
Interview: Dr. Amit Mor

Middle East joint energy projects: 'Let's do it now'

Dr. Amit Mor is a specialist in energy, infrastructure, and environmental economics, and Director of Amit Consulting & Enterprising Ltd. in Tel Aviv, Israel. He received his bachelors and masters degree in economics from Hebrew University in Jerusalem, and a doctorate from Pennsylvania State University, in the Department of Energy, Environmental, and Mineral Economics.

In the 1980s, Dr. Mor served as assistant to the Israeli Minister of Energy. From 1990-97 he worked as a consultant and analyst at the World Bank in Washington, D.C., on projects in Sub-Saharan Africa, eastern Europe, and the Middle East, with special focus on natural gas and power and oil projects.

In 1997, he established an energy and environment consulting firm, working with international gas companies and governments, in Israel and elsewhere, in energy economics, project definition, and implementation. Dr. Mor was interviewed by Marsha Freeman on Jan. 13, 2000.

EIR: I understand that you have been involved in the negotiations on energy projects between Israel and other countries in the Middle East. What experience have you had working on these international projects?

Mor: I have been involved in the Egypt-Israeli project for about 15 years, since its initial thinking back in the 1980s, when Israel approached Egypt to implement a natural gas project. But it was not politically feasible until 1993. At that time, I was already in Washington. At the time of the Oslo Accords, the Egyptians were willing to sign at least a memorandum of understanding to pursue the project. As a consultant, I initiated some activity at the World Bank, to try to promote the project, and advised the Israeli government about the structure of domestic natural gas projects. Since then, I have worked for various of the parties on this project, such as international companies, domestic enterprises, and for the Israeli government.

EIR: What was the specific project that you have been working on between Israel and Egypt?

Mor: It is a natural gas pipeline project. Egypt has significant reserves of natural gas and is looking for markets for

export. Israel didn't have, until lately, almost any significant amount of natural gas, and the government would like to develop the natural gas market to convert consumption of heavy fuel oil to natural gas, especially in power generation and industrial uses. This would improve air quality, and might even lower power production costs.

The only option until two months ago, when the initial find of natural gas took place offshore Israel in the Mediterranean, was Egypt. There have been ups and downs politically in the negotiations between Egyptians and the Israelis, but hopefully a natural gas pipeline project will get started during the year 2000.

EIR: Does it look as if there will soon be an agreement?

Mor: Hopefully. The negotiations commenced the second time in January 1999, among the international oil companies, the Italian firm ENI, British Petroleum-Amoco, and Egypt, and with the Israel Electric Corp., but they were halted by President [Hosni] Mubarak, who asked the companies to stop negotiating before the 1999 elections in Israel, for political reasons.

Following the elections, President Mubarak promised [President Ehud] Barak, and President Clinton, who also approached him about the project—here I might say that the American government was very active in trying to promote this project and convince the parties to implement it. President Clinton felt that it was important for many reasons.

The major reason is that such projects would yield large amounts of foreign exchange income to Egypt. For example, sales to Israel, assuming a \$20 per barrel average oil price over the next 20 years, might yield an income of \$20-25 billion of exports to Israel. And since the U.S. aims at reducing direct aid to Egypt, which now amounts to \$2.2 billion per year, Egyptian natural gas sales might be a partial replacement for American aid, and a long-lasting source of income.

In this regard, there is a committee, with Vice President [Al] Gore and President Mubarak, to identify sources of sustainable sources of foreign exchange income to Egypt, anticipating the reduction in American aid, and no doubt, the natural gas export project is the most significant source.



The Gaza Strip, 1995. Dr. Amit Mor is urging the immediate initiation of a natural gas project between Israel and Syria, as one among many energy and water projects needed to improve conditions throughout the region. "Hopefully, we will see much more integration in the region," he says, "which would benefit all of us."

That is a major reason the U.S. was so active, and still is, in trying to promote this project.

From the Egyptian point of view, Israel is a major market for its gas, along with other countries in the region, like Jordan, the Palestinian Authority, and maybe, in the long run, also Lebanon. But the Israelis are the most significant market. I took part in trying to put together a structure for this project on the Israeli side with the international oil and gas companies.

EIR: You have an interesting proposal that you have presented publicly in the press, for a natural gas agreement between Israel and Syria. What is your proposal?

Mor: It seems that Syria has significant reserves of natural gas. Its oil reserves are depleting. Currently, oil is a major source—about 60%—of its foreign exchange income, but in 10-12 years time, Syria might go from being an oil exporter, to being an oil importer. In the course of oil exploration, significant reserves of natural gas were discovered. The only potential market for Syrian gas, in addition to domestic utilization, is Lebanon, and negotiations have been taking place for a few years for extending a pipeline from Homs to Tripoli and down to Beirut, and to Sidon, and so forth, through Lebanon, for power generation and industrial uses. Theoretically, the second market for Syrian natural gas might be Israel.

