

Tests under way to flow Israeli gas via EMG pipeline to Egypt: source



Tests to flow Israeli gas through the East Mediterranean Gas (EMG) pipeline to Egypt are now under way and are expected to be concluded at the end of this month ahead of the startup of significant exports later in the year, an industry source told S&P Global Platts Thursday.

US-based producer Noble Energy and its Israeli partner Delek Drilling – together with Egyptian-owned Sphinx EG – in September last year agreed to buy a 39% stake in the idled EMG pipeline for \$518 million as part of plans to use the pipeline in reverse for Israeli gas to flow to Egypt.

“Tests are under way and are on track to be completed as scheduled by the end of June. Once that is done, gas from the Tamar field can start to flow through the EMG pipeline on an interruptible basis,” the source said.

Noble could not be reached for comment, while Delek Drilling declined to comment.

The pipeline – which runs for 90 km off the Israeli and Egyptian coasts – connects the Israel pipeline network from Ashkelon to the Egyptian pipeline network near El Arish.

It started operations in 2008 to flow Egyptian gas to Israel until 2012 when operations were halted as Egypt's gas production began to decline after the Arab Spring the previous year.

Noble – operator of both the producing Tamar field and the giant Leviathan field due online at the end of 2019 – has said it expects to flow at least 350 MMcf/d (10 million cu m/d) through the EMG pipeline once Leviathan starts.

The pipeline has a design capacity of 7 Bcm/year – or 19 million cu m/d.

The deliveries will be part of a deal signed in February 2018 to supply Egypt's Dolphinus Holdings with 64 Bcm of Israeli gas over a 10-year period.

OFFTAKE DEAL

Noble and Delek on Wednesday also agreed a deal to supply gas from Leviathan to Israel's main utility, the Israel Electric Corp. (IEC), for up to two years from its startup.

The agreement – worth some \$700 million – will give the Leviathan partners another guaranteed market for the first stage development of the giant field.

For IEC, the agreement gives it access to gas supply ahead of the startup of the Energean-operated Karish field offshore Israel.

The terms of the supply agreement will start on October 1, 2019 or the date Leviathan starts up – whichever is later –

and end on June 30, 2021, or on the date Karish starts up, whichever is earlier.

According to a statement on the deal, if the startup of Karish is delayed, the Leviathan partners and IEC can extend the supply deal “by mutual consent.”

Delek Drilling CEO Yossi Abu said the \$700 million offtake agreement with IEC was a “landmark win” for both parties.

“It is good for us, as it means the output from stage one of the development of the Leviathan field is now close to being fully taken up,” Abu said.

“For IEC, they have the guarantee of security supply from a low carbon energy source which will enable them to reduce their reliance on coal and reduce cost to both industrial and ordinary consumers,” he said.

“It also secures the status of the Leviathan gas field as an anchor resource for the entire region.”

–Stuart Elliott, stuart.elliott@spglobal.com

–Edited by Alisdair Bowles, alisdair.bowles@spglobal.com