Israel and Lebanon's 'historic' maritime border agreement paves way to unlock gas riches

Israel and Lebanon have reached an "historic" agreement concerning a long lasting maritime border dispute in the Mediterranean Sea. The agreement paves the way for exploration in Lebanese waters by foreign companies although gas production and exports from there are not expected to commence anytime soon.

Israel's Prime Minister Yair Lapid said in a statement on Tuesday that the draft agreement with Lebanon over the maritime border meets all the security and economic principles laid out by Israel.

Lapid said he will convene the Security Cabinet on Wednesday followed by a special meeting of the government at which the agreement will come before the government for approval, before it is presented to the Knesset, the Israeli parliament.

The draft agreement follows intensive dialogue between Lebanon and the Israeli negotiating team through the US diplomat Amos Hochstein over the weekend. US President Joe Biden said in a statement that the agreement was a "historic breakthrough."

"Energy – particularly in the Eastern Mediterranean – should serve as the tool for cooperation, stability, security, and prosperity, not for conflict," Biden said.

This summer, the maritime border dispute had heated up after Israel moved a production vessel to the Karish gas field in the Eastern Mediterranean that was partly claimed by Lebanon.

Lebanon saw the move as hostile, but Israel insisted the rig was located in its Exclusive Economic Zone (EEZ). In July, Israel's defence forces shot down three drones allegedly launched by Lebanese militant group Hezbollah towards the Karish field.

The Karish field, developed by London-listed Energean, was expected to start production in Q3'22, and the draft agreement could pave the way for this. As for the nearby Qana field, the rights will be divided between the two states.

"All of Karish would be under Israeli administration, but Qana will be divided, with the exploration under Lebanese control. Israel would receive revenues based on a royalty framework," Justin Dargin, a MENA energy expert at the University of Oxford, told Gas Matters Today.

"Lebanon, for its part, would be able to drill in the Qana field, with the stipulation that it would have to pay royalties for any drilling and production in areas that are in Israel's territory."

In 2018, a consortium led by TotalEnergies (40%), which also involves Eni (40%) and Novatek (20%), and the Lebanese government signed two Exploration and Production Agreements

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covering Blocks 4 and 9 located offshore Lebanon.

Lebanese authorities have reportedly asked TotalEnergies to commence drilling as soon as possible. Gas Matters Today reached out to the company for comment.

The gas reserves in the area would help Lebanon and Israel to fulfill their domestic consumption requirements, but after that is fulfilled, then Europe will likely be the main destination for exports, Dargin said.

But even in the most optimistic scenario, gas exports are not expected to commence anytime soon.

“Even if drilling is expedited, we won’t see any major production expansion until at least 4-5 years, and that is if there are no complications throughout the process,” said Dargin.

As for Russia’s involvement, Dargin noted that Novatek is expected to withdraw from Blocks 4 and 9.

“From what I understand, Novatek is due to complete its departure from the project by October 22,” said Dargin.

In September, Novatek CEO Leonid Mikhelson told reporters at the Eastern Economic Forum that the firm will withdraw from projects in Lebanon and Montenegro. - AW