

# Prospects for the Cyprus EEZ in 2023



With no end in sight for the Russia-Ukraine war, global energy markets will continue to be unstable, making 2023 another difficult year for global energy.

On top of this, with uncertainties in global energy policy continuing, as Europe and the US pursue a faster energy transition, and elections in Cyprus, Greece and Turkey, oil companies operating in the Cyprus EEZ are unlikely to announce any major new initiatives in 2023.

Chevron's appraisal drilling at Aphrodite is expected later in the year, but it may produce more questions than answers. The reservoir is compartmentalized, and the well will be drilled in the middle and largest section.

Even though the Minister of Energy makes frequent references to gas exports from Aphrodite starting in 2027, there are no

clear plans by Chevron and its partners to support this. For such a date to be feasible, gas sales contracts should have already been signed with prospective buyers in Egypt. But 11 years after the discovery of Aphrodite, the Minister is still talking about the development plan being "in the final stages and we expect to have news soon," an often-repeated statement without any indication by when.

The announcement of 2-3 trillion cubic feet (tcf) gas discovery at Zeus-1 in block 6 by Eni/TotalEnergies in December, is good news. Small, but it adds to the two other small discoveries in the same block, Cronos-1 with 2,5tcf and Calypso likely with 1-2tcf. It strengthens the case for the potential linking of these gas fields to the subsea production facilities at Eni's Zohr gas field in Egypt, to be transported to the Damietta LNG plant for liquefaction and export.

Earlier in the week, the Minister of Energy suggested that the Eni-TotalEnergies consortium wishes to implement faster steps in the exploitation of block 6. But this was not borne out at the meeting of the two companies with the President on 10 January. Apart from generalities, and reconfirming commitment to Cyprus' EEZ, there was no mention of any such plans at this stage. Instead, TotalEnergies expressed interest to participate in future in solar energy projects, but there was no indication of when, where or generation capacity.

Evidently, the companies operating in Cyprus' EEZ are not rushing with any new commitments or investments at this stage. This was confirmed by the Minister. Asked if there will be any activity in Cyprus' EEZ this year, she said "These are certainly issues that we discuss within the development plan of each block...we do not have anything concrete to announce, but there will definitely be some activity in the coming year."

The prospects for the development of the discovered gas fields in Cyprus EEZ in 2023 are low.

Apart from the need for oil company commitment, this requires a change of policy by the EU regarding the future use of natural gas in Europe. Even though it is looking for new supplies in the short-term to 2030 to replace Russian gas, the longer-term future remains uncertain.

EU's position, embodied in its REPowerEU strategy, is to reduce gas consumption in Europe by 30 per cent by 2030, and carry on reducing this further on the way to achieving net-zero emissions by 2050. It has already achieved a 20 per cent reduction in gas consumption year-on-year. This discourages European utilities from entering into long-term gas purchase contracts, which are needed to encourage the development of new gas fields that require 20+ years of exports.

I believe that challenges to the reliability and performance of renewables due to the effects of climatic change on wind speeds and rainfall will eventually force the EU to change its gas policies later in the decade. Already EU countries are calling for changes to the Green Deal that recognize the need for gas longer-term.

This will open up opportunities for the development of East Med gas for export to Europe.

But Cyprus must also prepare the ground to make this possible. An obstacle to developing Cyprus gas fields is the geopolitical risk associated with the unresolved Cyprus problem and Turkey's continuous threats. With elections in Cyprus, Greece, and Turkey ushering in new governments by the summer of 2023, the second half of 2023 will be the right time to redouble efforts to overcome these obstacles.

Turkey's priority will be to tackle its catastrophic economic problems, something that will require the goodwill, cooperation and support of Europe and the US.

Readiness by Cyprus to enter into meaningful discussions to resolve the Cyprus problem will be supported by Europe and the

US. Turkey may also consider this as key to gaining the cooperation of Europe and the US and becoming more amenable to working with them towards a solution.

A cooperative approach by all is the one most likely to produce the best possible results.

