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PURSUING PROSPERITY AND PEACE IN THE LEVANT WHITE PAPER SERIES:

LEVERAGING ECONOMIC INTERDEPENDENCE FOR OFFSHORE ENERGY DEVELOPMENTS

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EXECUTIVE SUMMARY

Why is the certification of potential energy reserves in the Levant Basin Province (LBP) lagging so far behind that of its oil- and natural-gas-rich neighbors? The answer lies in the geopolitically fragmented nature of the LBP. Unlike the LBP, Egypt's Eastern Mediterranean resources fall neatly within its Exclusive Economic Zone (EEZ). The political fragmentation of a resource basin that cuts across often-disputed maritime borders, however, constitutes a major constraint on its development.

This paper examines how geopolitical fragmentation negatively impacts the development of offshore energy resources in the LBP. By reviewing recent events in the region, it underscores the complications associated with maritime border disputes and the exploration, extraction, and transportation of cross-border resources. The paper then draws attention to how adjacent regions have navigated similar challenges by capitalizing on interdependent economic opportunities.

As disputes remain unresolved, stakeholders in the LBP should be interested in transforming disputes over natural resources with fleeting economic value into financial assets that retain value over time. The paper identifies the key issues that all parties must agree upon to foster a cooperative solution, paving the way for the full realization of the LBP's vast energy potential.

While this paper was originally written in the summer of 2023, its current version concludes with a brief discussion regarding the war in Gaza. Of particular focus is the ability of energy agreements both to withstand geopolitical shocks and to potentially help prevent conflict escalation.

INTRODUCTION

Countries in the Levant region face two paramount developmental challenges: ensuring reliable access to energy and bolstering their external current accounts. This reality is in stark juxtaposition with the vast offshore oil and gas potential of the region. Estimates indicate that the LBP in the Eastern Mediterranean boasts over 122 trillion cubic feet of undiscovered gas reserves. To contextualize, this volume represents a decade of Europe's current natural gas consumption. Given Europe's objectives to diversify its energy sources, Levant countries possess a strategic opportunity to offer a partial but viable alternative to Russian oil and gas.

While geology and technology favor the development of offshore resources in the Levant Basin, geopolitical factors present major obstacles. Disputes over maritime borders—coupled with the cross-border nature of these resources—place political limitations on extraction activities. Further, the necessity for pipelines to traverse the often-contested EEZs of various nations hampers the creation of crucial transportation infrastructures.

To sidestep these geopolitical issues, stakeholders have often chosen to dissociate extraction from marketing strategies. In doing so, they frequently bypass the interests of vital regional players—a move that often incurs both economic and diplomatic costs. Such maneuvers have further complicated and delayed the prospects of efficient resource development. As the world steadily moves away from fossil fuels, any delay severely impacts the potential of offshore reserves to address the region's fiscal and energy needs. Moreover, the temporal nature of these natural assets, combined with escalating domestic demands, increases the potential for regional conflicts over contested territories and the extraction of cross-border resources.

This white paper contends that comprehensive solutions, which integrate both extraction and marketing while engaging all pertinent stakeholders, stand a better chance at realizing mutual and timely economic benefits. By fostering offshore resource development in a technically, economically, and geopolitically inclusive manner, these strategies could alleviate tensions surrounding individual claims and potentially resolve age-old border disputes. The cornerstone of this approach is the establishment of supranational institutional frameworks that intertwine the economic pursuits of various entities. Cultivating opportunities for economic interdependence may lead the region toward mutually advantageous arrangements, predicated on the acknowledgment of all stakeholders' rights and interests.

This paper first delves into the resource potential, geopolitical dynamics, and economic outcomes in the Levant Basin, scrutinizing how the existing strategies that separate extraction from transportation issues and bypass the claims of neighboring nations have resulted in regional stagnation. The paper then explores the potential gains from economic cooperation and highlights how countries in nearby regions have effectively addressed similar challenges by incorporating opposing claims into comprehensive agreements, thus jointly addressing extraction and marketing hurdles. Finally, the paper proposes a broad set of principles for effective cooperation in the development of oil and gas resources in the LBP and argues that an agreement that leverages interdependence among all relevant stakeholders should significantly improve their individual economic and security goals.

Since the writing of this paper in summer 2023, the Hamas' attack on Israel and the ensuing war in Gaza have shown the region's fragility to recurrent armed conflict, and the inherent difficulties of achieving mutually beneficial solutions between parties that do not recognize each other. Nevertheless, energy activities in previously disputed waters between Lebanon and Israel have held steady despite this massive shock to regional stability. Moreover, outside of discourse and limited skirmishes, all-out conflict between Lebanon and Israel has failed to resurface. While this positive outcome is driven by a variety of factors, the contingency of economic benefits from offshore resource extraction is likely helping prevent the further escalation of conflict. This highlights the potential of economic interdependence in the Levant as an unorthodox path to overcoming recurring conflict in the region.

