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ANALYSIS, ON THE DOT

Gas Looms Large in Eastern Mediterranean Geopolitics

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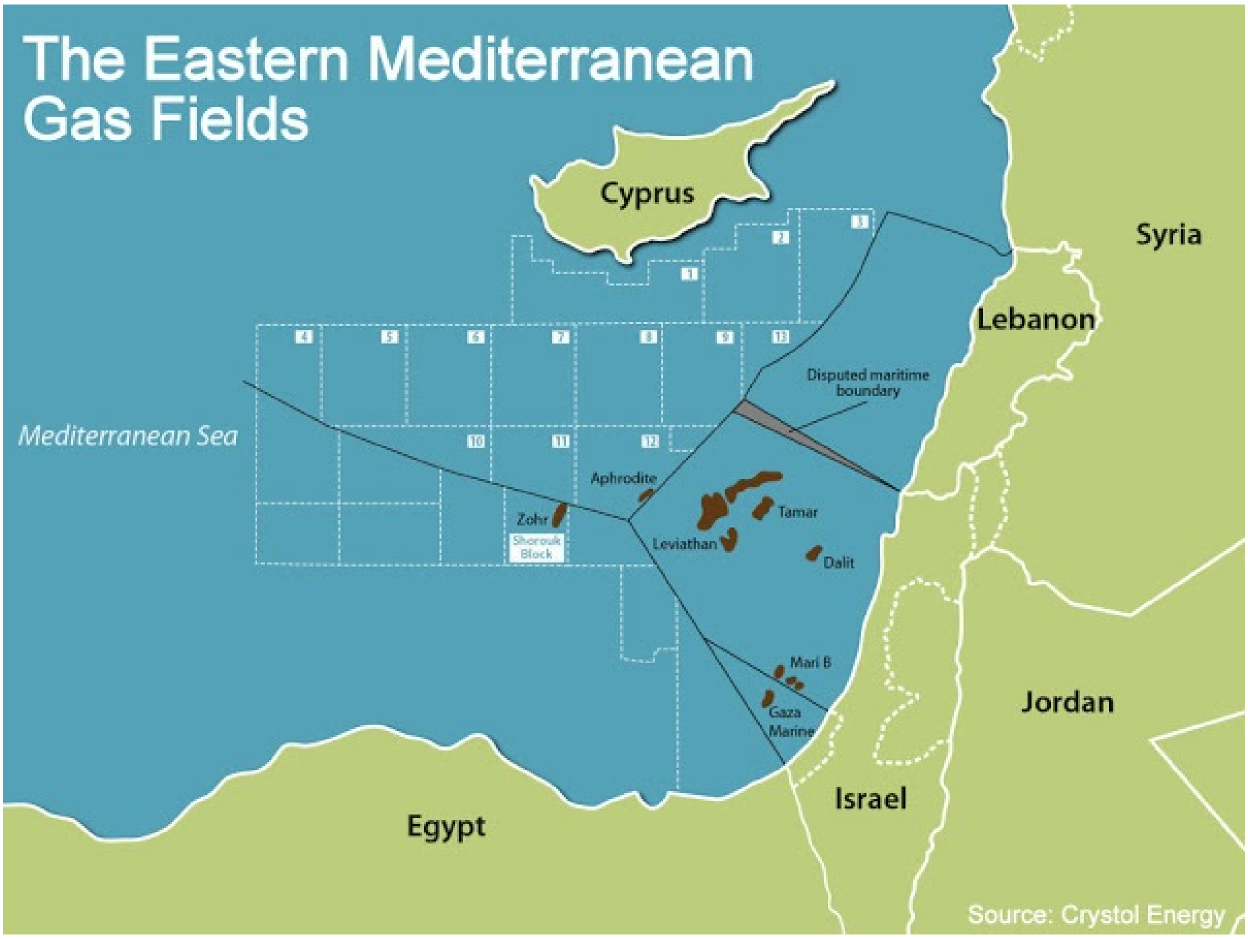
The West Asian region, with its turbulent geopolitics, continues to don a pivotal role in the global politico-economic arena. On one side, there is the meteoric rise of the Saudi Crown Prince Mohammed Bin Salman (MBS) and his bold domestic reforms. Elsewhere, the alleged Saudi meddling in Lebanese polity – by virtue of the *"Hariri affair"* – upheld the unabated prominence of this region to the global geopolitical discourse. As it stands, the Lebanese Prime Minister Saad Hariri apparently revoked his resignation, days after it was seemingly forced upon him by the Saudi ruling elite during the former's visit to the Kingdom. Both Hariri and the Saudis have denied any allegation of political arm-twisting. Nevertheless, the Lebanese PM has ever since taken a critical stance on Lebanon's Hezbollah – the Iranian protégé which is part of Hariri's consensus-backed national unity government. Just as the flames were calming in Lebanon, U.S. President Donald Trump dropped a bombshell by declaring Jerusalem the capital of Israel. With this, he broke away from years of the unwavering American policy of neutrality towards the contested status of the holy city. That said, these earth-shattering events merely form a cog in the wheel where combustion is provided by the ever-simmering Saudi-Iran proxy rivalry – be it across the

'Shia-corridor' transcending Iraq, Syria, and Lebanon, or in Yemen down south.