Preparing the ground also includes concluding the discussions with Israel regarding the Aphrodite-Ishai unitization dispute. But with changes in government, both in Israel and in Cyprus, this may have to wait until the second half of 2023.

With prospects for developing Cyprus' EEZ being low in 2023, the new President must prioritize the development of renewables from the currently low levels and the development of an integrated, long-term, strategy for energy and the economy, currently lacking.

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**Aramco sees oil demand picking up on China and aviation recovery**



The world's biggest oil company is confident demand will pick up strongly this year as China reopens its economy and the aviation market recovers.

"We are very optimistic in terms of demand coming back to the market," Saudi Aramco's chief executive officer, Amin Nasser, said in an interview. "We are starting to see good signs coming out of China. Hopefully, in the next couple of months, we'll see more of a pickup in the economy there."

Demand for jet fuel is now around 1mn barrels a day below pre-pandemic levels, according to Nasser, roughly half the figure from a year ago. "It's picking up," he said at the World Economic Forum in Davos.

Oil prices whipsawed in 2022. Brent crude surged to almost \$130 a barrel in the wake of Russia's attack on Ukraine, but slumped in recent months as the Chinese, US and European economies slowed. It's trading at about \$86.80 a barrel, up 1% since the end of December.

Many Wall Street banks, including Goldman Sachs Group Inc, expect it to climb above \$100 a barrel in the second half of the year. They cite a global economic rebound by that time,

low fuel stockpiles in nations such as the US and the potential for Russian exports to drop as the west tightens sanctions.

Nasser reiterated that companies need to invest more in oil production. Idle capacity stands at 2mn barrels a day, barely above total demand of 100mn barrels, and will probably drop as China ends its coronavirus lockdowns, he said.

The world needs 4-6mn barrels a day of new production just to make up for the natural decline in existing fields, according to the CEO.

“We’re moving into the situation where we’re eroding spare capacity and any supply interruptions will have a huge impact,” he said.

“We will be in a situation similar to natural gas,” he said, referring to how prices for the fuel jumped to the equivalent of \$250 a barrel after Russia’s invasion.

The Saudi Arabian state-controlled company sees oil demand continuing to grow for the rest of the decade, even as electric vehicles become more popular and investors pour money into renewable energy.

“It’s offsetting some of the demand” for oil, said the CEO. Still, crude consumption will “definitely” be higher in 2030.

The increasing use of petrochemicals – feedstocks for everything from plastics to fertilisers and clothes – is positive for Aramco, he said.

The company wants to convert 4mn barrels a day of crude into petrochemicals by the end of the decade. It’s looking at more investments in Chinese refineries and liquid-to-chemical plants as part of that push, said Nasser.

“We’re in serious discussions with so many entities” in China, he said.

Last year, Aramco and its chemicals subsidiary, Sabic, said they were planning to build a 320,000 barrels-per-day refinery at Gulei, a coastal Chinese town.

Aramco is also investing billions of dollars in hydrogen, a fuel seen as crucial to the transition to cleaner forms of energy. The Saudi firm aims to export blue hydrogen, made by

converting natural gas and capturing the carbon dioxide emitted in the process, on a large scale from about 2030. Talks with potential importers in Japan and South Korea are progressing, though they'll probably need to get assurances of financial support from their governments before they sign any supply contracts, Nasser said.

"They think they'll be able to do it in 2023," he said. "We'll see."

Blue hydrogen may end up costing the equivalent of around \$250 a barrel of oil, Nasser said, though Aramco won't know until it's done more research.

"It's not going to be \$80 or \$100" a barrel, he said. "This is cleaner – it costs more."

Negotiations with European firms are proving tougher, primarily because they want to wait for technological advances to bring down the price of blue hydrogen.

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## **Natural gas rollercoaster throws Europe's inflation outlook wide open**

Cratering natural-gas prices thanks to warm winter weather are raising the odds that the eurozone's inflation scourge will ease sooner than anticipated.