ENERGY DEVELOPMENTS IN THE LBP

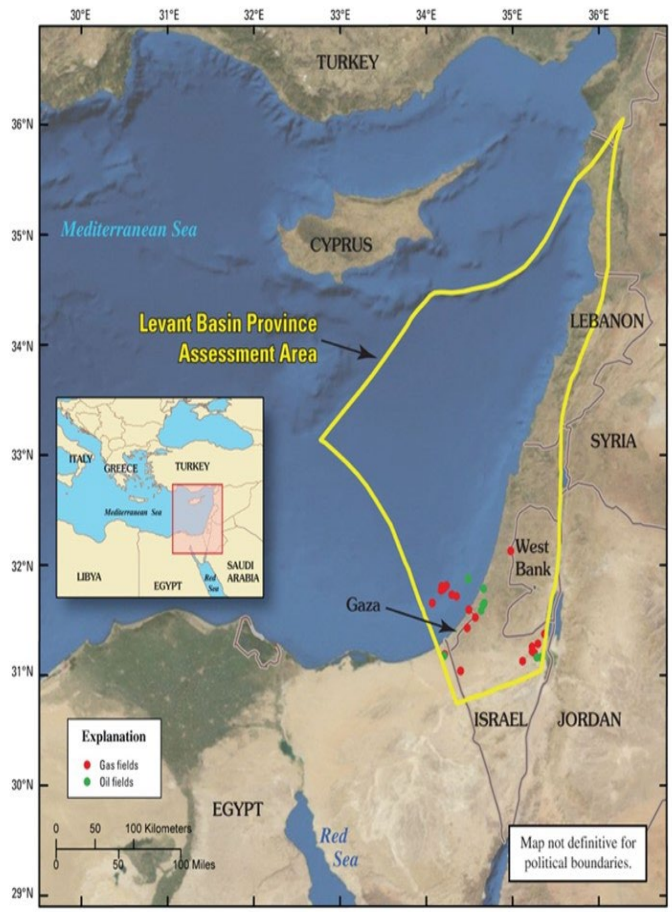
The LBP is an area of 83,000 square kilometers in the Eastern Mediterranean that extends into the EEZs of Israel, Lebanon, Cyprus, Syria, and the Gaza Strip (Figure 1). In 2010, the U.S. Geological

Survey (USGS) estimated that the LBP was endowed with 1.7 billion barrels of undiscovered oil and with 122 trillion cubic feet of undiscovered natural gas (U.S. Geological Survey, 2010). To put these magnitudes in context, they respectively equal a combined nine years of oil consumption in Israel, Lebanon, Cyprus, and Jordan (BP Global, 2022), and 10 years of natural gas consumption in the whole of Europe (International Energy Agency, 2022).

Despite the substantive LBD oil and natural gas endowments, exploration investments and resource production in the LBP fall well behind others in the region. For instance, Egypt's oil proven reserves (3.3 billion barrels) and gas proven reserves (63 trillion cubic feet) in the Eastern Mediterranean are one order of magnitude higher than those of Israel, Lebanon, Jordan, Turkey, and Greece combined (Oil & Gas Journal, 2021). Similarly, Egypt's Eastern Mediterranean oil production (660,000 barrels per day) and gas production (2,270 billion cubic feet per year) are, respectively, 32 times and 6 times those of all other countries in the region (EIA, 2022).

The geopolitically fragmented nature of the LBP severely hampers the ability of Levant countries to profit from their own natural resources. The consequences of such fragmentation can be identified in two important regional disputes: the Israeli-Lebanese maritime border dispute and the Cyprus-Turkey dispute.

Figure 1: Map of the Levant Basin Province



Source: USGS, 2010: https://pubs.usgs.gov/fs/2010/

The Israeli-Lebanese Maritime Border Dispute and Cross-Border Resource Development

Israel and Lebanon have disputed an area of 855 square kilometers in the Eastern Mediterranean since 1948. This dispute flared in the early 2010s when Israel reported two large offshore gas discoveries in its EEZ and when Lebanon announced the start of exploration activities in the region with Iranian support (Knell, 2011). Both countries continued developing and licensing exploration blocks in the area based on their maritime claims, which were presented to the United Nations (UN DESA) in 2011.

Importantly, as Israel discovered and started developing the Karish gas field in nearby undisputed areas, Lebanon laid claim in 2020 to an additional 1,430-square-kilometer area that fully engulfed the same field (Times of Israel, 2020). What followed was a set of meandering negotiations mediated by the UN and the United States (Perry & Williams, 2020), marked by military incidents between the Israeli defense forces and Hezbollah (Ahronheim, 2022).