The terms instability and volatility have long been synonymous with West Asian geopolitics. This has been so, thanks to a history of extra-regional meddling as well as intra-regional rivalries – many a time exacerbated not only by the resource curse problem but also because of inherent ethno-sectarian fault lines. In the domain of resource politics, the center of gravity of international focus keeps shifting between the multiple petroleum reservoirs that are disseminated across the region's massive resource trough. Under the prevailing circumstances, it is possible to establish an inextricable linkage between the recent series of events in West Asia and the realigning fulcrum of resource contest within the regional geopolitical-cum-geoeconomic landscape. While some analyses treat the resource angle as paramount to understanding the roots of certain geostrategic predicaments, yet many either overlook the resource dimension or sidestep its mention in order to play it safe. Regardless of whether it is considered a frontal issue or just a sideshow, the realpolitik associated with resource exploitation pervades multiple segments of the many crises spanning West Asia.



The Murky Geopolitics of Natural Gas

Seldom does one turn a blind eye to the role played by hydrocarbon resources in the geopolitics of the Persian Gulf region. However, oil and natural gas hardly ever featured in the analysis of the geopolitical forces at play along with the eastern shores of the

Mediterranean. Surprisingly though, it is pure conjecture to relegate hydrocarbons from the emerging geopolitical discourse on the Eastern Mediterranean. The reason for this is the recent discoveries of **promising natural gas reserves in the Levantine Basin** – transcending the maritime Exclusive Economic Zones (EEZs) of Egypt, Israel, Lebanon and Cyprus respectively. Therefore, it can be ascertained with the reasonable logic that natural gas can emerge as a potential game-changer in the evolving contours of the region's geopolitics as well as geoeconomics. As a case in point, Israel has amicably demarcated its maritime border with Cyprus; but the one with **Lebanon remains disputed**. The issue of conflicting maritime jurisdictions with Hamas-controlled Gaza is another sticking point.

The overlapping EEZs of Israel and Lebanon are believed to be resting on potential "goldmines" of natural gas. To elucidate, Israel's only commercial gas field till date is the **Tamar gas field** which is in close proximity to the disputed maritime border with Lebanon. This, coupled with the much larger **Leviathan gas field** (recently discovered near the Cypriot maritime border), can propel Israel to be not only self-sufficient in gas but also be a net exporter to neighboring countries like Jordan – and for that matter – even Turkey. The latest friction between Israel and Lebanon stemmed from the latter's decision to offer parts of the disputed territory for prequalification bidding rounds to interested foreign oil companies. In response to this, Israel further upped the ante with regard to introducing a ***'maritime areas law'*** that allows it to unilaterally impose its sovereignty over the disputed territory. The bill for the same is being discussed in the Knesset – the Israeli Parliament. Israel's retort has once again sparked tensions between the two countries, with Hezbollah and the more politically-representative Shiite Amal Movement spearheading the counterpunch from the Lebanese side. Israel's motivations are being compared with its earlier **annexation of the Shebaa Farms area** – an incident that Lebanon staunchly considers as an Israeli violation of the former's sovereignty.

As far as hydrocarbon exploration in the Lebanese waters is concerned, there are two important factors that worry foreign investors. One is the constant tension between Israel and Lebanon (though more specifically Hezbollah), while the other is attributed to the history of political infighting within Lebanon. One possible explanation for Israeli gas interests in the Saudi-Hariri episode alludes to a deliberate exacerbation of the latent fissures between the Hariri faction and the Hezbollah-Amal faction in Lebanon. Such differences had been temporarily put to rest when in a rare display of acquiescence, the two factions decided to come together to form a stable government. Lebanon is currently facing immense economic duress and the need to woo foreign investors and exploit the gas reserves has never been this pressing. This could perhaps push Hariri to accept the Saudi-Israeli-American gambit of blaming Hezbollah (and its patron Iran) for stonewalling the negotiations with Israel over the demarcation of the maritime border.

The United States has time and again been a ***"volunteer mediator"*** in the bilateral dispute negotiations. This gives more reason to assume that a quid pro quo is being offered to Hariri to sever his rather need-based and difficult relationship with Hezbollah. Sometimes, such offers are accompanied with a bit of muscle-flexing, as witnessed in the case of the mysterious Hariri episode in Saudi Arabia. Now whether or not the two parties reach a modus vivendi with regard to the dispute settlement, it is hardly going to matter to Israel *vis-à-vis* the costs to Lebanon. Israel is ostensibly employing foreign contractors to prospect for hydrocarbons on its side of the disputed waters. The more prolonged the dispute becomes, the greater are the chances of Israeli subversion by way of the *"two straws in one glass"* phenomenon. Simply put, if two persons are drinking from the same glass using two straws, the one that sucks the fastest gets most of the juice. Similarly, if an oil/gas reservoir transcends overlapping EEZs, active extraction on one end could lead to migration of the hydrocarbons from the other end to this end by virtue of reservoir pressure difference. Absent an effective negotiating framework with Hamas, Israel is already suspected of using this natural principle to its advantage in the **waters off Gaza**.