After a year when consumer prices consistently overshot predictions following Russia's invasion of Ukraine, the bloc kicks off 2023 with the prospect of that dynamic reversing and with its near-term economic outlook brightening.

There's even a chance headline inflation will reach the European Central Bank's 2% target in the fourth quarter, rather than in 2025 as the institution forecast just a month

ago, according to Joerg Angele, a senior economist at Bantleon in Zurich.

If gas prices stay where they are, "there'd be massive downward pressure on inflation" he said. With the ECB's December assumptions way above current market levels, its next set of projections may well be revised lower.

The ECB "is off the mark again," Angele said. "But this time in the other direction."

The catch is that uncertainty about the path for gas prices remains high, even as optimism builds that the worst of Europe's energy crisis is behind it.

Mild temperatures, more diversified supplies and efforts to cut consumption have eased much of the pressure unleashed when Russia attacked its neighbour almost a year ago. Gas inventories are far higher than the last five years' average and prices have recently traded below pre-war levels.

German Economy Minister Robert Habeck said this month that the danger of "a complete economic meltdown" appears to have been averted. The rosier outlook marks an about-turn from just a few months ago, when it was feared the region would struggle to keep the lights on during the colder months.

Even so, much of the winter remains, and there are risks from any bouts of extreme weather or fresh supply disruptions. A cold snap is forecast for the region in the coming days.

There are also concerns that Europe could face an even tougher year ahead as it struggles to rebuild the gas inventories previously supplied by Russia, while China's sudden Covid reopening could create more demand for liquefied natural gas.

"The impact of lower gas prices depends on whether they remain at these levels or whether it's a temporary relaxation," said Aila Mihr, an economist at Danske Bank in Copenhagen.

"There's still a risk that the situation could deteriorate in case of a new shock, or an attack on European energy infrastructure," she said. "If the situation remains as it is, it means that the slowdown in energy inflation could come faster than previously expected."

The more favourable energy situation is making economists more



bullish. Goldman Sachs and Bank of America last week dropped expectations that the eurozone will suffer a winter recession, saying lower gas prices will probably quicken the retreat in inflation.

Such views were bolstered by data on Friday showing that Germany's economy probably avoided a contraction in the final three months of 2022.

Others, however, warn there's a lot of pain still to come. While there's a fairly direct link between wholesale gas prices and what consumers pay in countries like Italy and the Netherlands, Bantleon's Angele says many households – renters in Germany, for instance – will still face with eye-watering heating bills this year.

Finance ministers across the region, meanwhile, may breathe a sigh of relief as the myriad support measures they agreed on last year look like being cheaper than feared. Economists at Berenberg have already lowered their forecast for the euro region's 2023 fiscal deficit to 3.7% from 4.3%.

All of this is unlikely to make a big impression on ECB policymakers, who've lately emphasised their focus on underlying inflation that strips out volatile components like energy and food. That measure hit a record in December, with chief economist Philip Lane warning wage gains will keep it elevated.

"The latest inflation optimism in markets has maybe been a bit much and they focused too much on headline inflation," Danske's Mihr said. "Core inflation is still rising and it's the key determinant for the ECB in the near term. I don't think that the slowdown in energy inflation will make them more dovish in the near term."

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# BYD Challenges Tesla for Global Electric Vehicle Sales Supremacy



A (Jan 13): In the last edition of Bloomberg's Hyperdrive newsletter, BloombergNEF offered up three predictions for the electric vehicle market in 2023: that sales will keep growing, albeit at a slower pace; that this will be a big year for plug-in trucks and vans; and that the global public charging station network will continue to steadily expand. BYD SD Motors Malaysia as part of Sime Darby Motors (SDM), with the distributorship agreement between both parties having been signed in September 2022. A (Jan 12): Chinese carmaker BYD Co is planning a bold push into India's electric car market, joining a rush of foreign carmakers jockeying for a bigger share of the world's fourth-biggest auto market. HANOI (Jan 13): Chinese electric vehicle (EV) maker BYD Auto Co plans to build a plant in Vietnam to produce car parts, three people

with knowledge of the plan told Reuters , in a move that would reduce the company's reliance on China and deepen its supply chain in Southeast Asia as part of a global expansion.

