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Israeli economic leaders warn against exporting too much natural gas

'Exporting gas would be stealing about $250 billion from the public,' says the head of the Institute for Economic Planning.

By Itai Trilnick | 20:05 13.03.13 | 0

Israel shouldn't export too much of its natural gas reserves, Israeli economic leaders urged this week, and blasted a special committee for recommending that the country export most of it.

Speaking Tuesday at the annual Herzliya Conference, business leaders criticized the Tzemach committee, which the government set up to formulate a policy on Israel's massive offshore gas discoveries in recent years.

While extraction and production of the deep-water finds is just gearing up, the debate has been raging since the discovery was declared. The exploration companies argue that they should be allowed to export a substantial proportion of the gas as a reward for their heavy investment and risk. Some experts feel that Israel should keep as much of the gas as possible for strategic reasons, however.

"The Tzemach committee's conclusions are an attempt to increase the government's short-term tax revenues for inefficient uses," said Yossie Hollander, chairman of the Israeli Institute for Economic Planning. "All the gas could be exported to China, but it could also be used by industry to lower the cost of living by $10 billion a year and create new jobs."

The institute also says natural gas should be used more in transportation.

"Israel can save up to $295 billion by 2040 from using gas, but there's no reason to stop there," Hollander said. "According to our calculations, Israel will deplete all its expected gas reserves within 35 years, so we mustn't export even one gram. Exporting gas would be stealing about $250 billion from the public."

Hollander said prohibiting gas exports would bring down its price, and that Australia's export policy had created a domestic shortage of the commodity and boosted the price.

"Australia produced too much liquefied natural gas [for export] and as a result there's not enough gas for local industry," he said. "Gas can't be obtained [there], except for at unrealistic prices. The situation in Israel is similar. Australia's blunder cost it more than $9 billion per BCM (billion cubic meters)."

"A German research institute estimated the added value of various uses for gas, and the largest wasn't exports but industrial development," Hollander said. "Exports might provide the largest added value for Delek Group and Noble Energy, but not for the State of Israel."

Gil Dankner, chairman of Dor Chemicals, said gas prices were determined by the Israel Electric Corporation, which signed a contract with the Tamar field's partners setting a benchmark for the entire economy at double the price in the United States.

"This will mean we'll all pay too much for electricity," Dankner said. "The price of electricity could have been lowered, or the difference put toward reducing the electric company's debts. Instead, they want to export the gas, and this will provide more leverage for raising the domestic price."