Israel Affairs

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/fisa20

Israel's natural gas sector's first year with the Chevron Corporation

Glen Segell

ISRAEL AFFAIRS
2022, VOL. 28, NO. 5, 661–679
https://doi.org/10.1080/13537121.2022.2112382

Routledge
Taylor & Francis Group

Check for updates

Israel's natural gas sector's first year with the Chevron Corporation

Glen Segell

The Department of Political Studies and Governance, University of the Free State, Bloemfontein, South Africa & The Ezri Center for Iran and Gulf States Research, University of Haifa, Haifa, Israel

ABSTRACT
Since October 2020 there is a new actor in Israel's maritime space and energy sector after the Chevron Corporation acquired Noble Energy. This article examines the first year under the headings: financial aspects, regional politics, the UAE and the Abraham Accords, the EastMed natural gas pipeline, security aspects, Chevron and local companies and scandals and environmental aspects. The analysis determines the historical significances and projects ways forward, for a win–win outcome for Chevron and Israel. Chevron has ability to make the EastMed pipeline happen may also have positive ramifications for regional politics. Israel as a regulator will not permit Chevron to gain a larger stake of the gas fields, or even increase prices to the IEC and so to consumers. Israel will aim to ensure that Chevron will not cut corners that could result in labour issues, health and safety dangers, and environmental catastrophe. The Israel Navy has procured four new warships, to meet the gas fields' direct security needs, permitting a Brown Water doctrine shift while enabling enhanced power projection capability.

KEYWORDS Chevron Corporation; maritime security; State of Israel; natural energy sector; Israel natural gas; Eastern Mediterranean natural gas pipeline; Israel Navy; Saar 6 corvette

Since October 2020 there is a new actor in Israel's maritime space and economy, predominately the energy sector. This is the result of the commercial merger and acquisitions by the Chevron Corporation (NYSE: CVX) of Noble Energy Inc (NASDAQ: NBL) – hereafter Chevron and Noble – both American companies. The transaction was valued at $13 billion following the approval by more than 90% of Noble shareholders.[1] Through the acquisition Chevron has become, a strategic maritime and significant economic partner to the State of Israel, Israeli companies, both state and private, and citizens as well as to Israel's partners in the region, especially to Egypt and Cyprus.

An important question to pose about such a large corporation as Chevron is for how long it will stay in Israel. Israel has been radioactive as far as the

CONTACT Glen Segell glen@segell.com The Department Political Studies and Governance, University of the Free State, P.O. Box 339, Bloemfontein 9300, South Africa

global energy industry was concerned. The world's major energy companies have had too many interests in the Arab world to risk exploring for natural gas or oil in Israel. Even with the discovery of important reserves of natural gas in Israeli territorial waters, Israel was still too small change to make it worth the trouble. Noble was the only company to seriously invest in the search and drilling, often referring to Israel as the holy land because of the large number of holes it had drilled finding nothing until the first offshore discovery in 1999.

The strategic dynamics have changed since September 2020 with the signing of the Abraham Accords. The Persian Gulf countries of the United Arab Emirates (UAE) and Bahrain have warmed to Israel. When Morocco and Sudan followed suit in establishing ties with Israel it appeared that the UAE had become a regional hegemonic ideological leader better than the Nasser style Pan-Arabism and Pan-Africanism. Three Arab states, two of which were African had followed the UAE's lead! Anti-Israel sentiments had been supplanted by Israel partnerships. The wider Eastern Mediterranean is also emerging as a major source of gas. In Chevron's case, it has interests in Saudi Arabia, Kuwait, and Iraqi Kurdistan, so it must have taken into account the political changes and any dangers of buying Noble and its Israeli assets and decided they were manageable.

The rationale for this article's historical examination of a fixed period of one calendar year is prompted because it has not been an easy year for anyone. At the fore was the military operation in Gaza during which Chevron's gas platforms were forced to cease operations. That and the COVID-19 virus affecting global gas prices saw a rocky start to the new relationship. There are five additional identifiable facets to these two of the new relationship that are also relevant. The structure of this article is to examine each in a section, of which there seven: the financial aspects, regional politics, the UAE and the Abraham Accords, the proposed Eastern Mediterranean natural gas pipeline, the security aspects, Chevron and local companies and scandals and the environmental aspects.

`The methodology is to use data from multiple sources including Chevron, the Israeli government, the private sector, the media, and other secondary sources including academy. The analysis of the data examines the significances of each of these historically so too the projects ways forward, for a potential win-win outcome in the maritime, strategic, and economic partnership of Chevron in Israel. In doing so, this article contributes to the study of the Middle Eastern affairs by documenting the thinking at the time, after the first year, so that others can build upon it in the future or relate to in a comparative analysis in subsequent years.

The financial aspects

Noble will always have a place in Israel's history. It made the first gas discovery offshore Israel in 1999 and delivered the country's first domestic natural gas in 2004. Noble played a key role in discovering and developing Israel's two offshore natural gas fields, Tamar, and Leviathan. It started production of natural gas from the larger Leviathan field, in December 2019 holding a 39.66% stake in the field. Other partners in the site are Ratio Oil Exploration (1992) LP, which holds a 15% stake and Delek Drilling LP, with a 45.43% stake. Noble also held a 25% stake in the smaller, and older, Tamar field after it sold 7.5% of its stake to Tamar Petroleum Ltd. in January 2018, to adhere to an Israeli government anti-monopoly measure.[2]

In July 2020, the *Wall Street Journal* reported that Chevron had said it had entered into a definitive agreement with Noble, to buy all the outstanding shares of the Houston, Texas-based oil and gas explorer, in an all-stock transaction valued at $5 billion. The all-stock takeover valued Noble at $10.38 a share or at 0.1191 a Chevron share. Including Noble's hefty $8 billion debt load, the deal was valued at roughly $13 billion. It was this debt, maybe due to the COVID-19 global widespread shutdowns and travel bans, that led oil prices plummeting from March 2020, and that no doubt prompted Noble shareholders to approve the deal.[3]

On 5 October 2020, the Chevron announced that its acquisition of Noble had been completed, following approval by Noble's shareholders thereby folding the 85-year-old company. Noble started life as Samedan Oil Corporation, an explorer of crude oil and natural gas, founded by Lloyd Noble, in Ardmore, Oklahoma. There was also an announcement in Hebrew and Arabic.[4] Noble ceased to trade on the New York stock exchange and became a defunct company.