According to the concept that I'm developing, an initial figure for export of Syrian gas to Israel could be in the amount of 1-1.5 billion cubic meters of natural gas per year, which would meet 15-20% of Israel's demand in five to

ten years time. Technically, the project is feasible. If the Lebanese project materialized, one could extend the pipeline 20 miles to northern Israel, or alternatively, build a direct line from Damascus toward Haifa, which is about 50 miles.

EIR: It would seem that technically this is a feasible project. What are the problems involved?

Mor: The problem is of a political nature. First, is the willingness of [Syrian] President [Hafez] Assad to export natural gas to Israel, and I would assume that he would not want to do that. I suspect that President Assad would not promote economic relations or commerce at all. It is my understanding that he would like to see, not a "cold economic peace" with Israel, like what Israel had with Egypt over the past twenty years, but would like to see a "frozen economic peace." He is expecting economic aid from the U.S. and Europe, investments from international companies, but he does not want to promote any bilateral Israel-Syria economic relationship.

On the Israeli side, Israel does not necessarily need Syrian gas. New discoveries of natural gas in Israel promise, in the next immediate period, probable establishment of significant reserves of domestic gas, and, in addition, the major source of gas will be Egypt. There is a pipeline being built from Port Said, up north, to the Sinai, about 20 miles from the Israeli border, by the Italian company ENI, [which could be extended to Israel]. So, there is no direct need per se by Israel for Syrian gas.

But, I believe there is a motivation for significant economic relations between the countries, and major infrastruc-

ture projects. We are talking about \$100-300 million per year income to Syria.

EIR: What would be advantages to Israel, Syria, and the United States from such a natural gas pipeline project? What are the risks?

Mor: From the Israeli perspective, Israel would like to be integrated into the region, and this is what the project with Syria might offer. The political risk, of course, exists in the import of natural gas from Egypt or Syria, but it is mitigated, in a large degree, by the fact that Israel maintains a strategic reserve of heavy fuel oil, so in the event that, for political reasons, the gas stops flowing, power plants could shift to alternative fuels. Israel does not need to fear a halt in supplies of Syrian gas.

Stopping the flow of gas once it has been established means a declaration of war. In that case, Israel would have back-up options, and would not be dependent. Power industry production would not be dependent on the flow of natural gas. On the other hand, mutual dependency could also happen in Syria, which would become dependent upon the huge amount of money from Israel, \$200-300 million per year. This would account for a significant percentage of its foreign exchange earnings.

I believe that the parties share a major interest in pursuing this project; the Americans, because every dollar Israel pays to Syria to import natural gas must be seen as one less dollar that the American taxpayer would be required to pay to President Assad for his signing a peace accord with Israel. Since President Assad, no doubt, is going to present an appeal to Mr. Clinton, to the U.S. government, and this deal might amount to many billions of dollars, one can think that the natural gas trade can substitute, to a large degree, for the amount the U.S. taxpayers will be required to pay to Syria.

And for Syria, it does not really have an alternative market for its gas.

Since I came up with the idea a week ago, the initiative is gaining momentum, and there is a lot of interest from various parties in the U.S.—from Capitol Hill, from the administration—as well as from Israeli government and other interested parties. I have been interviewed in various Israeli newspapers and on radio about it. I hope that the issue is going to be discussed—at least an initial discussion—in the next Shepherdstown discussions, because there really aren't any major economic issues [on the table yet] that might be identified in the normalization between the two countries.

The most important issue is the water issue, which should be discussed and agreed upon. The second major project for a bilateral relationship is the natural gas deal. One can foresee a project in which one of the major oil and gas companies active in Syria—not necessarily American, but maybe Royal Dutch Shell, the second-largest oil company in the world, or an American company like Conoco, or others—[would be involved], so there wouldn't be direct sales, but an interna-

tional company would be selling gas to Israel. One could put together a structure of a project which might work.

EIR: You have proposed that the Syria-Israel natural gas agreement be written into any peace accords that are signed. Is there any precedent for this?

Mor: Yes. In the Camp David Accords there is a clause which obliges Egypt to sell 2 million tons of oil per year to Israel, and Israel has the option to purchase such an amount of oil. This structure worked for the past 22 years, until two or three years ago when Israel cut it back for commercial reasons.

Inherently, a natural gas project between Israel and Syria could be in the peace accords, to the benefit of all parties involved. I believe it depends very much on the Americans, especially the U.S. government, to promote and convince especially President Assad, that this would be an important project, and might be a test case toward normalization [of relations]. It should also show how the Syrians could take advantage of the economic benefits of their assets.

[The argument should be made that] natural gas is available in Syria, and Israel needs natural gas, so why wait 20 years or more for such *normal* trade to take place for the benefit of the parties? Why not do it immediately? By “immediately,” I mean to start, because such an infrastructure project will take years to construct, and so forth and so on. Let's do it now. Let's not wait so many years for it to go through ups and downs. Let's do it now.

EIR: I am sure that in Israel there will be opposition to your proposal by people who fear that any ups and downs in the political situation could stop the flow of gas. Is that what has happened in the past?

Mor: Actually, during the Israel-Lebanon war in 1982-84, while Egypt called back its ambassador from Israel, oil importation by Israel from Egypt *increased*, from 2 million tons of oil per year, to 4 million tons. This shows that political ups and downs will not necessarily affect economic relations, where the major interests of both sides are concerned.