Today, let's look at four more prognoses for the year, having to do with Tesla's budding rivalry with BYD, the outlook for EV startups and battery prices, and the impact of the US Inflation Reduction Act. Might BYD overtake Tesla in battery-electric vehicle sales? Betting against Tesla historically has been a bad wager more often than not, but BNEF's team of analysts reckon 2023 could end with a new EV volume leader. Both feature Blade EV batteries which the manufacturer has developed in-house, and both power a front-mounted electric motor rated to produce 204 PS and 310 Nm of torque. BYD has been expanding its model lineup, geographic footprint and manufacturing capacity very rapidly in the last two years. India is a good bet because "people are realizing the need for EVs and the charging infrastructure is picking up. If you include the company's plug-in hybrid electric vehicles, it already overtook Tesla in 2022, and its sales of fully electric vehicles soared to around 911,000 last year from 321,000 in 2021.3 seconds. BNEF still expects Tesla's sales to grow by 30% to 40% in 2023 as its new plants near Berlin and in Austin, Texas, continue to ramp up. Backed by Warren Buffett's Berkshire Hathaway, BYD makes both plug-in hybrids and pure electric vehicles.

But the macroeconomic environment is shifting rapidly, with higher interest rates, falling home prices and battered stock markets all starting to weigh heavily on consumers' purchase decisions. Standard kit for the Atto 3 Standard Range includes a panoramic sunroof, heated electric wing mirrors, 5.MG Motor India, a unit of China's SAIC Motor Corp on Wednesday said it plans to launch three electric models by the end of next year, while South Korea's Kia Corp said it plans to invest 20 billion rupees (US\$245 million) in India over the next four to five years to develop electric vehicles and launch its first

domestically made EV in 2025. Elon Musk's Twitter antics also are turning off some potential buyers just as the competition heats up. Tesla's Model Y will still be the best-selling EV in the world in 2023 and likely will make it into the top-three models of any type after cracking the top five in 2022. BYD Atto 3 – click to enlarge Next up, the Extended Range adds an electronic tailgate, multi-colour gradient rhythmic ambient lighting on the door handles (single colour on the SR) and eight speakers with "Dirac HD" sound, PM2. Tesla's Supercharger network is also still a major differentiator, particularly in North America, where public charging is less developed. It's planning to sell 15,000 electric vehicles this year. This race will go down to the wire and depend heavily on pricing strategies. Rolling stock distinguishes the two; the SR rolls on 215/60 R17 tyres, while the ER wears 215/55R18 rubber. One said construction was planned to start by mid-year.

With major price cuts just made in the US and Europe, and already in play in China, Tesla is showing willingness to wage a price war to keep its volume growing. Tesla has room to manoeuvre here and probably can stay ahead for much of the year, but BYD may be able to edge out its competitor in the final months. Meanwhile, the drive unit in the Atto 3 gets its own warranty as well, with eight-year, 150,000 km coverage for the motor, motor controller, DC assembly and electric control assembly. The company's expansion comes at a time when India is increasing scrutiny of Chinese firms. BYD's sales are still mostly concentrated in China, so its success will depend in large part on how the country unwinds its Covid Zero policy. Both will remain miles ahead of legacy automakers, with Volkswagen finishing a distant third place. Driving heaven to him is exercising a playful chassis on twisty paths; prizes ergonomics and involvement over gadgetry. Battery prices stay elevated, averaging US\$152 per kilowatt-hour. In 2022, the volume-weighted average prices of lithium-ion battery packs across all sectors averaged US\$151 per kWh, a 7% increase and the first time BNEF recorded a rise. BYD will position itself

as a “global” technology powerhouse to overcome the barriers of operating as a Chinese company in India and bring “confidence to customers,” Gopalakrishnan said. BYD is looking to lease 80 hectares of industrial land, more than doubling its footprint in Vietnam, where its electronic unit rents 60 hectares, a second source said.

