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Turkish-Israeli pipeline deal on the way?

SELİN NASİ

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“We could have Israeli gas in Turkey in the next three to four years,” said Shaul Meridor, the Israeli Energy Ministry’s director general, at the eighth annual Atlantic Council Istanbul Summit.

The delegations have been engaged in very constructive talks in the last couple of months, Meridor says, noting that a deal between the two governments could occur soon, once the technical and commercial aspects of the pipeline project to transport Israeli gas to Europe via Turkey are agreed upon.

When the energy ministers of both countries met on the sidelines of the World Energy Congress in October 2016 – which also marked the first ministerial-level visit since a reconciliation deal following the Mavi Marmara incident of 2010 – they agreed to establish working dialogue to explore the possibilities of carrying Israeli gas from the Leviathan gas field to Turkey via an undersea pipeline. This proposed pipeline would then be connected to the Trans Anatolian Pipeline (TANAP) and thus reach European markets.

Since the discovery of the Tamar gas field and, even more so, the rich Leviathan reservoir, Israel has been considering various options to export its gas, including one plan to ship it via LNG

terminals in Egypt, another to export it through a pipeline via Cyprus, Greece and Italy and a third to send it via Turkey.

Although the Turkish route has been highlighted as the most profitable one, the project is not without its political difficulties. Given the fact that the only viable route for the pipeline crosses Cyprus' Exclusive Economic Zone, a political settlement on the island is seen as a pre-condition for the pipeline project so as to avoid a diplomatic crisis.

But today's positive tone on the part of Israeli representatives implies either a change of perspective regarding Cyprus – to the extent that they no longer see it as an impediment – or that some positive developments might be underway, although there is hardly a hint of a political settlement in sight between Greek and Turkish Cypriots.

Based on concrete mutual gains, energy cooperation has been an ideal topic for both Turkish and Israeli leaders to rally their people around, incentivizing the normalization of relations. Relations between Turkey and Israel, however, have several dimensions. There are many fields aside from the energy sector where the two countries have yet to improve cooperation.

However, the course of normalization has often been wrongly tied to the signing of the gas deal, which has also caused speculation.

For instance, in early April, the governments of Israel, Cyprus, Greece and Italy signed a preliminary deal to construct a pipeline to transport Eastern Mediterranean gas (combining Israeli and Cypriot gas) to Europe.

Given the skepticism toward the feasibility of the project, which would make it the longest and deepest subsea pipeline ever built, the deal's agreement was perceived by many as a geopolitical move to bypass Turkey, especially when assessed in conjuncture with Turkey's souring relations with Europe.

Still, Meridor strongly emphasizes that alternative pipeline projects are not mutually exclusive and that they should be interpreted not as competing but complementary to each other.

Indeed, from the outset, Israel's export strategy has relied upon exploring different alternatives. One should also note that Israel has already concluded deals to supply gas to Egypt and Jordan for about 15 years. So the deals we've been focusing on lately are equally important, albeit long-term, projects for Israel.

Having said this, energy projects involve both economic and political aspects, with several dynamics at play. Projects need to first make sense on business terms, meaning both the profitability and security of investments matter. In this respect, the prices of global and Israeli gas are among the factors that are likely to determine the course of the negotiations.

As Yossi Abu, Delek CEO, the main shareholder of Leviathan gas field, rightfully points out: "You need to develop commercial, technical and political segments, which naturally take time.

The main challenge is to do it with the right timetable. I think there is a great window of opportunity for us to reach a deal.”

President Recep Tayyip Erdoğan, in his keynote speech on the 2nd day of the summit, also underlined the strategic imperative of transforming Turkey into an energy hub.

With or without the pipelines, Turkey and Israel have a lot to gain from regional cooperation.

And as Professor Ahmet K. Han from Kadir Has University suggests, if the parties sign a deal in the upcoming months or even before that, this will doubtlessly manifest the willingness of both sides to improve relations, and move their reconciliation process up a notch.