of energy. Small island developing states such as Nauru, Palau, the Bahamas, and Trinidad and Tobago, for example, all have electricity grids that depend heavily on inefficient, carbon-intensive technologies such as diesel generators. These countries' experience shows why 24/7 CFE must not be framed merely as a European or North American issue. It is a global one, and it has become increasingly urgent for developing countries on the front lines of climate change.

Implementing 24/7 CFE strategies globally will require not only funding but also measures to scale up the deployment of advanced technologies, to create more favourable market conditions, and to share best practices and data. If we can fully decarbonise our grids, the rest of the green transition should become cheaper and easier.

The 24/7 CFE Compact provides an opportunity to drive the much-needed policy change, investment, and research in this crucial next phase of climate action. We invite all governments, companies, and organisations to join us and help chart a more sustainable path toward a net-zero future. – Project Syndicate