It should be noted that Chevron is the 61st largest public company in the world. At the time of taking over Noble, Chevron announced its intention to honour the terms of all existing agreements and contractual obligations that the State of Israel and others had had with Noble. The business model and corporate structure was for Noble and its subsidiaries and affiliates to continue to operate as a wholly owned subsidiary of Chevron. However, those that had agreements and contracts were also informed that as the integration of activities between the two companies progressed, there would a review of agreements, to determine procurement and contracting needs. An astute practice of evaluation to make improvements![5]

In response, Israel's Minister of Energy Yuval Steinitz said, in a text message, that he welcomed the acquisition and the entry of Chevron to the Israeli energy market. He also reminded Chevron that the Ministry of Energy would examine the request for the transfer of ownership of the rights to the gas fields of Leviathan and Tamar once it was submitted to the ministry.[6]

His statement was in accordance with Israeli law that stipulates that the rights to gas energy fields cannot be transferred without approval of the State of Israel, as the regulator. That is the Petroleum Council in the Ministry of Energy. After an appraisal, the Petroleum Council recommended to the Ministry of Energy Petroleum Commissioner to approve the take-over, with Noble continuing to operate as a Chevron subsidiary. Such a decision did not approve the transfer of rights. It only acknowledged that Chevron had 100% ownership of Nobel. Thereby the rights granted under the Petroleum Law would not be directly assigned but would be under the automatic control of Chevron by virtue of ownership.[7] This granted *de facto* approval of Chevron as the new actor in Israel's maritime space and economy, predominately the energy sector.

It is important to note who owns and controls Chevron, in order to examine policy and decision making, and so too with whom Israel is now partnering. Institutional investors hold a majority ownership of Chevron.[8] Ownership is not necessarily control or that of determining policy. Chevron's three largest individual shareholders are all members of the company's board of directors, and these are the people that Israel will need to do business with. They are John S. Watson who is Chevron's former chief executive officer and chair of the board, Robert Denham who has served on Chevron's board of directors since 2004 and is a partner in the law firm of Munger, Tolles& Olson LLP while also serving on the board of directors for FomentoEconómicoMexicano SAB de CV (FMX), the New York Times Company (NYT), and Oaktree Capital Group LLC, and Ronald D. Sugar, the former CEO of Northrop Grumman.[9] All of these have expressed pro-Israel sentiments.

It is also important to note, that the predominate financial interest of Chevron in acquiring Nobel was its overall global operations and rights, where assets, operations and profits in Israel play a small and maybe even insignificant part in comparison. The physical assets acquired in Israel of Noble were 371,000 of total amounts of 75,183,000 'oil and gas acreage' that realised in 2020 a 'net oil-equivalent production' of 20 'thousands of barrels per day' of a total 3083 'thousands of barrels per day'.[10]

Yet while the Israel part of the deal might be comparatively minor for Chevron, it is extremely significant for Israel. Gas from the two fields Leviathan and Tamar, which are in part owned and controlled by Chevron are strategic in providing over 75% of Israel's domestic and industrial electricity. Chevron now holds a 39.66% and operated interest in the Leviathan field. The lease covers approximately 49,000 net acres (198 sq. km), and the current term expires in 2044. During 2020, production continued to ramp up from the Leviathan field, which averaged 242 million net cubic feet of natural gas per day (64 million cubic feet per day attributable to Chevron in 2020).[11]

The company also holds a 25% owned and operated interest in Israel's smaller Tamar gas field. In 2020, net daily production from the Tamar Field averaged 173 million cubic feet of natural gas per day (51 million cubic feet per day attributed to Chevron in 2020). Progress continues in another part, the Tamar SW development, which consists of one well tied back to the main Tamar. The lease for this field covers approximately 15,000 net acres (62 sq. km), and the current term expires in 2038.[12]

Regional politics

The financial significance may be overshadowed by the political role that Chevron could play due to its operations and economic clout in other countries. As a result of the acquisition, it became evident the scope of Noble's operations in the region, in other countries, that would now be Chevron's, and so too the potentially significant role of Chevron in regional politics. There is potential for many issues beyond that of gas for example the maritime boundary with Lebanon and the role of Turkey.

It is fair to assume that Chevron's primary interests are financial and so might try not to be involved directly in any such regional politics. It is also fair to assume that Israel will wish Chevron to assist in negotiations with neighbouring countriesfor example, for a gas pipeline to Europe, the proposed Eastern Mediterranean gas pipeline (EastMed), for this would also be in the financial interests of all.

At the fore of any considerations forward in regional politics is a close economic and political ally of Israel, Cyprus – a maritime neighbour of Israel in the Mediterranean Sea. Israel's Mediterranean Basin gas fields lie below the Mediterranean Sea between Israel and Cyprus so leading to the shared and join interests, of the two countries, and now Chevron in safety, security, environmental protection, and the export of gas to third parties maybe by a pipeline. In Cyprus Chevron holds a 35% owned and operated interest in the Aphrodite gas field, offshore Cyprus in Block 12. Chevron has a licence covering 33,000 net acres (135 sq km) that expires in 2044.[13]

Chevron also operates in the most populace country in the Middle East that also has a peace treaty with Israel, Egypt. In Egypt Chevron has four oil and gas exploration blocks with a 90% owned and operated interest. Block 1 in the Red Sea, North Sidi Barrani, North El Dabaa and the Nargis blocks in the Mediterranean Sea hold a combined acreage of approximately 3.2 million net acres (13,114 sq. km). The company also has a 27% non-operated interest in the North Cleopatra and the North Marina blocks with approximately 450,000 net acres (1,828 sq km) in the Mediterranean Sea.[14] So here too are joint interests of the two countries and Chevron in safety, security, environmental protection, and the export of gas to third parties maybe by a pipeline.