BNEF expects the average battery pack price to rise slightly this year to US\$152 per kWh. Lithium prices will remain elevated, but should stay below earlier highs and pave the way for battery prices to decline again in 2024. The US Inflation Reduction Act puts the US in the EV and battery-making game. One of the big surprises of 2022 was the Inflation Reduction Act and its provisions to help boost EV adoption and on-shore EV manufacturing and the battery supply chain. Gopalakrishnan said consumers are no longer so price-sensitive, with 41% of the 3. While some details are still forthcoming, automakers and battery manufacturers are already responding. BNEF tracked almost US\$28 billion in new investment announcements in North America related to e-mobility and batteries after the law passed in August. If finalised in May, that finding would mean those companies would be subject to duties on products made in Vietnam and some other Southeast Asian countries.

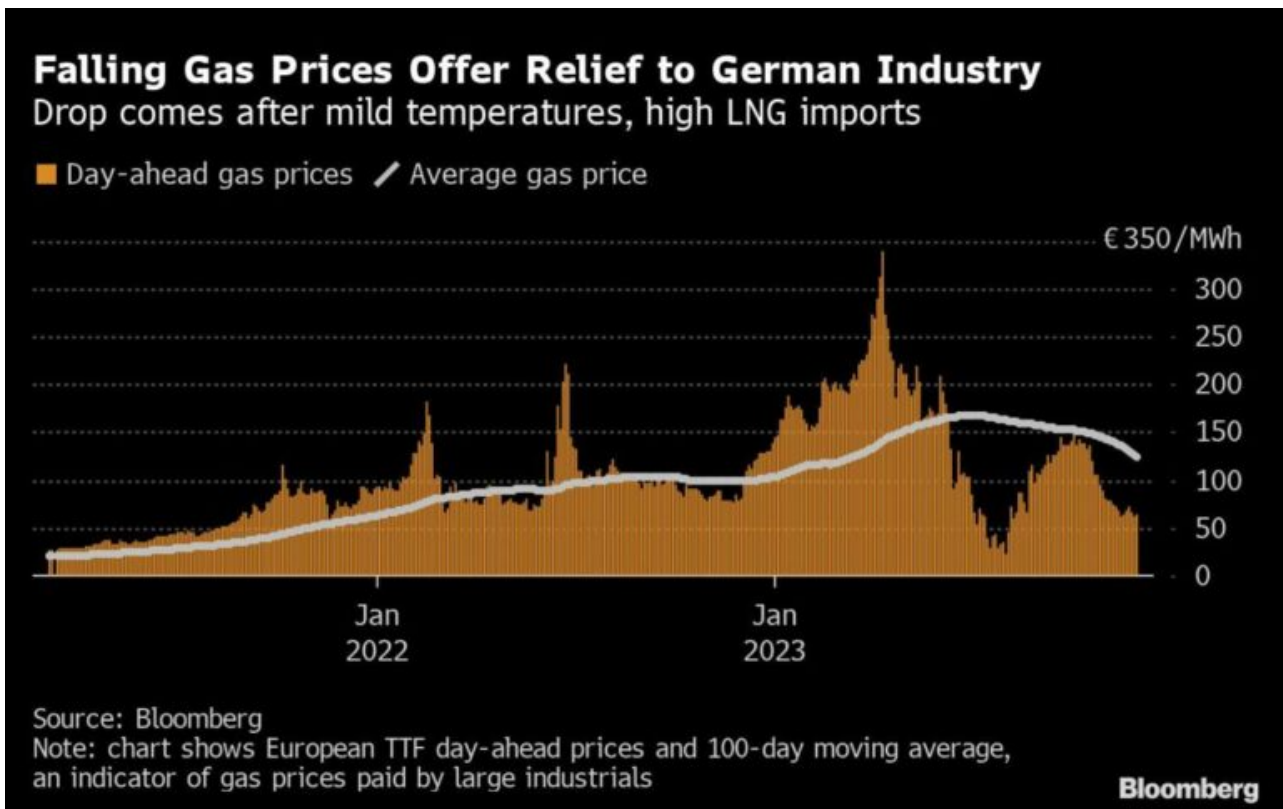
China’s lead here is formidable, but it’s still early days for this transition. It will explore adding manufacturing facilities when demand increases in the next two to three years, Gopalakrishnan said. Only 2% of cars on the road globally are electric today, and there’s a lot to play for as nations and regions look to build the next clusters of technology and manufacturing. Importantly, with much of the investment in the US flowing into red states, EVs should be a less-partisan issue this year and beyond. We expect that more than US\$80 billion will be committed to the North American battery supply chain in 2023. Despite Prime Minister Narendra Modi’s ‘Make in India’ push, BYD doesn’t have immediate plans to localize battery production and will continue importing