Despite the possibility of conflict over these resources (Alberti, 2022), a final resolution to the dispute was reached in October 2022—more than a decade after the resources were initially discovered (Al Jazeera, 2022, October 11). The resulting demarcation allowed full Israeli control over the Karish gas field, where production commenced two weeks after the agreement was announced (Agence France Presse, 2022). Consequences of the new agreement, however, were felt elsewhere. The demarcation cut through the prospective Qana gas field. This meant that while Lebanon retained the rights to develop the Qana field, contractors were forced to reach a side agreement with Israel for the payment of their respective royalties. TotalEnergies was only able to launch exploration activities after reaching such an ad-hoc deal (Al Jazeera, 2022, November 15).

The fact that production in the Karish field and exploration in the Qana field could not take place until these agreements were achieved clearly demonstrates how geopolitical fragmentation constrains resource development. The border dispute solution, however, unlocked further exploration efforts in the region, suggesting that fragmentation-induced delays transcended these specific fields. Moreover, the convoluted path to developing the Qana field highlights how future cross-border discoveries may be constrained by the lack of a comprehensive framework for developments in the region.[1] This is indeed the case for the Aphrodite-Yishai joint reservoir between Cyprus and Israel, where disputes over a minor share of the field prevent resource development completely (Coren, 2018). Another regional example comes from the Gaza Strip, where offshore developments were again hindered by conflicting claims (The Economist, 2010). Even in the absence of disputes, the possibility that resources discovered in the region may cut across maritime borders constitutes a disincentive for exploration.

The Cyprus-Turkey Dispute

Cyprus has been divided between north and south since 1974. The north is under the rule of the Turkish Republic of Northern Cyprus, a government only recognized by Turkey. Turkish military forces remain on the island, and territorial waters between Turkey and Cyprus are effectively under Turkish control. Turkey has vowed to remain in Northern Cyprus until a political settlement between Greek and Turkish Cypriots is reached. While animosities have calmed and talks on potential long-term solutions started in the 2010s, the prospects for reunification remain low for the foreseeable future (Psaropoulos, 2021).

As a result of this political history, Turkey views all Cypriot-negotiated maritime border agreements as invalid unless agreed to by Northern Cyprus. This means that Turkey does not recognize the maritime borders agreed upon by Cyprus, Egypt, Israel, and Lebanon, and has threatened to forbid the extraction of offshore hydrocarbon resources south of the island (Emerson, 2013). The fact that Turkey is not a part of the United Nations Convention on the Law of the Sea (UNCLOS) further complicates matters. As a response to nascent offshore exploration efforts in southern Cypriot waters, Turkey and the Turkish Republic of Northern Cyprus delineated their EEZ. Cyprus disputes this delineation (Gürel et al., 2013). Moreover, Turkey has asserted the "Blue Homeland" doctrine for the delineation of its territorial sea, continental shelf, and exclusive economic zones in the Black Sea, Aegean Sea, and Eastern Mediterranean. This claim conflicts with UNCLOS principles and imposes further maritime border disputes with both Greece and Cyprus (Nedos, 2018).

These impasses constrain exploration for energy resources in two interrelated ways. First, they foster uncertainty in the legality and peaceful development of offshore extractive activities in Cypriot territorial waters and throughout the LBP. As resources often lie across or near disputed Cypriot maritime borders, these dynamics erode the relationship between Turkey and other neighboring countries. Tensions between Israel and Turkey have escalated to the brink of military conflict due to the ongoing extractive disputes in the region (UPI, 2011). Furthermore, Lebanon may have failed to ratify its EEZ agreement with Cyprus in part due to political and economic pressures from Turkey (Yorucu & Mehmet, 2018; Flouros, 2018).

The disputes between Cyprus and Turkey impose nearly prohibitive challenges to economical trading routes connecting the natural gas deposits in the LBP with Europe—its most sensible destination market. While natural gas can be compressed into liquid form to be shipped in vessels akin to those used for crude oil shipments, the required compression and decompression infrastructure near extraction and consumption points impose massive additional costs. Ideally, stakeholders would coordinate the development of pipeline infrastructure connecting producers and consumers directly. The most direct path connecting the LBP to existing pipelines reaching the European market would go through Turkey. Specifically, connecting the LBP with pipeline infrastructure existing in Ceyhan (Southern Turkey) could allow for links to the Trans-Anatolian Pipeline, which crosses Turkey latitudinally, and which currently brings Azerbaijani gas into Europe.

Once again, geopolitical fragmentation prevented this economical alternative. Hoping to bypass Turkish claims, countries in the region proposed the EastMed Pipeline project to transport Egyptian and Israeli gas to Europe through Cyprus and Greece. From the outset, stakeholders expressed concerns regarding the economic prospects of the project. Ultimately, Turkish diplomatic objections successfully convinced the United States to rescind project support, bringing about the project's likely demise. This point is noteworthy: Turkish objections induced American rejection of a plan that promised to reduce European dependence on Russian energy. Israel, Egypt, and Greece are now considering even longer and less economical routes that bypass Cyprus to connect energy from the Eastern Mediterranean with European markets.

The chances that such options circumvent Turkish objections are slim, as Ankara continues to push the view that the transport of gas from the LBP to Europe "could only be done through Turkey" (Stamouli, 2022).