The 'Noble' Deal

These days, the Levantine gas booty is making headlines in a big way. One particular oil company that has reaped major dividends from the associated exploration contracts is the **Houston-based Noble Energy.** The American oil major was primarily instrumental in the gas discoveries off (offshore) both Israeli and Cypriot waters; it played a substantive role in the discoveries of the Tamar and Leviathan gas fields off Israel and the Aphrodite field off Cyprus. However, some audacious lobbying was the key to Noble Energy's triumph over other more established and experienced transnational majors. **George Papadopoulos**, an American-of-Greek-origin, who at the time was working at the Hudson Institute, had supposedly acted as a prime interlocutor in bridging the deal between the Israeli government and Noble Energy. **Hudson Institute** is a think-tank well known for its staunch position on climate-denial. On top of its neoconservative inclinations, it boasts of strong links with both the AIPAC (American Israel Public Affairs Committee) and Noble Energy. It is no coincidence that Papadopoulos was chosen as a foreign policy adviser to Trump's Presidential campaign team; although his short stint soon came to an end after being indicted in the alleged "Russia-hacking" scandal. It is also no surprise that Trump formerly held **shares worth an approximate USD 1.12 million** in Noble Energy.

Notwithstanding the sudden slump in his otherwise promising career, Papadopoulos' writings on the Levant's offshore gas potential resonated well with his calls for a **US-Israel-Greece-Cyprus strategic convergence in the Eastern Mediterranean**. With regard to Cyprus, the unilateral decision by the Greek Cypriot government to move ahead with hydrocarbon exploration did not go well with Turkish strongman Recep Tayyip Erdogan. Turkey is demanding a piece of the pie by way of its suzerainty over the northern part of the ethnolinguistically divided island nation. Meanwhile, in order to placate Erdogan, Israel is already negotiating **a lucrative gas supply contract with Turkey**. At the cornerstone of these talks is a gas pipeline which would not only help Turkey to diversify its gas imports but also reduce its excessive dependence on Russian and Iranian gas. Despite the new avenues that natural gas has opened up for Israel, it is not as hunky-dory as it seems. Noble Energy's monopoly (alongside its Israeli partners) in notable Israeli offshore prospects had brought it at loggerheads with the country's hydrocarbon exploration regulatory regime and certain civil society groups. An **anti-trust lawsuit against Noble** was upheld by the Supreme Court of Israel, and this has pushed the government to make necessary amends to include more foreign players – including a diverse portfolio of operators and consortiums.

A steady oil price recovery would drastically improve the prospects of an Israel-centred natural gas trading hub. The current combination of **relatively stable oil prices (near the USD 60 mark)** and the gradually subsiding global oil glut should help revive some of Noble Energy's frozen investments in the Leviathan project. This should come as an added bonus to the American company and the Israeli government as they negotiate a way out of the regulatory wrangle. Given the unique circumstances, a potent trigger for a sudden oil price hike lies in the deepening Saudi-Iran hostility, inter alia, involving Lebanon. Hence, even though the Saudi-Israel rapprochement started out somewhat vaguely under the tenure of the late King Abdullah, Israel's Benjamin Netanyahu appears to have found a reliable friend in the incumbent King Salman and his visionary son, Mohammed. The archetypal middleman in this relationship is the United States, while common nemesis Iran provides the perfect binding factor.

Conclusion

A well-anticipated Levantine energy boom has the capability to reorient pre-established and time-tested strategic alignments in the West Asian region. In the case of Israel, natural gas could act as a classic tool of diplomacy in its calculated long-term strategy of placating its Arab neighbors. The pan-Arabism that was once the existential threat to Israel's Zionism is slowly losing its steam as more Arab countries are buying into the "Iran-phobia" that is being propped up by the Israel-US-Saudi triumvirate. An Israeli natural gas boom would not only fire up this transformation but also give Israel more political and economic leverage over its neighbors in dispute settlements and negotiations. This may beget a more passive approach towards the two-state solution (concerning Israel and Palestine), especially from the once-diehard advocates of Palestinian solidarity. Being already a technological powerhouse, self-reliance in energy is the only thing that stands in the way of Israel's upthrust as a major power to reckon with.

The persisting oil glut has so far managed to offset any large-scale impact of geopolitical shocks on global oil prices. However, factors like negotiated production cuts, changing oil price variables and market determinants signal to a gradual drying up of the excess supply scenario; hence, a likely return of bullish sentiments to an otherwise depressed, or rather slowly-recovering market. A more encouraging sign is the increasing demand for natural gas as a cleaner alternative to coal and oil, and more so as a bridge-fuel in the gradual transition to more renewable forms of energy. Given the sui generis nature of present and probable geoeconomic trends, it discernibly pays to exacerbate tensions in the West Asian geopolitical theatre. And in the foreseeable future, say incessant regional tensions does engender a sudden spike in oil prices, the resulting scenario would probably see a revival in oilfield investments off the Eastern Mediterranean. Given such a possibility, perhaps those responsible for beating the drums of war in West Asia are not as insane after all.

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