Moreover, Israel will no doubt wish that Chevron would use its connections and clout in Arab states to influence Lebanon to speed up efforts to a resolution of the controversy between Israel and Lebanon regarding the demarcation of the maritime boundary, and economic waters, between them. Chevron might well do so for a win–win outcome and the development of any gas fields that could emerge in Lebanese waters, adjacent to both Israel's and Cyprus's.

Perhaps there might be quicker and more successful assistance in relations with Jordan, with whom Israel also has a peace treaty. There have been internal pressures in Jordan, exerted by wide circles who oppose normalisation with Israel and Noble's deal with the Jordanian electric company, whereby Jordan would be provided with 3 billion cubic metres of natural gas annually from the Israeli gas fields over a period of 15 years.[15] Perhaps there will be less likelihood that Jordan will cede to these pressures considering Chevron's powerful economic clout globally, including in the Arab world.

The proposed Eastern Mediterranean natural gas pipeline

Clearly, the most significant strategic endeavour that will require the closest of partnership between Chevron and Israel is the transportation of gas to external markets. It is fair to assume that Israel will wish Chevron to assist in negotiations with neighbouring countries, for example for a gas pipeline to Europe – the proposed Eastern Mediterranean gas pipeline (EastMed). The cards are on the table for Chevron to see about the EastMed because the facts are well known. Chevron will need to decide where there are few choices available.

The history of the EastMed pipeline has been one of a lack of progress. It is one idea on how to deliver the gas to consumer markets in southern Europe yet is still far from completion some eight years after its inception. The Israeli government is eager for such a pipeline project even though the European Union has yet to express a long-term commitment regarding the laying of the pipeline. The international business community appears to have little enthusiasm for it. The project itself is very expensive, which means the cost of gas will be high for its end users. Moreover, it carries several political risks, which makes it difficult for investors to put their support behind it.[16]

The baleful politics of the East Mediterranean – Turkey threatening Cyprus, Hezbollah threatening Israel, and populism delaying Israeli energy development – have made transporting the gas for export to the big European market by an EastMed pipeline more difficult than it should be. It is fair to assume that Chevron's activities are for financial gain and so might not wish to be involved directly in any regional politics.

For example, if Chevron supports the EastMed it might become embroiled in the emergence of an anti-Turkey bloc of countries. Opposing the EastMed is Turkey who views the proposed EastMed pipeline as a threat to its territorial claims in the Mediterranean Sea and believes that the pipeline, which bypasses Turkey to connect Israel with Greece through Cyprus and Crete, would undermine its status as an energy hub powering Europe. All these might also be eager to challenge both Turkey and Turkey's close ally Qatar's both in their gas market interests and the recent increase in Ankara's influence over Libya.[17]

In 2020, in part to give the EastMed impetus and to create a regional market, Israel, alongside Egypt, Greece, Cyprus, Jordan, and the Palestinian Authority formed the Eastern Mediterranean Gas Forum (EMGF). Italy and France soon joined the forum as members and the United States, and the European Union were given permanent observer status. The consensus was to gear towards cooperation rather than competition, and to increase the chances of the EastMed pipeline.[18] Such a forum has significance for the entire Eastern Mediterranean, beyond that of just gas.

In Chevron's first year of operations in Israel it didn't play a significant role in kickstarting either the EastMed or EMGF. It is well within its capability should it wish to do so, as demonstrated when Chevron and other partners in the Leviathan and Tamar fields signed an agreement under which Israel Natural Gas Lines Ltd. (INGL) will lay a new subsea pipeline and expand some of its existing ones, in an investment of around $235 million in pipelines to export the fuel to Egypt, sending as much as 7 billion cubic metres of gas annually to Egypt. The gas firms will pay for 56% of the new pipeline and provide guarantees on the funding that INGL takes on to cover the rest. Egypt plans to export gas it buys from Israel, as well as that from its own giant Zohr field, to Europe.[19] Perhaps the second year of Chevron in Israel will see a difference to the EMGF and EastMed pipeline, and so too a win–win strategic solution financially and politically for all.

The UAE and the Abraham Accords

In addition to the significant strategic endeavour of the transportation of gas to external markets, maybe by the EastMed pipeline, and not less significant, is the further development of Israel's natural gas resources. The State of Israel as a regulator promotes competition, in part to prompt efficiency and safety, and in part to reduce costs and increase profits. And so too in order reduce or prevent monopolies that could lead to the opposite.

That means that Chevron is prevented from further bidding, by the Committee for Reducing Business Concentration, due to anti-monopoly legislation and practices, for example in the '3rd Bid Round' for exploration and development licences in the marine territories including Block 72.[20] Yet Chevron's global connections, status and relations with prominent individuals can play a significant role without it having an increased stake in ownership. There can be mutual benefits through strategic endeavours to further Israel's increasingly successful diplomatic efforts, for example the Abraham Accords signed in September 2020.

