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**This e-mail is from BCG Jerusalem to FCO**

**From:** [redacted]

**Sent:** 26 November 2009 08:18

**To:** [redacted]

**Subject:** RE: British Gas and the Gaza Marine Field?

Apologies for not replying yesterday, I was at a training course away from the office.

According to BG Palestine and Palestine Investment Fund (PIF), the Gaza Marine Field is in Gaza territorial waters, 45km offshore Gaza so it is considered to be located within the occupied territories. However, there is another smaller field in size located on the maritime border between Israel and Gaza but there are no plans to develop it in the near future because it doesn't be considered as economically feasible. The gas is still in the sea-bed and the field still wait for development. Going back to year 1999, the PA has given BG Group the right to explore its offshore and in 2000 those fields have been discovered. For economic reasons, BG group and its partners (CCC 20% and PIF 10%) have decided to develop the Gaza Marine Field only for the time being.

Stressing on [redacted] reaction, BG wants to receive the full price for selling the gas to IEC (Israeli government owned company) especially as the prices of oil & gas are appreciating continuously. According to BG, this is purely a commercial decision for them and it care less about the politics involved. Additionally, the situation in Gaza makes it difficult to start developing the field as some argues that since the gas field is in Gaza's waters then Gaza (and its de-facto Hamas government) suppose to get a fair share of the benefits, beside other technical/mechanical/security related reasons.

Commercially, and according to BG and other energy experts, Israel isn't offering to pay the full and fair price because it still receives relatively cheap gas from Egypt (\$1.25 per unit) but at the same time there is growing pressure inside Egypt to review that preferable prices.

As I mentioned earlier, CCC are partners in the Gaza Marine Project and at the same time they owns around 65% of the Gaza Power Generation Company. In any settlement, CCC would need to supply is station in Gaza with LNG to generate power and to cut its cost; this could be done by supplying the station with LNG from Gaza Maritime Field or Egyptian gas indirectly through Israel.

Your last two paragraphs - yes, there is no agreement between BG and IEC yet, and yes we meet with BG reps in Palestine regularly but the situation in Gaza is sensitive.

Of course, this is not a legal advise but a list of related details based on my best knowledge and available information.

I hope that helps. Please let me know if you need more details.

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This e-mail is from Near East Group to BCG Jerusalem

**From:** [redacted]

**Sent:** 25 November 2009 12:50

**To:** [redacted]

**Subject:** British Gas and the Gaza Marine Field?

Thanks [redacted]

We in NEG are also dealing with the same letter, sent to Ivan Lewis and also due today, and I think [redacted] is also expecting a call from British Gas in London.

I am coming to this issue a little late, but would be very grateful for some help in getting to grips with the facts. Is the Gaza Marine Field in Gaza's territorial waters? So do we consider the gas field to be in occupied territory? Or is it not that simple, or does the gas field spread both over Gazan territory and Israeli waters?

[redacted] our legal adviser, is kindly looking into the points of international law which refer to the use of natural resources in occupied territory by the occupying power, in case this is relevant.

In terms of answering this letter, are you content for me to say that, as far as we understand from our regular contact with British Gas, no agreement has been reached between British Gas and the Israel Electric Company and that we do not think any agreement is imminent between these two companies?

Can we also say that we are in regular contact with the British Gas representative in the Occupied Palestinian Territories? And that we are discussing with British Gas the political sensitivities surrounding Gaza and making clear the UK Government's commitment to a two-state solution, which would include Gaza as part of an independent Palestinian state?

Presumably we have not given British Gas legal advice about this?

Sorry for so many questions and thanks for your help,

[redacted]

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This is an e-mail from BCG Jerusalem to Near East Group, FCO

**From:** [redacted]

**Sent:** 25 November 2009 16:53

**To:** [redacted]

**Subject:** RE: British Gas and the Gaza Marine Field?

[redacted]

[redacted] will know better but I think the point is not that BG are going to buy the rights off Israel. The rights (and the gas) belong to the PA. BG has a deal with the PA. What BG want to do is to extract the gas and then sell it to Israel. But Israel won't (i) pay the full whack (ii) guarantee to give a certain cut direct to the PA. So BG aren't getting the gas out of the sea-bed. They are content to exploit other reserves and come back to this one when the price is right.

I think that Chris Mullin has the wrong end of the stick, therefore.

[redacted]

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This is an e-gram from BG Jerusalem to BG Jerusalem

**From:** [redacted]

**Sent:** 13 January 2012 17:24

**To:** Jerusalem - Political (Restricted);

**Subject:** Oil Under the West Bank?

[redacted]

[redacted] and I met with two Norwegian consultants today. They are doing a scoping study for a potential [redacted] to build up the capacity of the Palestinians to manage a petroleum sector. This involves looking at the political and commercial context as well as asking whether the Palestinians had a petroleum sector, or just a single field (Gaza Marine).

[redacted]

They had also been to see the new drilling site variously described as being on the Green Line or in the seam zone just North West of Ramallah near a village called Rantis. This news item reporting that the PA will take legal action against Israel for stealing the natural resources in occupied territory refers:

<http://arabnews.com/middleeast/article562612.ece>

The [redacted] experts said that their initial take was:

- They could not be sure that any oil field extended below the West Bank. But the strong likelihood is that it did (otherwise why drill so close to the Green Line ).
- They had seen “flaring” at the site. While they could not get close enough to make a definite judgement, such “flaring” was normally indicative of drilling for exploration at the least, or more usually extraction itself.
- They had been informed by their Palestinian interlocutors that the drilling was actually being carried out by a Jewish religious organisation and that there was allegedly a theological as well as commercial rationale for the current activity.
- They had also heard of a further oil discovery in the Southern West Bank, near Hebron.