Maritime border disputes and coordination problems for cross-border exploration, production, and trade have prevented countries in the Levant from benefiting from the energy potential available in the LBP. Given the urgency of Europe's desire to distance itself from Russian hydrocarbons and transition away from fossil fuels, the window of opportunity for the Levant region to benefit from the vast energy endowments in the LBP is narrow.

A PATH FORWARD FOR THE LBP THROUGH ECONOMIC INTERDEPENDENCE

Despite ongoing geopolitical conflicts, countries in resource interdependent situations akin to that of the LBP have provided blueprints on how to leverage cooperative agreements to bring about significant welfare gains. Other countries have instead shown how to thwart such efforts. Through their examples, these conflict-ridden areas demonstrate the difficult issues that must be addressed by any cooperative agreement for developing the economic potential of the LBP. This paper sets forth lessons learned from these examples, then details a set of principles for creating a supranational body that could help overcome coordination failures among countries with maritime claims in the LBP.

Nearby Examples, Good and Bad

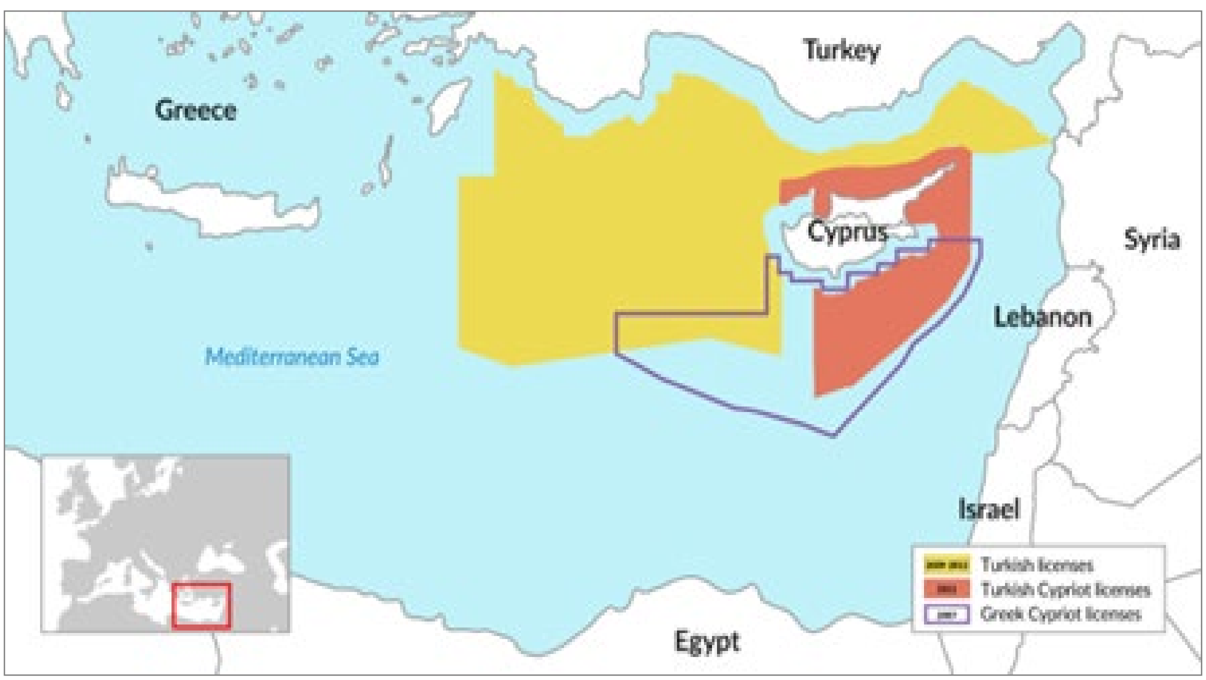
Attempts to deal with the fragmented geopolitics of the Eastern Mediterranean, either independently or bilaterally, have failed to deliver benefits that are commensurate to its enormous energy potential. One such strategy was pursued by countries sharing hydrocarbon resources in the Caspian Sea. The littoral countries (Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran) have expressed bilateral disputes in delineating maritime borders for more than two decades, and lack of agreement has limited the oil and gas extractive potential of the region (Yusifzade, 2000). Concerns remain regarding the sustainability of historic boundaries between the Soviet and Persian regions of the Caspian, further injecting uncertainty into the region. As detailed in a 2005 U.S. Congressional Research report: "Full realization of the energy potential of the region also is impeded by the unresolved legal status of the Caspian Sea. Despite several efforts, so far only Azerbaijan, Kazakhstan, and Russia among the littoral states have reached an agreement on delineating ownership of the Sea's resources or their rights of development. Potential wealth from development heightens the stakes for each country, leading to conflicts over claims to promising regions" (Gelb, 2005).