There are inferences that this is already happening. Indeed, such a strategic partnership is to be expected. For example, in a turbulent market such as the energy sector, where prices fluctuate on an open global market, and with a strong regulator such as the Israeli government, it is also to be expected that the Chevron deal with Noble would not be the only one. Another is a deal for Delek Drilling that is a unit of Yitzhak Tshuva'sDelek Group. It is under orders to sell its stake in Tamar by the middle of December 2021. This is part of an Israeli government effort to ensure more competition in the natural gas industry, which is dominated today by Delek and Chevron. In April 2021 there were market rumours that suggested that Scotland's Cairn Energy was in negotiations with Delek.[21]

However there were also suggestions that Chevron might have had a role, in an alternate purchaser, for within days of the rumour of Cairn, the United Arab Emirates' (UAE) Mubadala Petroleum, which belongs to Mubadala Investment Co, a sovereign wealth fund with $232bn in assets, signed a memorandum of understanding to buy the 22% stake in the Tamar field.[22] No doubt the key actor was Abu Dhabi Crown Prince Mohammed bin Zayed, who is a key figure in the Emirati decision-making system and who also leads Mubadala's board of directors.[23]

If the later deal reaches fruition, this will be the biggest business deal between Israel and the UAE since they normalised their relations with the Abraham Accords. It could be indisputable proof that normalisation provided both countries with material gains, that economics and politics go hand in hand, and that Chevron and Israel are working together for mutual interests and benefits in a strategic partnership.

It should be noted that Mubadala Petroleum would also then be prevented from bidding in the '3rd Bid Round' for exploration and development licences in the marine territories including Block 72, by the Committee for Reducing Business Concentration, due to anti-monopoly legislation and practices.[24]

The security aspects

In its first year in Israel Chevron has experienced the full spectrum of the unique relationship, in the ongoing security situation, that prevails between private companies and citizens, and the State of Israel, in the ongoing security situation that faces Israel in a turbulent and hostile region, especially from the direct threats and actions of adversaries that are predominately extremist and violent non-state groups. There are two main features of this unique relation, compensation legislation and the Israel Defence Forces (IDF).

Firstly, Israel has devised comprehensive legislative for compensation caused by terrorism. It is an important topic, but beyond the scope of this paper to examine whether Chevron would be compensated, and by how much if its gas platforms were to be damaged or destroyed or employees harmed. Some laws that could be considered are The Victims of Hostile Action (Pensions) Law (1970), for bodily injuries suffered in terrorist attacks, as for compensation to family members of deceased victims, and The Property Tax and Compensation Fund Law, (1961) that provides compensation for property damage caused by terrorism.[25]

Another aspect, also beyond the scope of this paper, is whether Chevron or other companies would be compensated, and by how much if the gas platforms were to be closed during a security event. Any sustained closure could no doubt lead to substantial financial loss and place the very existence of any company in doubt. The decision of when to close and restart production is by the Israeli government and not by Chevron or other companies. Such a topic is more real than theoretical.

For example, during IDF Operation Guardian of the Walls on 12 May 2021 Chevron shut down and depressurised the Tamar gas platform at the instruction of the Ministry of Energy. The Tamar platform is located some 25 km (15.5 miles) offshore the city of Ashdod that was under rocket fire from Gaza.[26] Chevron was instructed to restart operations, 9 days after it was shut and production reached full capacity within 36 hours of its restart.[27]

Secondly, as part of the unique relationship, the IDF provides defence, while individuals and companies are not obligated to contribute in any specific manner financially. The IDF mission is not only to protect the gas platforms for the benefit of their owners, but also because they are of strategic significance to Israel, for by 2020 75% of the electricity generated for domestic and industrial use in Israel has been from the gas drilled from these platforms.[28]

The Israeli Navy (IN) is an important branch of the IDF for in addition to protecting the new gas fields it has other roles and missions. This include protecting desalination plants as around half of Israel's fresh water comes from the Mediterranean Sea via five desalination plants, with two more expected to come online in the next few years. Another role is the protection of ports, shipping and shipping routes for the vast majority of Israel's imports arrive via sea as do the majority of exports that leave, via the ports of Haifa, Ashdod and Eilat. There are constant threats in the maritime space and landward from terrorist organisations and other states, as well as drug and gun smugglers and violators of environmental and fishing regulations.

While there are significant security risks facing the gas fields, it is their infrastructure such as gas platforms are the most vulnerable to attacks, especially from rockets and missiles, for example from Gaza and Lebanon. So, an apt analogy would be to suggest that the security of Chevron's assets, which are also Israel's strategic energy resources, and the IDF are tied together liked an umbilical cord. The baby's well-being depends solely on the mother but cannot consciously in any manner assist in the well-being of the mother.

The complex decision-making of how to ensure the security of the gas fields and platforms is taken by the IDF, and not Chevron or other companies, and includes weapons procurement, at the expense of the State of Israel. In 2012, for example, when it was clear that the newly discovered gas fields would be commercial developed, Israel's defence establishment began demanding a one-time budget increase of nearly NIS 3 billion ($1 billion) to cover its plan to protect gas platforms.[29]

One of the interim measures was to instal the land-based Iron Dome missile defence system on existing warships to protect the gas platforms. As it evaluated its new role in securing strategic assets in Israel's exclusive economic zone (EEZ), the IN concluded that it could only protect offshore rigs using additional warships. In May 2015 a contract was signed to purchase four new Saar 6 corvettes to be manufactured in a German shipyard. This type of warship and its capabilities are beyond that ever previously in service in the IN.[30]

Each platform costs $400 million to produce, with the German government covering one-third of the cost. Ninety-five percent of its systems are Israeli-made, and many of them will be completely newly specifically designed. The procurement decision for these had a primary specification to provide security to the gas fields and platforms.[31]

After the design phase, the construction phase began with the ship's steel cutting ceremony in February 2018. Just 15 months after the first steel was cut, the first ship undocked. In May 2019, the INS Magen as first of the Saar 6 class received her name in Kiel. All four were handed over to the IN during Chevron's first year in Israel. The INS Magen in November 2020, the INS Oz in May 2021 and the INS Atzmaut and INS Nitzachon on 27 July 2021. This means that all four ships ordered have now been delivered to the IN.[32]

Each Saar 6 ship has advanced systems that can quickly assign the right interceptor for a rapid hard kill of adversarial projectiles. They are also equipped with advanced electronic warfare capabilities for a soft layer of defence. This multi-layered defence of the gas rigs forms a virtual and real fence that will protect them against an array of threats. These include, for example, the Rafael-made naval Iron Dome and Israel Aerospace Industries' Barak 8, the radar made by IAI-Elta that can detect ballistic and cruise missile threats from a long range, 76-mm calibre naval guns, the Rafael-made Typhoon remote control weapons station while the ship can also carry a helicopter.[33]

