

BP and ADNOC confirm plan to buy 50% of NewMed Energy

Updated with comments from Justin Dargin, Middle East energy expert at the Carnegie Endowment.

BP and the Abu Dhabi National Oil Company (ADNOC) on Tuesday confirmed they have submitted an offer to buy 50% of Israel's offshore exploration player NewMed Energy, formerly known as Delek Drilling. If approved, the acquisition would result in the partners forming a joint venture focused on gas development in the Eastern Mediterranean.

The proposal includes the acquisition of the free float and a partial acquisition of the stake currently owned by Delek, taking the company private and marking ADNOC's entry into Israel's energy sector.

Confirming Monday's press reports, BP said that the acquisition would provide a "significant" first step in establishing a joint venture with ADNOC and broadening their strategic partnership in oil and gas, hydrogen and carbon capture and storage technology.

Commenting on the move, Justin Dargin, Middle East energy expert at the Carnegie Endowment, told Gas Matters Today: "The UAE and Israel have been exploring a range of agreements to boost cooperation in the renewable energy sector since the signing of the Abraham Accords in 2020."

"This deal represents a continuation of the UAE's interest in expanding its presence in the East Mediterranean and marks a significant step forward in its efforts to partner with Israeli firms. The acquisition of a stake in NewMed Energy would also strengthen the strategic partnership between ADNOC and BP, who have already formed an agreement to develop clean hydrogen and technology hubs," Dargin added.

An industry expert told Gas Matters Today that for BP, expanding its foothold in the Eastern Mediterranean also makes strategic sense, as they have a strong position in Egypt but not in the Israel/Cyprus play. Based on that, the expert said he sees it as possible that significant volumes of Israeli gas will end up going to Egypt either as a primary market or as a route to export. So there may be synergies with BP's Egypt business, he said.

The expert added: "Gas to Europe would be high on their [BP's] strategic agenda, as would access to more LNG if FLNG becomes part of the monetisation solution. BP of course are a big LNG portfolio player."

NewMed is the largest stakeholder in the Chevron-operated Leviathan field, located in the Israeli exclusive economic zone (EEZ), approximately 130 km offshore Haifa, which produces 12 Bcm/year of gas supplied to Israel, Egypt and Jordan. Last month, NewMed and its partners announced plans to nearly double Leviathan's production to 21-24 Bcm by 2027. They are also exploring the potential for an LNG plant to further boost exports.

Dargin noted that NewMed Energy has been actively seeking partnerships with companies in the MENA region, pursuing opportunities in both renewable and traditional energy sources. In 2020, following the normalisation of ties between Morocco and Israel, NewMed Energy inked a historic deal with Morocco and Adarco Energy for offshore natural gas exploration and production licenses in the North African kingdom. Additionally, in August of 2021, NewMed Energy partnered with Israel's Enlight Energy to promote renewable energy projects throughout the MENA region, including countries with which Israel does not have formal diplomatic ties.

The proposal comes shortly after NewMed Energy's merger with UK's Capricorn Energy, proposed in September, fell through. The opposition to the merger from activist shareholders in Capricorn, which argued that the deal undervalued the firm, caused it to withdraw from the deal and triggered an overhaul of the company's management board.

"Of course, the success of the BP/ADNOC offer will depend on a variety of factors, including regulatory approval and the future market conditions. However, the East Med gas sector presents a significant opportunity for energy companies looking to expand their operations in the region, and the BP/ADNOC offer is well-positioned to take advantage of this potential," Dargin added. - JS