An alternative approach would be to pursue cooperative agreements that build in economic interdependence among all relevant stakeholders. Prioritizing mutual commercial interests over longstanding conflicts could allow parties to jointly develop their extractive potential in disputed and adjacent regions of the Eastern Mediterranean, while serving as a precedent and providing additional incentives for the cooperative resolution of bilateral impasses. Precedents for such agreements have been able to both unlock mutual economic benefits and soothe regional conflicts.

One example of a hydrocarbon-extraction agreement in action comes from the Neutral Zone between Saudi Arabia and Kuwait. This area of 2,230 square miles was established for shared sovereignty in the Uqair Convention of 1922 (El Ghoneimy, 1966). As interest in the region as a potential hydrocarbon reservoir grew in the late 1930s, the countries decided to cooperatively exploit both onshore and offshore resources through joint concessions and operating agreements (Yergin, 2008). When the Neutral Zone was officially partitioned in 1970, concessions signed before the partition continued operating under the initially agreed upon guidelines (Al-Naimi, 2016), and both countries continue to jointly manage the region's hydrocarbon resources to this day (Reuters, 2022). Importantly, the Saudi-Kuwait alliance for resource development in the Neutral Zone had important defense and security implications: The response against the Iraqi invasion of Kuwait (including its portion of the Neutral Zone) was led by both American and Saudi military contingents (Titus, 1996).

Another nearby example—and one which enabled the cooperation of upstream and downstream capabilities separated across countries in conflict—comes from Sudan. In 2005, Sudan and South Sudan signed their Comprehensive Peace Agreement, giving way to South Sudanese Independence in July 2011. A key component of the deal was its revenue sharing agreement. The two regions arranged an even

Figure 2: Cyprus, Northern Cyprus, and Turkish Exploration License Areas



Source: Nakhle, 2020: https://www..com/r/gas-eastmed/. Used with permission from GIS.

split of all revenues proceeding from oil extraction in South Sudan that could only be marketed through Sudanese pipelines. According to the NGO Global Witness, "The agreement changed the role of oil from a driver of conflict to an incentive for peaceful cooperation" (Global Witness, 2011). Importantly, tensions between the two countries flared upon Southern independence, as the revenue sharing agreement expired (Wël, 2012).

Geopolitical Constraints in Contrast to a No-Fragmentation Scenario

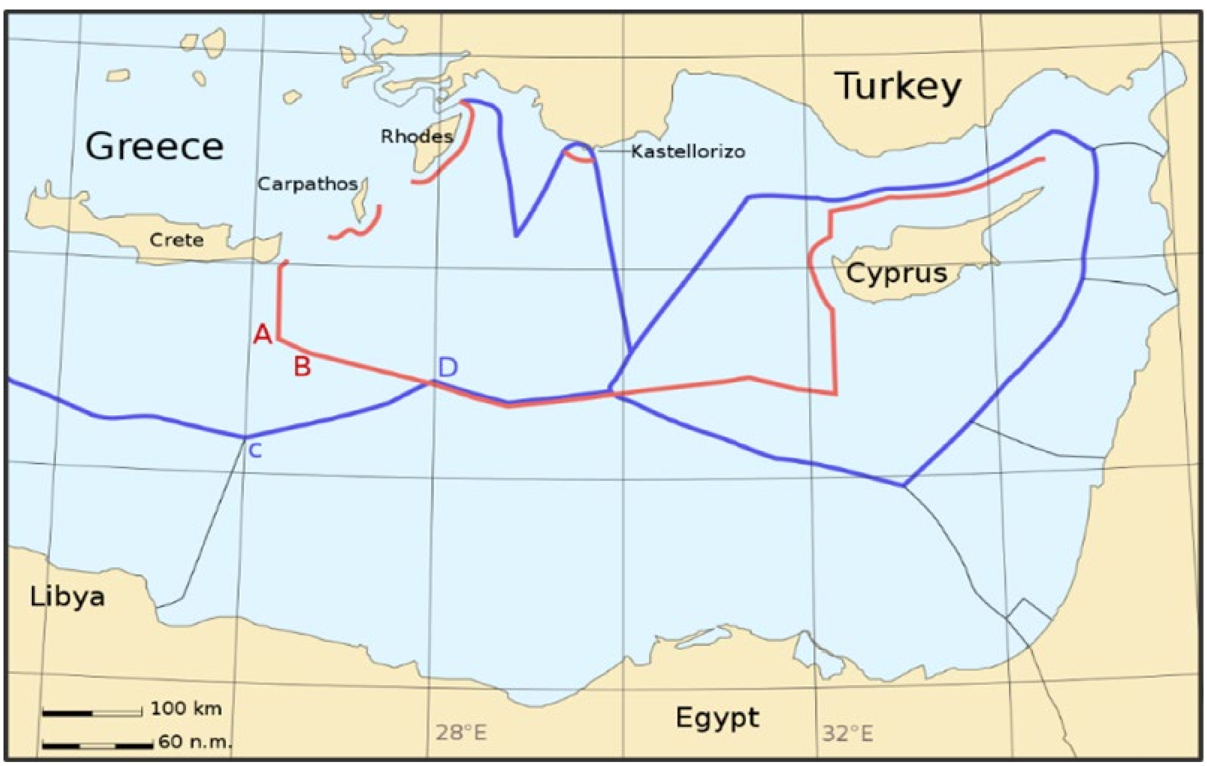
The examples from the Neutral Zone and the Sudan-South Sudan revenue sharing agreement show that arrangements that leverage economic interdependencies between neighboring countries can turn a source of tension and conflict into an opportunity for peace through mutually beneficial cooperation. The diplomatic challenge of resource development in a geopolitically complex environment, such as the LBP, hinges on the capacity to bring multiple issues into a single negotiation process that allows all relevant stakeholders to explore and find win-win opportunities through cooperative arrangements. Such an arrangement should tackle geopolitical constraints on resource exploration, extraction, and transportation to approach technically and economically optimal choices in a no-fragmentation scenario.

