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Foreign investors may be deterred from investing in Israeli gas, experts say.
Antitrust head refutes Energy Ministry criticism, says locals deserve competitive prices;
Cukierman: some of the financiers are shocked.

Israel's natural gas. (photo credit: MINISTRY OF NATIONAL INFRASTRUCTURES)

As the future of the Leviathan gas reservoir becomes more and more uncertain, experts fear foreign investors are becoming increasingly hesitant to direct funds into Israel’s hydrocarbon industry.

Israel Antitrust Authority commissioner David Gilo announced last Thursday that a proposed consent decree regarding the entry of Delek Group and Noble Energy into Leviathan would not be submitted to the Antitrust Tribunal for approval as had been agreed upon earlier this year.

By backpedaling on the previous agreement, the government may cause undue delays in the development of the country’s gas basins and deter future investments, industry sources say.

“Some of the investors are shocked by the decision,” Eddy Cukierman, founder and managing partner of Catalyst Investments and chairman of Cukierman & Co. Investment House Ltd., told The Jerusalem Post on Sunday.

Should Gilo ultimately decide to force the companies to sell their assets, it would “become ridiculous for an international investor to look at Israel as a serious place to invest in,” he said.

At **Catalyst Investments**, Cukierman works with a variety of international investors – particularly from Europe and China – focused on financing Israeli technologies.
Meanwhile, **Cukierman & Co.** has raised about $5.5 billion for Israeli companies from Europe, Asia and the United States.
"The delay of the process will freeze investments in oil and gas infrastructures, which are so much needed in the Israeli economy," he said.

As rules change constantly, with new limitations and new constraints all the time, Cukierman feels potential investors will turn elsewhere.
"Eventually, they will see there is so much risk associated with investing in Israel," he continued. "It's not an easy place to invest in the current geopolitical context. If you add on to that the changing views of the different regulators, then it becomes almost impossible to attract quality investors in our environment."

The proposed consent decree would have enabled the two companies, which are the main partners in both the Leviathan and neighboring Tamar gas reservoirs, to remain in the basins without being defined as a cartel.
Instead, they would be required to sell their smaller nearby reservoirs Karish and Tanin.

In addition to nixing his support for this arrangement last week, Gilo informed Delek and Noble Energy that the authority would be considering whether their ownership of Leviathan constitutes a "restrictive agreement," meaning a cartel, which is illegal in Israel.

Cukierman attributed the sudden change in position to resentment of Israeli business mogul and Delek Group Chairman Yitzhak Tshuva, as well as Noble Energy.
"There is some jealousy about the success of one entrepreneur, especially coming from people working with a limited salary," he said. "The only power they have is to say 'no.' They don't understand what is the economic impact."

The Tel Aviv Oil & Gas Index dropped to its lowest in more than two years on the day Gilo announced his intention to renounce support for the proposed consent decree, Bloomberg reported on Sunday, also citing investment- house traders and researchers who called into question the merit of pouring funds into Israeli hydrocarbons.

While many investors have expressed increased reluctance toward venturing into the Israeli oil and gas industry in light of the latest delays, others are looking to seize a potential opportunity.

Indian business newspaper The Financial Express reported that state-owned company ONGC Videsh (OVL) has expressed interest in buying a stake in Leviathan, according to Globes.
"OVL would like to participate in the Leviathan fields and other blocks offered for farm-in in the Levantine basin in Israeli waters," The Financial Express quoted an unnamed official as saying.

"Since India has been importing crude oil from West Asian countries such as Iran, Iraq, Kuwait and Saudi Arabia, opportunities in Israel were not pursued so far."

Meanwhile, as the world's hydrocarbon stakeholders await a firm decision on Leviathan's future, Gilo responded in a letter on Sunday to criticism from National Infrastructures, Energy and Water Ministry officials, including Director-General Orna Hozman-Bechor, who sent a letter to Gilo on Thursday arguing that freezing the development of Leviathan could have serious geopolitical and fiscal implications for Israel.

"No changes in the circumstances have been presented to justify the move," she said, adding that the changes could cause "significant and fundamental harm to the energy sector in Israel."

In his response on Sunday, Gilo called Hozman-Bechor's letter "surprising," pointing out the Energy Ministry's "lack of an explicit position in the past."

When Antitrust Authority officials held a meeting with Energy Ministry officials on February 17, in light of the ongoing Leviathan negotiations, the representatives failed to express any position on the matter, he said.
“From your letter, and likewise from the policies of the [Energy Ministry] over the years, arises a stance that puts above any other interest the prevention of the threat that the monopoly in Leviathan will not develop the Leviathan reservoir,” Gilo wrote.

The antitrust commissioner accused Energy Ministry officials of prioritizing this goal “even if the significance is the subordination of the entire Israeli market to a formidable gas monopoly, which is expected to control most of the economy’s energy sources for many years.”
“With all due respect, I disagree with this approach outright,” Gilo wrote. “The Israeli consumer does not just deserve natural gas. He deserves natural gas at a competitive price, and he deserves a competitive gas sector.”

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