



Welcome to Isroil

US expert Fred Zeidman sees big names joining an oil (and gas) rush in Israel.

Ron Steinblatt 7 Apr 10 16:21

The oil and gas exploration scene in Israel, a year after the "Tamar" and "Dalit" discoveries in the Mediterranean, is making the likes of Nochi Dankner's IDB group and Ofer Nimrodi's Israel Land Development enter the sector.

But according to Fred Zeidman, a US energy industry expert, and Adam Meislik, who has advised oil and gas companies on investment for ten years, it is highly likely that in the future we will hear about far bigger names, as more international companies, in addition to Noble Energy (the partner in the discoveries with Delek and Isramco), join the exploration efforts on Israeli territory.

"It happens all the time," says Zeidman, "We see in the US that the moment a company discovers oil or gas that can be transported, there's a crazy rush to the region by other companies, and that's a function of the size of the reserves found. Around the world, as soon as Noble goes to a place, many other companies follow in its wake. The prospects here are amazing, and I have no doubt that we'll see an economic boom, and a rush of more companies to Israel from overseas following Noble."

Is there no concern at the political problems in the region?

"It's true that there are political risks here, but we've seen it happen in much more hostile places. In Israel, there isn't the risk that there is in Africa, and so the security issue isn't too serious."

Zeidman points to another economic sector that will benefit from the boom in the industry. "The field of services to energy companies will also develop. Beyond the daily needs, such as accommodation and food for the workers, the big companies need local help. For example, Schlumberger (the world's largest exploration and drilling services company, R.S.), works with many small outfits around the world that help it with logistics and transporting equipment, which leaves a lot of room for enterprise".

Zeidman pins great hopes on Israeli enterprise, and thinks that the discovery of the gas reserves will even contribute to the global energy industry. "As long as oil prices were low, the industry was dormant. As soon as oil prices rose above \$100 a barrel, the industry became interesting, and young people came in using new technologies that the veteran professionals didn't use," he says.

With the unconcealed pride of a Jewish-American, Zeidman says, "The State of Israel, which is considered a pioneer in science, can bring creativity to this field of oil exploration. This is an industry with a great deal of technology, and considering the Israeli mentality, we'll see big results and new inventions, and thanks to the new technology there will be fewer dry drillings."

According to Zeidman, the main problem in Israel is a small and limited consumer base, and so besides the option of exporting, additional uses for gas will be sought. He thinks it not inconceivable that in the future we will see vehicle projects that could damage Shai Agassi's electric car dream.

The partners in the Tamar well have so far approached foreign investment banks in order to obtain assistance in financing the construction of a production infrastructure, reckoned to cost nearly \$3 billion. Meislik thinks that assessing the risks of financing the projects is not very difficult, and that the local banks can also participate. "It's something that can be learned," Meislik says. "The US and Canadian banks have no problem in coming to Israel and lending money to the projects, but the Israel banks should train teams overseas, that will learn how gas projects are financed and bring that knowledge to Israel."

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