them. These decisions are complex and often evaluated over many years, so pinning causality purely on IRA isn't appropriate.

Still, incentives are tipping the scales, and we'll gradually get more clarity on how other regions will respond. Industrial policy is back in vogue, with EVs and batteries at center stage. A wave of bankruptcies and consolidation There are too many automakers, and 2023 will make this painfully clear. The number of auto producers has been rising steadily for the last decade as the combination of cheap money and a window of opportunity with respect to electrification enticed new entrants. Slowing EV sales growth will cause a reckoning, as many realize they either don't have the capital to reach scale, the segments they're targeting are already crowded (for example, the premium end of the market) or consumers are simply not interested in taking a leap on a relatively unknown brand during a time of economic uncertainty.

The window of opportunity for new entrants has closed, and the number of automakers will decline this year. Other areas of the e-mobility value chain should fare better but also could see a thinning of the ranks. [Subscribe to Mid-day email alert](#) We deliver news to your inbox daily.

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*By William Wilkes*

Germany's industrial heavyweights like BASF SE battling an unprecedented energy crunch are seeing signs the worst of the crisis has passed.

Fears of gas rationing after Russia's invasion of Ukraine have dissipated for the country's chemicals, metals and glass makers amid mild temperatures and Germany completing its first liquefied natural gas import terminal. Companies switching to purchasing gas and electricity in the spot market instead of long-term agreements are already reaping the benefits.

Energy prices are significantly lower for us," said Christopher Profitlich, a spokesman for SKW Piesteritz GmbH, which was forced to halt production of key base chemical ammonia last year after gas prices surged. "Both our machines are working and all of our production staff are working again."

Germany's pivot to wean itself off Russian gas is paying off. The government has rushed to tap liquefied natural gas in the market, boosting imports to Europe to a record high and keeping reservoirs close to full through the early winter. The

country has also fast-tracked building LNG terminals.

“It looks like the risk of forced gas rationing has gone away this winter,” said Wolfgang Große Entrup, who heads Germany’s VCI chemical sector association. “But prices will need to stay lower for much longer for most companies to see a real difference.”

The surge in gas prices forced many industrial companies to curb output, stoking fears for the future of factories and jobs. Major manufacturers including automaker Volkswagen AG and chemical giant BASF drew up emergency plans in case of supply disruptions, as Russia effectively stopped direct gas flows since September.

## **Price Shock**

While prices have started to wane, they remain significantly above levels seen before Russia started under-delivering gas in the months before its February 2022 invasion. Companies dealing with the price shock said customers in many cases have turned elsewhere, such as sourcing aluminum parts from the US or Asia.

“The feeling of apocalypse has lifted,” said Marius Baader, managing director of Aluminium Deutschland which represents aluminum manufacturers, said by phone. “But there’s no reason to celebrate yet.”

The drag on Europe’s biggest economy has also eased. Economists had predicted a downturn in September after measures of consumer confidence dropped and surveys of purchasing managers signaled a decline in output. Now the broader economy appears to be flatlining rather than shrinking.