Regarding exploration, oil and gas companies need to bid for the opportunity to search for resources in different exploration blocks. In the scenario of no fragmentation, such exploration blocks would be designed and auctioned in ways that maximize the potential of resource discovery without regard to national boundaries, disputed or not. In the LBP, non-overlapping blocks already exist in the territorial waters of Israel and Lebanon. While an artificial segmentation of exploration blocks along agreed maritime borders paired with a lack of coordination in auctioning may be technically and economically suboptimal, these issues seem relatively minor now that the maritime disputes between both countries are settled. The main problem for exploration now lies in the maritime disputes between Cyprus and Northern Cyprus, as licensing blocks from both jurisdictions overlap, constraining further exploration in the area (Figure 2). Similar issues outside of the LBP occur in waters southwest of Cyprus, where Cypriot and Turkish licensing blocks collide. Further, despite not having licensing blocks outlined elsewhere, Cyprus challenges all other Northern Cyprus licensing blocks, as well as Turkish licensing blocks within northern waters that Cyprus disputes as its own. A cooperative arrangement under fragmentation should streamline the set of licensing blocks within disputed territorial waters, as well as create licensing procedures that can yield legitimate resource extraction for all stakeholders.

Exploration often yields the discovery of hydrocarbon resources that cut across maritime borders or lie within disputed territorial waters. In the scenario of no fragmentation, extraction would occur within a single jurisdiction and a single tax framework. Fragmentation imposes constraints in at least four separate ways. First, there are incentives to minimize the extent to which resources discovered in explored territorial waters extend into neighbors' EEZs. Second, as shown in the case of the Qana prospective gas field in Lebanon, the need for bilateral ad-hoc fiscal agreements between extractive companies and the relevant countries imposes additional uncertainties. Third, there are disparate tax and regulatory frameworks for the development of the same resource. Finally, there are conflicting claims on the sovereignty over resources that cut into disputed areas (Figure 3). A cooperative agreement that addresses these issues should leverage independent and transparent assessments on the extension of discovered fields, should streamline the fiscal takes over cross-border resources, and should enable the extraction of resources in disputed territories in a way that is seen as legitimate for all claimants.

Finally, as adequate development of LBP resources transcends local energy demands, a cooperative agreement should incorporate a clear and economical route to large proximate markets with energy deficits—primarily Europe. Under a scenario of no fragmentation, new pipelines would follow routes that minimize the costs of tapping into existing infrastructure reaching European consumers. As discussed above, fragmentation has motivated some stakeholders to try to avoid the most economically sound route connecting the LBP to Europe: available Turkish infrastructure. These relatively expensive alternatives have failed in part due to Turkish diplomatic objections. This has resulted in constraints for energy

Figure 3: Conflicting Claims to Continental Shelf and EEZ Areas in the Eastern Mediterranean



Source: Wikimedia Foundation, 2023: https://en.wikipedia.org/wiki/Cyprus%E2%80%93Turkey_maritime_zones_dispute

Note: Blue lines denote areas claimed by Greece and Cyprus based on UNCLOS; red lines denote areas claimed by Turkey based on its own interpretation of international law.

developments, even as the LBP itself is outside of Turkish territorial claims. Engaging Turkey for the trade of LBP gas resources makes the most economic and diplomatic sense, as it provides economic incentives for Turkey to accept Cyprus' maritime border agreements with Lebanon and Israel, and for the transportation of Cypriot southeastern hydrocarbons, along with Israeli and Lebanese resources.

INSTITUTIONS TO CHANGE THE NATURE OF DISPUTES BEFORE SOLVING THEM

The key assumption of any cooperative effort to ease resource development in the LBP is that dispute resolution is not a prerequisite for resource development. That is, resources can be developed based on mutually agreed upon guidelines that circumvent geopolitical constraints. Turning disputes about underground natural resources with a limited window of economic opportunity into disputes about liquid financial assets should make sense for all relevant stakeholders, as it simply maximizes the long-term economic value of what is under dispute. Moreover, collective efforts are key to unlocking short-term economic gains for all stakeholders. Engaging Turkey with an economic opportunity that does not challenge its territorial claims and that addresses its complicated relationship with Cyprus would provide an economical marketing route for resources in both undisputed and disputed areas.