Comment:

Oil. Religion. Occupation. And possibly Hebron. A combustible mix. Boom boom.

More seriously, if it is shown that Israel is illegally extracting oil reserves from under the West Bank (in contravention of International Humanitarian Law and the Israeli high court) then we will have another issue to add to the lobbying database. This is both an Area C/sovereignty issue and a UK taxpayer issue. It's hard enough already

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to justify spending £100m a year on an economy that would be self-sufficient if able to exploit its own natural resources. Harder still if those resources included oil.

[redacted]

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# eGram



# 2349/11

[redacted] [redacted] [redacted]

**eGram Number** 2349/11

**From** TEL AVIV

**Date Created** 08/02/2011 10:31:00

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

**Subject** Israel/OPTs: Announcement of confidence-building measures

[redacted] [redacted]

[redacted]

1. Late on 4 February (just ahead of the 5 February Quartet meeting) Netanyahu and Tony Blair announced a package of Israeli measures relating to Gaza, East Jerusalem and the West Bank.

The measures consist of:

- unblocking some restrictions on international donor efforts to improve Gaza's infrastructure. This includes agreement to the import of material for Gazan desalination plants; allowing

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material in for a further 20 construction projects (including roads, two housing projects, seven UNRWA schools, a compost facility in North Gaza, and an upgrade to facilities at one of Gaza's beaches); and Israeli agreement to revive discussions about the gas field off Gaza: British Gas owns the rights to develop this field;

- [redacted]

- [redacted]

2. Announcing the package, Tony Blair said that "agreement to all this is not the same as implementation". Some of this package – such as the approval for 20 construction projects – while welcome is implementation of existing policy: the projects had been going through the regular channels. COGAT expect to issue the formal approvals today (8 February). Other aspects, such as discussions on the Gazan gas field, may take considerably longer to come to fruition, if at all. And proof of Israeli commitment to fast-track schools and clinics in Area C, or encouragement of Palestinian infrastructure in East Jerusalem, will also only come in time.

3. [redacted]. *A senior Israeli adviser* told us yesterday (7 January) [redacted] He said that the Gaza Marine project was an Israeli response to a request from Abbas in a letter to Netanyahu, to enable gas exploitation in waters controlled by Israel. Its impact would be three-fold: to enhance Palestinian opportunities; to reduce Gaza's dependence on Israel; and to diversify Israel's sources of gas. [redacted] added that this last point had been given added topicality by the attack this weekend on the gas pipeline from Egypt.

[redacted]

4. [redacted]

5. [redacted]

6. [redacted]

- [redacted]

- [redacted]

- The Gaza Marine gas project was stalled on two fundamental issues. The first was Israeli unwillingness to pay the market price for the gas: the recent disruption of supplies from Egypt may have changed that calculation. The second was BG's insistence that the revenue went straight to the PA and not via the Israeli government. It would require a lot for Israel to

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agree to this.

- [redacted]

- [redacted]

Comment

7. [redacted]

8. [redacted]

9. [redacted]

10. [redacted]

**Sign Off** Gould

**Contact Name** [redacted]

**Contact Telno.** [redacted]

[redacted]

[redacted]

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# eGram



# 8100/10

**Classification** UNCLASSIFIED - **Caveat**  
SENSITIVE

**eGram Number** 8100/10

**From** TEL AVIV

**Date Created** 29/06/2010 09:48:00

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

**Subject** Israel's energy discoveries: a geo-political game-changer?

**Summary** Israel's recent discovery of natural gas off its coast has been hailed by some energy experts as a "geopolitical game-changer". That may sound like hyperbole, but the potential implications for Israel's economy and regional politics are huge. Agreed with UKTI and BE Beirut.

**SIC**

1. [redacted]

[redacted]

2. [redacted]

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3. [redacted]

4. [redacted]

5. [redacted]

6. [redacted]

[redacted]

7. [redacted]

8. [redacted]

[redacted]

9. Although these finds are seen by many as meaning that Israel has lost any remaining interest in a deal with British Gas to bring onshore gas from the field off Gaza, we have had some indications of interest in that field as a stop-gap measure before the new finds come fully on stream. It is not clear if the Israelis are still pursuing British Gas directly. Price apart, there was also a complication concerning ownership of the territorial waters off Gaza.

Comment

10. [redacted]

11. [redacted]

**Sign Off** [redacted]

**Contact Name** [redacted]

**Contact Telno.** [redacted]

**Attachments**

[redacted]

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November 2009

Our reference: 78464

[redacted] MP

House of Commons

London SW1A 0AA

Thank you for your letter of 13 November to me and Ian Lucas, Minister of State at the Department of Business, Innovations and Skills, about the talks between British Gas and the Israel Electric Corporation regarding the purchase of natural gas from the Gaza Marine Field. I am replying on behalf of us both.

The Government is not in a position to comment in detail on the commercial activity of British Gas in the Palestinian Territories, but we understand that British Gas has an agreement with the Palestinian Authority, which gives British Gas the right to explore Gaza's offshore and stipulates that the Palestinian Authority will receive tax and royalties from any gas sold.

We also understand that British Gas is in communication with the Israel Electric Corporation, which is interested in purchasing gas from the Gaza Marine Field from British Gas. The details of this communication are a commercial matter for the two companies concerned, but we understand that British Gas and the Israel Electric Corporation have not yet come to any agreement.

Our Consulate-General in Jerusalem is in frequent contact with British Gas representatives, and is able to offer them advice on the political sensitivities of the region, including the challenges presented by Hamas's current control of the Gaza Strip.

I hope this letter has addressed your concerns.

**IVAN LEWIS**

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