“The currently stable energy supply situation ensures that production is secured for the time being,” said Matthias Frederichs, head of the BV building materials manufacturers’



association. “Still, there can be no talk of relief.”

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## Ras Laffan ethane cracker key milestone in downstream expansion strategy



The \$6bn proposed ethane cracker at Ras Laffan, which is QatarEnergy’s largest investment ever in country’s petrochemical sector, marks an important milestone in its downstream expansion strategy.

The petrochemical complex will not only facilitate further expansion in Qatar’s downstream and petrochemical sectors, but will also reinforce the country’s integrated position as a

major global player in the upstream, LNG and downstream sectors.

The Ras Laffan Petrochemicals complex, expected to begin production in 2026, consists of an ethane cracker with a capacity of 2.1mn tonnes of ethylene per year.

The 435-acre project site also includes two polyethylene trains with a combined output of 1.7mn tonnes per year (mtpy) of high-density polyethylene (HDPE) polymer products.

This will raise Qatar's overall petrochemical production capacity to almost 14mn tonnes per year, HE the Minister of State for Energy Affairs, Saad bin Sherida al-Kaabi, told Gulf Times.

QatarEnergy has joined hands with Chevron Phillips Chemical Company (CPChem) on the projected and created a joint venture, in which QatarEnergy will own a 70% equity share, and CPChem 30% stake.

Together their large and diverse portfolio will not just help meet the world's growing needs for advanced plastics and petrochemicals, but will also enable balanced growth and facilitate human development in a responsible and sustainable manner.

QatarEnergy and Chevron Phillips Chemical Company (CPChem) have taken a Final Investment Decision (FID) on the Golden Triangle Polymers Plant, an \$8.5bn world-scale integrated polymers facility in the Texas Gulf Coast area in the US.

The Ras Laffan petrochemicals complex will help meet the rising global demand for high-density polyethylene from 2026, when the largest ethane cracker in the Middle East and one of the largest in the world begins production.

Polyethylene is used in the production of durable goods like pipe for natural gas and water delivery and recreational products such as kayaks and coolers. It is also used in packaging applications to protect and preserve food and keep medical supplies sterile.

The facility will be constructed with modern, energy-saving technology and use ethane for feedstock, which along with other measures, is expected to result in lower greenhouse gas

emissions than similar global facilities.

The integrated olefins and polyethylene facility will be utilising “state-of-the-art design and technology” during its construction and operation to promote energy efficiency.

It is important to stress the unique environmental attributes of this world-scale complex. It will have lower waste and greenhouse gas emissions, when compared with similar global facilities.

Already, QatarEnergy made significant strides in realising the North Field Expansion by choosing partners this year for both North Field South (NFS) and North Field East (NFE) expansion, which is the global industry’s largest ever LNG project.

This unique project is characterised by the highest health, safety, and environmental standards, including carbon capture and sequestration, to reduce the project’s overall carbon footprint to the lowest levels possible.

The North Field expansion plan includes six LNG trains that will ramp up Qatar’s liquefaction capacity from 77 mtpy to 126 mtpy by 2027.

Four trains will be part of the North Field East and two trains will be part of North Field South project.

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أعلنت شركة إيني الإيطالية، عن اكتشاف حقل غاز جديد وصفته بـ"المهم" في بئر الاستكشاف "نرجس-1" الواقعة في المياه الإقليمية بالقرب من مدينة رفح، شرقي مصر .

وذكرت الشركة في بيان، الأحد، أن البئر شهدت استخراج أحجار رملية حاملة للغاز من الميوسين والأليغوسين، ما يؤشر لوجود الغاز الطبيعي.. "جرى حفر البئر بعمق 309 أمتار تحت الماء". ولم تقدم الشركة أية أرقام بشأن تقديرات كميات الغاز الطبيعي في البئر .

وتبلغ مساحة امتياز منطقة نرجس البحرية المصرية 1800 كيلومتر مربع، بشراكة تشغيلية بين شيفرون الأميركية بنسبة 45 بالمئة وإيني الإيطالية بنفس النسبة، وشركة ثروة للبترول (مصرية) بنسبة 10 بالمئة .