The Principles for a Promising Agreement

Progress in this direction requires agreements and organizational capabilities at a supranational level. The type of institutions that can enable collective action in the region need to represent all relevant stakeholders for the provision of several public services. Any resulting agreement should include the following:

1. **Streamline the exploration licensing framework for disputed territories.** The agreement needs to resolve the issue of conflicting licensing blocks from Cyprus and Northern Cyprus within the LBP. The organization that results from the agreement should implement a single licensing framework for the auctioning of jointly recognized exploration blocks in disputed areas.
2. **Certify the territorial extension of discovered resources and production levels in each field.** Upon the discovery of hydrocarbon fields in the LBP, the organization resulting from the agreement should certify their territorial extension and identify the shares of offshore resources that lie in the territorial waters of each country or in disputed areas. Similarly, it should oversee production levels in all fields in the LBP so that the respective tax payments can be determined transparently.
3. **Lead the development of pipelines that connect the LBP to Turkish infrastructure.** The agreement should conceive of an optimal trading route that unlocks Turkish diplomatic objections to developments in the region. Given that these pipelines would reach Turkey through national and disputed borders, the organization that results from the agreement should lead its

development in terms of planning, construction, and management.

4. **Streamline the tax framework for extraction and trade across borders and disputed areas.** The agreement should establish that, in cases of cross-border fields, production will pay each national stakeholder an amount consistent with its share of the territorial extension of the field under its own independent (but pre-established) tax framework. The agreement will establish a tax framework for disputed territories, outlining tax rates to be applied on resources linked to these areas. Similar agreements should be established regarding the tax framework that will apply to trade services over any pipeline cutting across national borders and disputed territories at different extensions.
5. **Administer financial resources associated with resources from areas under dispute.** Tax payments associated with disputed territories will go toward escrow accounts managed by the organization resulting from the agreement. These accounts will be managed conservatively to preserve the financial value of extracted resources and could be considered in dispute resolution negotiations. In the context of the LBP, the key issue is the Turkish objection to resource extraction in Cypriot waters, as it recognizes Northern Cyprus and defends the rights of Turkish Cypriots. Given that 25% of the Cypriot population resides in Northern Cyprus, an initial proposal for negotiations is that 50% of tax payments associated with Cypriot resources accrues to the Cypriot government directly, while the other 50% accrues to the escrow account managed by the organization resulting from the agreement. This would provide short-term economic incentives to Cyprus, create an economic incentive for Cyprus and Northern Cyprus to resolve the ongoing conflict, and allow Turkey to benefit from additional hydrocarbon trade with Europe through its infrastructure while protecting the economic rights of Turkish Cypriots.

How Such an Agreement Addresses Stakeholders' Regional Priorities

Stakeholders differ on how they balance regional affairs according to their individual interests, urgencies, and perspectives. As unanimity is a requirement for agreements that circumvent geopolitical constraints, it is important to outline the regional priorities of each stakeholder and how an agreement of this kind might address them. To demonstrate how resource agreements can work even in the midst of national disputes, we will focus on Israeli, Lebanese, Cypriot and Turkish priorities.

While Israel's potential to benefit from unconstrained exploration in the LBP is substantial, security concerns likely take precedent over economic considerations. For instance, from a security standpoint, minimizing the ability of neighboring rivals to access financial gains from LBP resource extraction might seem strategic. However, an alternative view seems to have won out during Israeli-Lebanese border negotiations—the view that engagement for mutual benefit on the basis of diplomatic recognition might more effectively improve the security landscape. From this perspective, the potential for an agreement is even more promising, as it binds a broader set of neighboring rivals to continued engagement through the oversight of resource development.

Similarly, while factions within the Lebanese political landscape may consider the recognition of Israel as anathema, it seems that domestic factors prioritizing the country's economic urgencies dominated in the process leading to the bilateral territorial dispute resolution. Given the country's dire financial and energy outlook, Lebanon stands to gain the most from an economic perspective from the unencumbered development of hydrocarbon resources in the region.

Likewise, Cypriot claims over its territorial sovereignty and Turkey's defense of the rights of its co-ethnic minority in Cyprus seem both at odds and non-negotiable. Many aspects of their resource agreement design are laid out specifically to address these existential considerations. Specifically, the proposal provides short-term economic gains for both Cyprus (partial taxes and royalties over resources in its territorial waters) and Turkey (provision of a marketing connection into Europe) while preserving the economic value of the natural resources in territories under dispute. Interestingly, the accumulating financial resources associated with the dispute between Cyprus and Northern Cyprus can be an effective token to use as part of a future negotiated resolution.