With the commissioning of the four Saar 6 ships the IN could also have a broad shift in naval doctrine in two directions, if it so chooses, given their capabilities. The first relates to how the IN thinks about engaging adversaries landward. The Saar 6′s capabilities enable a shift to a greater Brown Water doctrine, which places a focus on sea-to-land combat, founded on the building block of interconnectivity. That means a joint air-sea-land situation picture, and a new level of interoperability, between the IN and the Israel Air Force. The Saar 6′s advanced radar detection and interception capabilities, and its connection to ground-based air defence systems, would form a central foundation for a new level of interoperability.[34]

The second direction could be towards greater power projection. Whilst the initial and primary role and mission of the Saar 6 is offshore defence of the gas platforms and fields, the IN has now gained a significant extra maritime capability. In a maritime strategic evaluation, the IN is now not only capable of defending more maritime areas at a longer distance from Israel's coast, and beyond Israel's EEZ, for a longer period, including the EastMed pipeline, it is also capable of projecting forces for other national security interests.

An example of another national security interest also emerged during an escalation of maritime attacks during 2021. Israeli-operated civilian merchant ships came under attack in the Persian Gulf area, allegedly by Iran. In the last week of August and first week of September the IN participated in a combined maritime security patrol with the US Naval Forces Central Command's 5th Fleet in the Red Sea as a show of force to Iran and indeed to pirates that have operated in the Indian Ocean off Somalia. The forces drilled on search and rescue scenarios, air defence, high-value unit defence, small boat operations, as well as tactical defensive manoeuvres. It also comes at a time of the restructuring of American military commands. This was therefore the first drill for joint work between the IN and the 5th Fleet as part of Israel's move to the United States Central Command's (CENTCOM) area of responsibility from the US Central Command's European Command (EUCOM). The move to CENTCOM can also create the potential for a regional coalition with Arab countries that have normalised ties with Israel against shared threats posed by Iran. CENTCOM has maritime roles in the Arabian/Persian Gulf, Gulf of Oman, Red Sea, parts of the Indian Ocean, and three critical choke points at the Strait of Hormuz, the Suez Canal, and the Strait of Bab-el-Mandeb.[35]

Chevron and local companies

The energy infrastructure in Israel can be a complex economic-security issue for citizens and companies. In 2021 there were three main actors, and it was not evident that they were working together to achieve a win–win outcome.

Who are these actors? One of the largest financially and maybe the most well-known and significant for all citizens and companies is the Israel Electric Corporation (IEC). The IEC is 99.85% owned by the State of Israel, who through the Public Utilities Authority for Electricity is also its regulator. The IEC runs the only national electricity grid and so supplies almost all the domestic and industrial needs.[36] By 2020 75% of the electricity generated for domestic and industrial use has been from the gas drilled from the platforms in the Tamar and Leviathan fields, where Chevron is the largest shareholder.[37]

Rather than working together, to achieve a win–win outcome, it appeared the opposite. Within days of Chevron's entry as Israel's new maritime space and economy actor in October 2020, the Israeli Antitrust Authorities announced its intention to investigate Chevron. The catalyst was a new agreement that IEC had reached with the Tamar gas field partners that would cut electricity bills to consumers by several percent. But it would be buying Tamar gas at a price about 10% lower than the price agreed in separate previous deal with the Leviathan gas field partners. This would open competition between the two large gas reservoirs and the IEC expected that the Leviathan gas price would also drop. Chevron and Delek Drilling wanted to prevent the IEC from buying the Tamar gas because it was cheaper than the Leviathan gas, and because they have a smaller stake in the Tamar field. Chevron decided not to sell gas to IEC and so was allegedly abusing its large stake in Israel's natural gas holdings to keep electricity prices high, costing Israeli citizens hundreds of millions of dollars.[38]

The Tamar partners, minus Chevron and Delek, protested to the Israel Competition Authority.[39] The dispute was resolved in January 2021 resulting in estimated savings of NIS 100 million for the IEC and so too Israeli consumers. This was before the regulator investigated, because Chevron was reminded that the contract between Noble and the IEC, that Chevron said it would respect, includes a clause that allows the IEC to veto any change to the price at which gas is sold to the IEC. Chevron realised that it had a contractual obligation it could not rescind.[40]

A new agreement was reached that allowed all the Tamar gas field partners to sell gas separately according to their proportionate holding of rights in the field.[41] However agreements have a limited duration and will need to be renegotiated periodically and that was already evident in July 2021 when discussions commenced. The sooner the better if all the actors, including the newest Chevron, grasp that consensus is better than confrontation in the complex economic-security energy infrastructure in Israel.

A somewhat better relationship arose when Chevron awarded Israel Shipyards a 16-month coating repair service programme for its offshore and onshore facilities. The work will be done in collaboration with a British company with the requisite expertise to assist in carrying out the project and in implementing the localisation program. That includes training of Israeli workers, project managers, and coating inspectors and their gradual integration into the project.[42]

Scandals and the environmental aspects

While there is optimism that Chevron will play a positive role in Israel there are also allegations that are causes for concern. These relate to accounting practices, labour relations, environmental matters, and human health. Any one of these could have a significant and detrimental impact in the geo-strategic space of a small demographic and geographic country such as Israel. As a regulator, and as a partner, the various Israeli government offices, especially the Ministry of Energy and the Ministry for Environmental Protection, might well heed these and err on the side of caution.

For example, during the taking of evidence by a Knesset committee from many experts and local and international environmental groups, at the fore were alleged irregularities, in environmental matters. The committee was informed of alleged cases in 31 countries where Chevron has been active that it has left a trail of environmental and humanitarian disaster.

