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Massive offshore reserve holds \$45b. in natural gas

By BEN HARTMAN

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Noble Energy: Israel has potential to be gas-exporting nation; Landau: Greatest earnings to be felt by citizens of Israel; GDP increases 4.5%.

An offshore natural gas reserve contains some 16 trillion cubic feet of gas worth an estimated \$45 billion, an energy corporation which owns a share of the project said on Wednesday.

Noble Energy Inc., which owns 39.66% of the prospect, said the massive store of natural gas in the "Leviathan" reserve – the largest of its kind discovered in the world in the last decade – "has the potential to position Israel as a naturalgas- exporting nation."

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"For nearly a year now, we have had a team evaluating market possibilities, which include various pipeline and LNG (liquefied natural gas) options. It's our belief that the natural gas resources at Leviathan are sufficient to support one or more of the options being studied," Noble Energy president and chief operating officer David L. Stover said on Wednesday.

Partners in the Leviathan project include Israeli firms Delek Group Ltd., Delek Drilling LP, Avner Oil and Gas LP, and Ratio Oil Exploration.

Leviathan is located in 1,650 feet of water about 129 km.

northwest of the coast of Haifa.

The site is about 47 km. southwest of the "Tamar" drill site, estimated to be worth \$15b.

Wednesday's results came from electrical log tests and a very closely matched estimate given on June 2 of this year based on a 3D seismic survey.s Meanwhile, the gross domestic product has increased by 4.5 percent from a year ago, the Central Bureau of Statistics announced at a Jerusalem press conference Wednesday. Israel's economy expanded faster than previously estimated this year as exports, home construction and consumer spending helped fuel growth.

"The recovery is continuing in 2010," said Soli Peleg, head of the CBS's macroeconomic division. "Our situation is good, and we are better off than many countries in the OECD."

Speaking to Channel 10 on Wednesday, Finance Minister Yuval Steinitz called the Leviathan findings “an impressive discovery” and vowed that the State of Israel would place reasonable taxes on the natural gas earnings in keeping with the standards of OECD countries.

In April, Steinitz appointed Hebrew University professor Eitan Sheshinsky to head a committee to examine Israel’s royalty policies on energy – which today stand at 12.5%, very low by international standards.

The issue of raising the royalty percentage has ignited a serious debate in Israel, pitting some of Israel’s wealthiest businessmen against those, largely on the Left, who hope to garner a larger share of the earnings for the State of Israel.

Sheshinsky’s committee has called for raising the royalties to 66%, but gas and oil investors say such royalties make energy exploration unprofitable.

National Infrastructures Minister Uzi Landau (Likud) on Wednesday called the discovery “the most important piece of energy news since the founding of the state” and added that the greatest earnings for the discovery would be felt by the citizens of Israel.

Ratio CEO Yigal Landau called Wednesday “a festive day for the people of Israel,” but warned that “today, gas and oil exploration in Israel is under attack from populist forces” looking to fill the state coffers with the Leviathan profits.

Landau added that the company would continue to search south of the Leviathan site for sources of energy from which, he stated, “investors, the state and the public will be able to benefit under agreed and suitable rules.”

MK Dov Henin (Hadash), one of a number of politicians pushing for a higher public share in the gas earnings, said that “the Leviathan finds assure tycoons and investors unprecedented profits. This is the time to end the argument and approve sharp increases in the percentage of natural gas income that will be earned by the state.”

Bloomberg contributed to this report.



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