وأصبحت مصر مكتفية ذاتيا في الغاز الطبيعي، بمتوسط إنتاج سنوي يتجاوز 64 مليار متر مكعب، معظمه يذهب للاستهلاك المحلي .

ماذا عن الاكتشافات الأخرى لإيني في مصر؟  
تنتج إيني حالياً حوالي 60% من الغاز في البلاد. علاوة على ذلك، تلتزم الشركة بمشاريع لزيادة الإنتاج المحلي بناءً على حملة تنقيب وتطوير، تقول الشركة إنها من شأنها أن تساهم أيضاً في زيادة صادرات الغاز إلى أوروبا، من خلال مصنع تسييل دمياط .

ويعتبر حقل نوروس لإنتاج الغاز البري والبحري في مصر من بين أهم اكتشافات إيني في عام 2015، وهو واحد من أكبر حقول الغاز

المصرية. دخل حقل نوروس للغاز، الواقع في واحدة من أكثر المناطق غزارة في دلتا النيل، حيز الإنتاج في وقت قياسي في أغسطس/ آب 2015.

كذا يوجد حقل ظهر البحري العملاق في مصر، ويُعتقد أن حقل ظهر هو أكبر اكتشاف للغاز على الإطلاق في مصر والبحر الأبيض المتوسط. يقع ظهر ضمن امتياز الشروق على بعد حوالي 190 كم شمال مدينة بورسعيد، تمتلك إيني حصة 50 في المائة في الكتلة، وهي مسؤولة عن العمليات هناك.

وفي التفاصيل، بحسب موقع الشركة الإلكتروني، فإنه تبلغ مساحة الأراضي المطورة وغير المطورة 18712 كيلومتراً مربعاً (6776 كيلومتراً مربعاً صافية من إيني). تقع الأنشطة الرئيسية المنتجة لشركة إيني في منطقة الشروق (حصة إيني بنسبة 50%) في البحر الأبيض المتوسط مع حقل ظهر العملاق للغاز، وامتياز سيناء، وخاصة في حقلي بلايم مارين-لاند وأبو رديس (حصة إيني بنسبة 100%)، الصحراء الغربية في المليحية (76% لإيني)، جنوب غرب مليحة (حصة إيني 100%).

كذلك تستثمر الشركة في رأس قطارة (حصة إيني 75%) وغرب أبو غراديج (حصة إيني 45%) امتيازات و(4) بلطيم (حصة إيني 50%)، دلتا النيل (حصة إيني 75%)، شمال بورسعيد (حصة إيني 100%)، امتيازات شمال (حصة إيني 100%).

علاوة على ذلك، تشارك الشركة في امتيازات رأس البر (حصة إيني 50%)، (وجنوب الغارة (حصة إيني 25%).

وفي يوليو/ تموز 2021، تم توقيع اتفاقية مع الدولة المصرية لتقييم الجدوى الفنية والتجارية لمشاريع إنتاج الهيدروجين الأزرق والأخضر أيضاً، من خلال تخزين ثاني أكسيد الكربون في حقول الغاز الطبيعي المستنفذ.

وفي يناير/ كانون الثاني 2022، مُنحت إيني خمسة تراخيص استكشاف، وفي عام 2021، بلغ إنتاج إيني 360 ألف برميل نפט مكافئ/يوم، وشكل ما يقرب من 21% من إجمالي إنتاج إيني السنوي من الهيدروكربونات.

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# 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 Vogelmann 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 Vogelmann 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 fallouts 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  
بالترخيم رقم 8 للرقابة على  
بواخر 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 الصديقة .

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 ودفن 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.

*Roudi Baroudi is a senior fellow at the Transatlantic Leadership Network and the author of "Maritime Disputes in the Mediterranean: The Way Forward" and book distributed by the Brookings Institution Press. With more than 40 years of experience in fields including oil and gas, electricity, infrastructure and public policy, he currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha, Qatar.*