Specifically, regarding Israel were alleged irregularities in accounting practices. Quoted was an investor in Noble who sued in a New York federal court about a materially incomplete and misleading registration statement lodged with the US Securities and Exchange Commission that had been used deceitfully as a bid to persuade shareholders to approve Chevron's takeover.[43]

The Knesset committee was also told about alleged irregularities, pertaining to labour relations. When Chevron declared on taking over Noble an estimated run-rate synergy of about $300 million a year it noted that such synergies in part would be related to cutting its workforce in Israel, and reducing the number of office buildings, information technology and insurance costs. Indeed, Noble had already since May 2021 began to lay off dozens of employees in Israel as part of a streamlining plan. This could lead to reduced safety, and the service that the company provides its customers.[44] This could lead to reduced safety, and the service that the company provides its customers.

Evidence was also provided on the dumping of over 18.5 billion gallons of toxic water into the Ecuadorian Amazon rainforest, contaminating two million acres. That is one of the world's greatest environmental disasters, with the amount dumped or spilt estimated to be roughly 30 times the amount discharged in the Exxon Valdez disaster.[45]

Yet another case mentioned was alleged irregularities relating to human health. Documents were shown on Chevron operating in the Republic of Kazakhstan. Chevron and the country signed the terms for a joint venture to develop the Tengiz field, and a 40-year agreement on the formation of Tengizchevroil, LLP [TCO]. According to Kazakhstan data, TCO is the main polluter in Atyrau Oblast, where Chevron's activities account for 70% of emissions. In the Sarykamys village, the daily inhalation load of gas mixtures on the human body exceeds the maximum allowable concentrations up to 12 times, and in the production area of TCO, up to 40 times.[46]

When the Knesset committee challenged the government on all these examples, as is its obligation in the parliamentary process of oversight and checks and balances, it was disclosed that the government was going to approve the Chevron takeover of Noble, but without checking the allegations and its environmental past.[47] Only time will tell what transpires next.

Conclusions

Chevron's first year in Israel can be viewed as a prototype, work in progress. While this appears good for Chevron financially after its acquisition of Noble, what does it do for Israel? This article has shown that looking back over the first year of Chevron in Israel sees that it has not been an easy year for anyone. Chevron has not had prior experience in working in Israel's unique and complex economic-security environment nor with such a strong regulator enforcer as the State of Israel. In turn Israeli companies, both state and private, and most citizens have not had experience in working with such a large global corporation as Chevron. Their experience with large American corporations has been in the defence sector, with the American government playing a major role, and this is not the case with Chevron.

To be sure Chevron's involvement is new, unique, and strategic especially in maritime affairs and the energy sector. Israel's gas fields located below the sea in the Mediterranean Basin, in the past have drawn little interest from international oil companies, except for Nobel. The other large industry giants, including ExxonMobil and Total, abstained from participating in Israel's bidding rounds for drilling and rights. This generated a monopoly potential in the energy sector that the Ministry of Energy has constantly tried to avoid. As examined in this article the acquisition of Noble by Chevron has led to other foreign companies looking to invest in Israel and this has enabled the Ministry to reduce the monopoly potential and advance competition, and in doing so reduce prices for Israeli consumers.

Chevron's involvement in Israel is unique for the total of reserves in Israel's natural gas fields are not large compared to other countries, meaning that the overall profits are comparatively not that much. Yet the gas fields are also too large for the gas extracted from them to be consumed exclusively within Israel. A suggestion of a first step for a win–win outcome for Israel, Chevron, Israeli citizens, and companies such as the IEC is for Israel and Chevron to work together to demonstrate that the gas extracted can be sold in external markets, maybe by the EastMed pipeline. That could have both financial gains for all and positive ramifications for regional politics.

Looking forward positively is with the hope everyone has learned that the way forward for such a win-win outcome is to work together, to understand each other and to make compromises when needed. In doing so Chevron can become an even more significant strategic maritime and economic partner to the State of Israel, Israeli companies, both state and private, and citizens as well as to Israel's partners in the region, predominately Egypt, Jordan, Cyprus, and the UAE. Chevron having crossed the taboo line of the Arab League vis-à-vis Israel, may even entice other major energy companies to come to Israel, maybe 1 day in future the Saudi Aramco.

What's next? Chevron has the capital and presence in all the key countries to make the EastMed pipeline happen. This may be the best or the even the only means it available to increase its profits. Israel as a strong regulator will not permit Chevron to bid for, or to gain a larger stake of the gas fields, or even increase prices to the IEC and so to consumers. Israel will also aim to ensure that Chevron will not cut corners to reduce costs that would result in labour issues, health and safety dangers, and environmental catastrophe. The EastMed could also have positive ramifications for regional politics. For the IN, it has four new warships of a type never previously commissioned, thanks to the gas fields' direct security needs, permitting a Brown Water doctrine shift while enabling enhanced power projection capability. It may need these for other missions such as protecting Israeli-owned shipping in the Persian Gulf region that have also faced a rough year due to alleged attacks by Iran.

Chevron is aware of its size, its involvement in large projects in an area where there are significant political-strategic implications and its potential political roleand understands well the rules of the game, its interests and capabilities, and addresses this extensively in its published reports. For example, the company states, 'Chevron strives to maintain positive, constructive relationships with policymakers and their staff. Our engagement aims to deliver recommendations on policy matters such as the economy, climate change, environmental regulations, energy development and security, international issues, and research and energy transition'.[48]

This appears positive for Israel and it should reciprocate. Notwithstanding the inability to predict or forecast what will transpire in the future, this article has examined the first year of Chevron in Israel by documenting the facts and the thinking at the time, so that others can build upon it in the future or relate to in a comparative analysis in subsequent years. This is its contribution to the study of Middle East affairs for Chevron is Israel's new, unique, and strategic partner especially in maritime affairs and the energy sector. Other research can build upon this article to reflect views from other countries on what has been written

