JORDAN, PALESTINE AT THE CROSSROADS OF THE EAST MEDITERRANEAN'S ENERGY ROADMAP AND THE IMPORTANCE OF CYPRUS

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In the East Mediterranean energy setting, Cyprus is at critical stage en route to natural gas production providing promising prospects for Jordan and Palestine.

Jordan's core objective lies in security of energy supply and the restructuring of its oil and gas market. The interruption of natural gas supplies via the Arab Gas Pipeline from Egypt and the influx of Syrian refugees present major burdens on the Kingdom's budget, having prompted Jordan to look into various gas supply options. These include a supply of gas from Qatar and the United Arab Emirates through the existing floating storage and re-gasification unit (FSRU) at the port of Aqaba; oil and gas pipelines from Iraq; and, gas from Israeli offshore fields.

Acknowledging that at a time of regional instability, natural gas from the Israeli Leviathan and Tamar gas fields practically fall within Amman's broad strategy for transformational change in energy supply, including a diversification of natural gas imports from alternative sources, a transition from a non-binding letter of Intent to an actual agreement between Leviathan's American partner Noble and Jordan's National Power Electric (NEPCO) happened in October 2016 for the supply of 1.6tn cubic feet over a fifteen-year period.

The agreement has notably given rise to a number of protests and demonstrations across the kingdom demanding its revocation. The government of Jordan has realized that there is need to strategically assess its public tactics toward Israel and balance domestic projection of its energy policies including the restructuring of its oil and gas market. It is in this framework that the government granted licenses in 2016 to three companies to distribute petroleum products, namely Total Jordan Co., Manaseer Oil and Gas Co. and the Jordanian Co., and schedules to have the energy market open for additional international competitions in the foresseable future.

As a pioneer in supporting a regional dialogue on energy developments, Amman works with scientists, NGOs and think tanks to strategize regional energy cooperation and long-term planning. Emphasis is placed on addressing environmental impacts of oil and gas exploration, the establishment of national monitoring systems and improvement of legal frameworks. Equally important, the kingdom also looks into other energy options primarily for electricity generation. For example, the development of renewable energy resources is at the forefront of Jordan's strategy to reduce dependence on hydrocarbons, namely projects like the Green Corridor that is designed to support the national electricity network in the south of the Kingdom.

Though even if successful in developing renewable energy resources, they could not substitute reliance on gas. Thus additional options that Jordan examines for the supply of gas from the East Mediterranean include Cyprus on the presumption that certain political and commercial obstacles are overcome; and, the import of Palestinian gas from Gaza Marine field via a pipeline across Israel. The Kingdom already signed an agreement seeking to purchase 150 million cubic feet of natural gas per day from Cyprus either by gas shipments to the LNG terminal in Aqaba or by pipeline to Egypt.

Out of all gas supply options, Jordan prioritizes the import of gas from the Palestinian Gaza Marine field. The Kingdom has signed a Letter of Intent with the field's former operator British Gas Group for the supply of 150-180 million cubic feet per day of natural gas. But, the Palestinian Gaza Marine gas field, one of the first regional discoveries in 2000, remains untapped despite its close proximity to the shore.

The field's new operator, Royal Dutch Shell, has assessed that the delayed development is the result of low oil and gas prices. To reach a breakthrough in the field's $500 million development, the project could garner financial support from donor countries and organisations such as the World Bank's Partnership for Infrastructure Development Multi-Donor Trust Fund or even from U.S. financial institutions like the Overseas Investment Private Corporation (OPIC). The value of U.S. financial support in the field's development may prove to be two-fold, as it can both address Palestinian development challenges and advance U.S. foreign policy priorities.

The exploitation of the Gaza marine gas field would help Palestinians generate revenues, offer a domestic source for electricity and water desalination, and prioritize exports to neighboring counties like Jordan.

In this regional energy calculus, Cyprus is assessed to gain significant economic benefits from its commercially viable levels of hydrocarbon resources. These benefits come in the form of job creation, foreign direct investment, royalties, and taxes paid to the state treasury by energy suppliers. The island's third licensing round for the blocks 6, 8 and 10 within its Exclusive Economic Zone (EEZ) has attracted major international energy players on the basis of closeness to the Egyptian Zohr and the Israeli Leviathan gas fields.

The awarding of exploration Cypriot blocks to the ENI Cyprus Ltd and Total E&P consortium; and, to the ExxonMobil Exploration & Production Cyprus Ltd and Qatar Petroleum International consortium necessitates synergies among local and international players, users, and producers eager to export gas to a broader market. The connection of gas discoveries in Cyprus with Egypt’s by pipeline and re-export reserves as liquefied natural gas by utilizing the Egyptian Idku and Damietta LNG facilities is an option currently examined by energy companies on the basis that economies of scale reinforce profitability.

On grounds of developing East Mediterranean gas fields and the infrastructure for the transportation and marketing of gas, a new philosophy of cooperation in which everyone wins has to prevail so that countries like Jordan, Palestine and Cyprus enjoy a prosperous future.