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Yedlin: Natural gas a boon to Israel

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Alberta Premier Alison Redford, centre, with Israeli Minister for Energy and Water Resources, Uzi Landau, left, and Israel's ambassador to Canada Miriam Ziv.

Photograph by: Deborah Yedlin, Calgary Herald

The Israeli Minister for Energy and Water Resources, Uzi Landau, touched down in wintry Calgary this week - miles removed from the sunny climes of the Mediterranean Sea, where trillions of cubic feet of natural gas has been discovered.

Prior to stopping in Calgary, Landau had met with Natural Resources Minister Joe Oliver in Toronto, during which time an agreement was signed establishing a \$5 million Canada-Israel science and technology fund aimed at collaborating on the development of innovative energy

technologies. While Israel's energy industry is in its nascent stages, scratch the surface and a number of the issues it is grappling with are not far removed from the challenges faced by Canada's energy players - security of supply weighted against security of demand, what to do with the newfound revenues, the development of new technologies to exploit the resource and best practices in terms of regulation.

Israel, since the state was established in 1948, has been dependent on external suppliers to meet its energy needs.

In 1973, in the wake of the Yom Kippur War and the Arab oil embargo, reality struck in terms of the need for energy self sufficiency.

"We need to be less on the hook of others that hold many of us hostage," said Landau, adding energy self-sufficiency would improve Israel's geopolitical standing in the region. But it would take until 1999, when U.S.-based Samedan Oil Corporation discovered the Noah field, in the Mediterranean waters off the coast of Israel.

That field, said Jeffrey Walter, who was at Samedan at the time, contained 350 billion cubic feet of natural gas. After that, it was oil and gas 101, he says, as the company took as many licences as it could along the identified trend. Their efforts were rewarded, with the Mari-B field and later, Tamar.

Along the way, Samedan changed its name to Noble Energy and Walter left to start another company, Adira Exploration, which is now listed on the TSX Venture Exchange. The Tamar field contains an estimated 10 trillion cubic feet of natural gas and will be connected into Israel's pipeline network by April 2013.

It has taken Israel eight years to go from having no electricity generated by natural gas, to a situation where 40 per cent of its electricity uses the cleaner fuel.

The prospect of Israel becoming energy self-sufficient was never something thought possible. Its former prime minister, Golda Meir, famously quipped that Moses had led the Israelites to the only place in the Middle East that didn't have oil.

But, much like what is being experienced in Canada and the United States, the advent of technology has unlocked Israel's energy potential.

As things stand right now, the U.S. Geological Survey estimates the natural gas in place in the Levant basin is 122 tcf, of which Israel can lay claim to 40 per cent.

But that's not all.

For its part, Adira is looking at the oil potential of the basin, having leased three blocks spanning 220,000 acres and is getting ready to drill its first well in its Gabriella block in March.

It's in the same place where Israel's Isramco drilled an oil well in 1994, which initially flowed light, sweet crude at a rate of 800 barrels a day.

The Gabriella block is estimated to contain 100 million barrels of oil, while the USGS calculations suggest there could be as much as 1.7 billion barrels in place throughout the Levant basin.

Between the new 3-D seismic and best practices in terms of drilling technology, Adira believes the test well should show significant promise on the Gabriella block.

All this, of course, comes with its own set of challenges for the Israeli government.

"It's a major opportunity for us and we'll have to do whatever we cannot to miss it. It has to be properly developed," Landau said Wednesday, in advance of a meeting with Premier Alison Redford.

"But what we have to do as a government is provide regulation that will allow for private entrepreneurs to come in but also to keep things in a manner that Israel's interests will be secured."

That was one of the major reasons for Landau's visit to Calgary.

"The immediate reason is to come here and learn from our elder brother.

Canada is a country that has an abundance of experience with natural resources. And we have much to learn," he said.

Landau said he was particularly interested in the "one-stop shopping" approach to regulation, which is also a direction that Alberta has embarked upon.

This type of development, says Adira's Walter, would be particularly helpful because the permitting process in Israel means departments that have never worked together now must do so.

The net effect is that the process isn't as efficient as it could be.

"We do have a major interest in the regulation here.

"We are looking at ways to make our bureaucracy resemble a one-stop shop. Today, with the premier, I'll bring up this issue, and more," he said.

"And I am going to listen. But I am not going to leave the office without stressing the admiration I have for Canada these days."

The prospect of oil and gas revenue has meant Israel has already set up a sovereign wealth fund, aimed at capturing a portion of the cash flow generated by the fledgling industry.

Of course, the other pieces it has to figure out is how to incent more companies to explore and develop in the Levant basin.

Landau was firm that competition is very important - and having two major fields controlled by the same partnership that has 15-to 20-year contracts already presents a formidable barrier to entry.

But, like Alberta, he was optimistic there would be smaller players - not unlike Adira - coming in to develop the smaller fields.

"We want to make it easier for the small investor to participate," he said.

Should the estimated resources in place be "proved up," Israel will face another set of challenges: what to keep for its own consumption needs versus what to export - and where. Much like Canada, it recognizes that supply is one thing, but security of demand is just as important.

The two countries might be miles apart, but when it comes to energy, the world becomes much smaller.

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