Notes

1. Lombardo and Matthews, "Chevron Agrees to $5 Billion," 10.
2. Ministry of Energy, "Exploration History," 4.
3. Lombardo and Matthews, "Chevron Agrees to $5 Billion," 11.
4. Chevron, "Chevron Completes Acquisition," 4.
5. Noble Energy, "Customer, vendor and supplier," 1.
6. Solomon, "Chevron's $5b Noble Energy," 6.
7. Ministry of Energy, "The Petroleum Council Recommended," 8.
8. CNN, "Chevron Corp (NYSE:CVX)," 9.
9. Maverick, "The Top 3 Chevron," 3.
10. Chevron, "Supplement to the Annual," 12.
11. Ibid., 14.
12. Ibid., 2.
13. Ibid., 9.
14. Ibid., 8.
15. Ersan, "Jordanians Press Case," 4.
16. Ministry of Energy, "Call for Bids Bidding," 1.
17. TRT World, "Turkey Slams Controversial EastMed," 4.
18. Sukkarieh, "The East Mediterranean Gas," 2.
19. Benmeleh, "Chevron to Invest," 6.
20. Ministry of Energy, "Call for Bids Bidding," 2.
21. Fisher and Rochvarger, "Scottish Firm in Talks," 1.
22. Kozhanov, "The billion-dollar UAE-Israel," 2.
23. Todd, "How ExxonMobil and Qatar," 1.
24. Ministry of Energy, "Call for Bids Bidding," 1.
25. Sommer, "Providing Compensation for Harm," 8.
26. Bousso, "Chevron Shuts Tamar Gas," 1.
27. Ibid., 2.
28. Israel Defense Force, "Meet the Sa'ar," 3.
29. Cohen, "Israel Navy Demands NIS," 1.
30. i24, "Israel to Arm Warships," 2.
31. Naval Technology, "Saar 6 Class Corvettes," 7.
32. Manaranche, "TKMS Hands Over Last," 2.
33. Ibid., 3.
34. Lappin, "Arrival of Sa'ar 6 Ships," 8.
35. NAVCENT, "U.S. Naval Forces Central," 4.
36. Israel Electricity Company, "Israel Electricity Company Report," 4.
37. Ibid., 9.
38. Yeshayahou, "Chevron Blocks Israel Electric," 8.
39. Ibid., 9.
40. Ibid., 10.
41. Ibid., 11.
42. Offshore staff, "Israel Shipyards Signs Coating," 4.
43. Surkis, "Noble Energy Investor sues," 2.
44. Barkat, "Noble Energy Laying off," 3.
45. European Greens, "Chevron-Texaco and the Environmental," 2.
46. Kozhanov, "The billion-dollar UAE-Israel," 5.
47. Surkes, "International Environmental Groups," 3.
48. Harari, "Chevron's Regional Responsibility," 3.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Notes on contributor

Glen Segell is Research Fellow at the Department of Political Studies and Governance, University of the Free State, South Africa and Research Fellow at the University of Haifa, Israel.

ORCID

Glen Segell http://orcid.org/0000-0002-4186-2761

Bibliography

Barkat, A. "Noble Energy Laying off Dozens in Israel." *Globes*, May 3, 2020. https://en.globes.co.il/en/article-noble-energy-laying-off-dozens-in-israel-1001327250

Benmeleh, Y. "Chevron to Invest in Pipelines to Send Israeli Gas to Egypt." *Bloomberg News*, January 21, 2021. https://www.bloomberg.com/news/articles/2021-01-19/chevron-to-invest-in-pipelines-to-export-israeli-gas-to-egypt

Bousso, R., and A. Rabinovitch. "Chevron Shuts Tamar Gas Field off Israeli Coast as Unrest Flares." *Reuters*, May 21, 2021. https://www.reuters.com/world/middle-east/chevron-shuts-down-tamar-gas-field-off-israel-coast-wake-unrest-2021-05-12/

Chevron Corporation. "Supplement to the Annual Report." *Chevron Corporation*, July 2021a. https://www.chevron.com/-/media/shared-media/documents/2020-chevron-annual-report-supplement.pdf

Chevron Corporation. "Chevron Completes Acquisition of Noble Energy." *Chevron Corporation*, August 2021b. https://www.chevron.com/stories/chevron-completes-acquisition-of-noble-energy

CNN Business. "Chevron Corp (NYSE:CVX)." *CNN News*, August 21, 2021. https://money.cnn.com/quote/shareholders/shareholders.html?symb=CVX&subView=institutional

Cohen, G. "Israel Navy Demands NIS 3 Billion for Protection of Gas Rigs." *Haaretz Newspaper*, July 9, 2012. https://www.haaretz.com/navy-demands-billions-to-protect-gas-rigs-1.5265338

Crude Accountability. *The Republic of Chevron—20 Years in Kazakhstan*. Alexandria, VA: Crude Accountability, 2013.

Ersan, M. "Jordanians Press Case against Importing Israeli Gas." *AL-MONITOR*, January 14, 2020. https://www.al-monitor.com/originals/2020/01/jordan-parliament-end-israel-gas-agreement-opposition.html

European Greens. "Chevron-Texaco and the Environmental Disaster in the Amazon." *The European Greens*, March 2013. https://europeangreens.eu/brussels2013/content/chevron-texaco-and-environmental-disaster-amazon

Fisher, I., and M. Rochvarger. "Scottish Firm in Talks to Buy Delek's Stake in Israel's Tamar Gas Field." *Haaretz Newspaper*, April 6, 2021 . https://www.haaretz.com/israel-news/business/.premium-scottish-firm-in-talks-to-buy-delek-s-stake-in-israel-s-tamar-gas-field-1.9684807