There is a major difference between oil and gas. Oil is an international commodity. Tankers come and tankers go. There is so much oil that Egypt can export oil to many, many countries, and Israel imports oil from various sources, including from as far away as Mexico. Natural gas is different. It is a major infrastructure pipeline which connects two countries. [In energy terms] gas and oil are almost complete substitutes. The major difference is the way they are transported. It might give them a different political meaning, because gas import is bilateral, and more visible.

Various people in Israel argued against relying on Egyptian gas for Israel's domestic utilization, which is expected to go from [supplying] zero to about one-third of Israel's energy demand in a period of 10-15 years. The question was raised whether to depend so much on the import of energy from an

Arab country. The answer to that, is, mitigating the risk by maintaining strategic reserves of alternative fuels by the power-generation industry. Second, develop alternative sources for natural gas. Maybe, in the future, the import of liquefied natural gas, but that is much more costly than piped gas.

EIR: How do you see these cooperative energy projects contributing to the long-term security of Israel and other countries in the region?

Mor: I believe that the Israel-Egypt natural gas project, the “peace pipeline,” is a “flagship” project for regional development, because it would not just supply gas to Israel, but to Jordan, the Palestinian Authority, and possibly, in the future, to Lebanon and Turkey. I believe there might be some concern about relying on importation of Arab gas in Israel, but one should think about the integration in terms of energy, as something which is very normal in North America, Europe, and a few other places in the world. This should also happen here.

This region is endowed with reserves of oil and gas. I don’t see any reason to not allow that integration to happen to all the countries in the region. You can promote natural gas also for clean energy, so there are various other benefits to the region in the utilization of natural gas—lowering emissions of carbon dioxide, which is important for the region to show that it is making positive efforts. There is some pressure already on Egypt and on other countries.

EIR: The projects that are important, such as energy and water projects, entail the strategic interests of the nations involved. It would seem that this will require trust on all sides.

Mor: One may add here the value of the external parties, like the European governments, the U.S., and multilateral organizations like the World Bank and others, which put a lot of effort into trying to promote these projects. They should continue in their efforts. Such efforts take time. There is a keen interest by various parties to launch this project, to clean up the environment, to increase the supply of water to efficiently utilize water resources.

Jordan, the Palestinian Authority, and Israel today have a population of 13 million people. One cannot separate the activity of Israeli or Palestinian or Jordanian in this small area. Each action has an effect on the life of one’s neighbor. So, the approach to the water issues, and to environmental issues, should be on a regional basis, rather than on a national basis. I believe that the parties understand that very well—the Israeli, Palestinian, and Jordanian people, not just the governments.

Eventually, I am confident, the regional approach will materialize and succeed. Each country will not only see its own small requirements, but will cooperate with others.

EIR: In the mid-1990s, there was a proposal to establish a Middle East Economic Development Bank to finance these

kinds of projects. What has happened to that proposal?

Mor: [Former Israeli Prime Minister] Shimon Peres’s vision of a regional bank started in 1995. It led to the emergence of a structure, a regional office in Cairo, and the preparation for the establishment of this bank. Despite some initial resistance from the World Bank and other international banks, President Clinton and other leaders were eventually persuaded to push that ahead.

I believe that the major reason that it basically died, although it might be revived in the future, is that between 1996 and 1999, Benjamin Netanyahu became Prime Minister, and the initial enthusiasm from 1992-96 became influenced by the negative relations of the government. Between Netanyahu vis-à-vis, especially, Egypt, the relationship was pretty negative. So, an initiative such as a regional bank, which requires the cooperation of all parties concerned, could not be established.

The Arab countries had their own regional bank. We thought it was time to establish one which would allow those countries and Israel to take advantage of soft loans supported by the G-7 countries for the benefit of all countries, including Israel. It would promote some of the regional projects that we are discussing. But again, you need the good faith of all parties, and in a time of a deterioration of economic and political ties between nations, such an initiative cannot be launched.

In addition, we always need to remember that, in the background, there was some basic opposition to this initiative, so once there was no push from Israel, which was a major proponent of the bank during those years, the initiative died. But, because we all hope that the Middle East is returning to the cause of the peace accords, and we all hope that that is going to be the case, these nations and President Clinton should reconsider relaunching this initiative, because there is still the same need for such an organization that there was five years ago.

Shimon Peres wrote of a vision of a “new Middle East.” It was a very important vision for people my age—I’m 40—and for many people in the region. I think of it project by project, sector by sector, tying together people and commerce.

It’s going to take a lot of time to develop. It won’t change the Middle East overnight, and Israeli integration into the region will take many years. But we should not give up. We should continue to develop these frameworks to meet the needs of the people. We don’t have any other alternative.

There is the potential for changing our views from hostility, and investing so many hundreds of billions of dollars in arms and ammunition, to putting some of this investment into economic development. It won’t make a “new Middle East” overnight, but gradually some connections, some projects for the benefit of all countries will emerge, and hopefully we will see much more integration in the region, which would benefit all of us.