A final consideration is how interested third parties can play a part in inviting regional stakeholders to the negotiation table. From an economic perspective, the European Union is most interested in diversifying its energy sources and could play a helpful role in clarifying the financial opportunities behind the development of a natural resource agreement. Moreover, given its diplomatic and strategic interests in stimulating diversification, the United States could build on its role in the resolution of the Israeli-Lebanese border dispute and engage all regional stakeholders and the European Union as mediators.

ISRAEL AND LEBANON: COMMITMENT AMID CONFLICT

While this paper was originally written in the summer of 2023, it would be remiss to omit a discussion of the ongoing war in Gaza in considering heterodox pathways to overcome recurrent regional conflicts. As the armed conflict between Israel and Hamas escalated dramatically in October 2023, questions and concerns arose about the strength of energy security in the Eastern Mediterranean. These questions naturally cast doubt on the feasibility of mutually beneficial agreements that leverage economic interdependencies when parties do not recognize each other's legitimacy. Still, exploration and extraction activities along and in the vicinity of recently agreed maritime borders between Lebanon and Israel have continued despite the resurface of armed conflict in the region, suggesting that the 2022 agreement is robust to this massive shock to regional stability.

While Israel quickly suspended output from the Tamar natural gas field following the Hamas attack and later closed the Ashkelon oil terminal due to safety concerns, the country announced on Oct. 29 that it would move forward with awarding gas exploration contracts off the Mediterranean Coast. Following the announcement, Energy Minister Israel Katz emphasized that continued investment in the region despite the war was a sign of Israel's resilience (Wrobel, 2023). Katz added that discoveries from the awarded countries would "strengthen Israel's energy security, international ties, lower the cost of living, and provide energy support to accelerate the transition of the economy to renewable energies" (Wrobel, 2023). As of February 2024, Israeli license holder Energean had begun natural gas production in the Karish North field, a formerly disputed region addressed in the 2022 maritime agreement.

Lebanon has shown a similar commitment to exploration and drilling in the region. Even amid escalating tensions between Hezbollah and Israel along the Lebanese border, a TotalEnergies drilling rig in Lebanon's Block 9 carried on with its exploratory drilling activities (Christou, 2023). Further, Lebanon continued negotiating a third round of technical and commercial license offers in November for exploration in Blocks 8 and 10 (Samaha, 2023). One source claimed that the war in Gaza was "unlikely to impact investor interest in the country's offshore oil and gas potential," indicating that Lebanon and its commercial partners remain committed to developing the energy potential in Southern Lebanese waters around the maritime boundary deal (Samaha, 2023).

Persistent production and exploration by both countries indicate that the mutually beneficial gains from the 2022 maritime border agreement can fend off large shocks of regional conflict. Despite skirmishes between Hezbollah and Israel after the Gaza conflict started, broader clashes between the two nations have not transpired. Moreover, conflict in Gaza has failed to disrupt energy activities in the region. This mutual and continued commitment to the maritime border agreement and its potential economic benefits highlight the relevance of agreements that leverage economic interdependence as an unorthodox pathway to addressing recurring regional conflict. While such agreements may be hard to strike, they do seem robust to sizeable regional shocks and, most importantly, may play a positive role in preventing conflict escalation whenever these shocks do occur.

CONCLUSION

Five decades ago, Sheikh Zaki Yamani, then Saudi Arabia's oil minister, warned oil producers that "the Stone Age did not end for lack of stones, and the Oil Age will end long before the world runs out of oil" (The Telegraph, 2000). This warning is most prescient today, as renewable energy sources increasingly become economically sensible alternatives to fossil fuels. While these are welcome developments from an environmental perspective, they impose short-term challenges for hydrocarbon-endowed societies. As the economic window of opportunity for oil and gas resources continues to narrow, it is in the mutual interest of countries in the Levant Basin to cooperate and address the region's geopolitical constraints that limit the development of its energy potential.

A cooperative agreement among neighboring countries that changes the nature of disputes over natural resources to disputes over financial assets should not only be possible but should mitigate the diplomatic objections preventing robust energy exports from the region toward

Europe. The broad guidelines integral to such an agreement could also motivate offshore resource extraction in other areas of the Eastern Mediterranean and in the Aegean Sea, where disputes among the same stakeholders also exist. Moreover, events after the start of the war in Gaza suggest that such agreements may not only be robust to massive regional shocks but may also help prevent conflict escalation among rivaling parties with interdependent interests.

Recent saber-rattling between Venezuela and Guyana over resource development in disputed waters and territories looks similar to the natural resource issues faced in the Levant. It is therefore possible that supranational agreements based on principles similar to those discussed here could unlock resource development not only in the Levant, but in Venezuela, Guyana, and any other countries that share fragmented basins.

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NOTES

[1] This paper refers to "cross-border" resources as those that lay across national maritime borders, even when the borders are not under dispute.

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