Harari, M. "Chevron's Regional Responsibility." *Globes*, July 5, 2021. https://en.globes.co.il/en/article-chevrons-regional-responsibility-1001377017

i24 News. "Israel to Arm Warships with Iron Dome System to Protect Gas Reserves at Sea." *i24 News*, December 13, 2015. https://www.i24news.tv/en/news/israel/diplomacy-defense/95544-151213-israel-to-arm-warships-with-iron-dome-system-to-protect-gas-reserves-at-sea

Israel Defense Force. "Meet the 'Sa'ar 6-class Corvette Boat." *IDF*, September 1, 2021. https://www.idf.il/en/minisites/israeli-navy/meet-the-sa-ar-6-class-corvette-boat/

Israel Electricity Company. "Israel Electricity Company Report." *Israel Electricity Company*, August 2021. https://www.iec.co.il/en/ir/pages/default.aspx

Kozhanov, N. "The billion-dollar UAE-Israel Gas Deal Will Go Forward." *Aljazeera*. May 20, 2021. https://www.aljazeera.com/opinions/2021/5/20/the-billion-dollar-uae-israel-gas-deal-will-go-forward

Lappin, Y. *Arrival of Sa'ar 6 Ships Marks Evolution of Israeli Naval Doctrine*. BESA Center Perspectives Paper No, 1,893. Ramat Gan, Israel: BESA, 2021.

Lombardo, C., and C. M. Matthews. "Chevron Agrees to $5 Billion Takeover of Noble Energy." *The Wall Street Journal*, July 20, 2020. https://www.wsj.com/articles/chevron-nears-5-billion-takeover-of-noble-energy-11595239202

Manaranche, M. "TKMS Hands Over Last Two SA'AR 6 Class Corvettes To The Israeli Navy." *Naval News*, July 28, 2021. https://www.navalnews.com/naval-news/2021/07/tkms-hands-over-last-two-saar-6-class-corvettes-to-the-israeli-navy/

Maverick, J. B. "The Top 3 Chevron Shareholders." *Investopedia*. October 7, 2019. https://www.investopedia.com/articles/insights/052216/top-3-chevron-shareholders-cvx.asp

Ministry of Energy. "Exploration History." *Ministry of Energy*, July 2021a. https://www.energy-sea.gov.il/English-Site/Pages/Oil%20And%20Gas%20in%20Israel/History-of-Oil–Gas-Exploration-and-Production-in-Israel.aspx

Ministry of Energy. "The Petroleum Council Recommended to the Petroleum Commissioner to Approve the Merger between Noble Energy and a Chevron Subsidiary." *Ministry of Energy*, August 2021b. https://www.gov.il/en/Departments/news/chevron_140920

Ministry of Energy. "Call for Bids Bidding Round-Block #72 2020." *Ministry of Energy*, June 23, 2020a. https://www.energy-sea.gov.il/English-Site/Pages/Offshore%20Bid%20Rounds/Offshore%20Bid%20Round%20Block%2072%20FINAL.pdf

Ministry of Energy. "Promoting the East-Med Pipeline Project." *Ministry of Energy*, October 29, 2020b. https://www.gov.il/en/departments/news/east_med_291020

Naval Technology. "Saar 6 Class Corvettes." *Naval Technology*, August 2021. https://www.naval-technology.com/projects/saar-6-class-corvettes/

NAVCENT Public Affairs. "U.S. Naval Forces Central Command/U.S. 5th Fleet, Israeli and U.S. Warships Conduct Milestone Maritime Patrol." *US Navy News*, August 31, 2021. https://dvidshub.net

Noble Energy. "Customer, Vendor and Supplier Frequently Asked Questions." *Chevron Corporation*, August 2021. https://www.chevron.com/-/media/chevron/stories/documents/noble-procurement-FAQs-external.pdf

Offshore staff. "Israel Shipyards Signs Coating Service Contract with Chevron." *Offshore News*, July 12, 2021. https://www.offshore-mag.com/regional-reports/middle-east/article/14206640/israel-shipyards-signs-coating-service-contract-with-chevron

Solomon, S. "Chevron's $5b Noble Energy Buy Brings a New Owner to Israel Natural Gas Fields." *The Times of Israel*, July 20, 2020. https://www.timesofisrael.com/chevrons-5b-noble-energy-buy-brings-a-new-owner-to-israel-natural-gas-fields/

Sommer, H. "Providing Compensation for Harm Caused by Terrorism: Lessons Learned in the Israeli Experience." *Indiana Law Review* 36, no. 2 (2003): 335–365.

Sukkarieh, M. "The East Mediterranean Gas Forum: Regional Cooperation Amid Conflicting Interests. Natural Resource Governing." *Governance Institute*, March 11, 2021. https://resourcegovernance.org/sites/default/files/documents/the_east_mediterranean_gas_forum_regional_cooperation_amid_conflicting_interests_0.pdf

Surkes, S. "International Environmental Groups Unite to Warn Israel against Chevron." *The Times of Israel*, September 9, 2020. https://www.timesofisrael.com/international-environmental-groups-unite-to-warn-israel-against-chevron/

Surkis, S. "Noble Energy Investor Sues over 'Misleading' Info on Chevron Merger Deal." The *Times of Israel*, January 23, 2021. https://www.timesofisrael.com/noble-energy-investor-sues-over-misleading-info-on-chevron-merger-deal/

Todd, F. "How ExxonMobil and Qatar Petroleum Should Proceed to Capitalise on Cyprus Gas Discovery." *NS Energy*, March 2, 2019. https://www.nsenergybusiness.com/news/exxonmobil-qatar-petroleum-cyprus-gas-discovery

TRT World. "Turkey Slams Controversial EastMed Pipeline Deal Signed in Athens." *TRT World News*. January 2, 2020. https://www.trtworld.com/europe/turkey-slams-controversial-eastmed-pipeline-deal-signed-in-athens-32668

Yeshayahou, K. "Chevron Blocks Israel Electric-Tamar Gas Deal." *Globes*, October 7, 2021. https://en.globes.co.il/en/article-chevron-blocks-israel-electric-tamar-gas-deal-1001344863