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Business & Economy

Gaza siege intensified after collapse of natural gas deal

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Palestinian Authority President Mahmoud Abbas and appointed Prime Minister Salam Fayyad attend a signing ceremony between OPIC (Overseas Private Investment Corporation) and the Palestinian Investment Fund in the West Bank city of Ramallah, July 2007. (Omar Rashidi/ [MaanImages](#)/POOL)

Israel has dramatically intensified its military campaign in the Gaza Strip, stepping up air strikes and shelling of the beleaguered coastal strip. UN officials and human rights advocates warn that Gazans now face a humanitarian disaster of unprecedented magnitude with widespread disease and famine rapidly becoming reality as electricity generation, water supply, sewage treatment, food supplies and medical services grind to a halt as a consequence of the ever tighter Israeli blockade.

Israel claims its recent moves are retaliation for continued rocket attacks originating in Gaza that despite their consistency cause scant damage and few actual casualties. But the reasons may include motivations with roots back in 2000, when the British firm British Gas Group (BG) discovered proven natural gas reserves of at least 1.3 trillion cubic feet beneath Gazan territorial waters worth nearly \$4 billion.*

The Palestinian Investment Fund (PIF), a financial holdings company owned primarily by independent Palestinian shareholders, is investing in the project and heads the negotiations in coordination with Mahmoud Abbas' government in the West Bank. BG won a majority stake in the concession to develop the Gaza Marine Field and originally targeted Egypt for the sale of the natural gas. But pressure from then-British Prime Minister Tony Blair led the company to redirect its efforts toward Israel and develop plans for an underwater pipeline that would transport the gas to an Israeli refinery at Ashkelon. That deal could have eventually provided Israel with approximately 10 percent of its annual energy requirement, and would have generated approximately \$1 billion for the PIF. The Hamas election victory in 2006 put all that in jeopardy.

The Palestine Investment Fund was set up by Salam Fayyad, a World Bank veteran lauded by the United States as a practical thinker and fiscal reformist who would deliver transparency to the Palestinian Authority's financial dealings. In 2003, then PA Finance Minister Fayyad consolidated a varied collection of Palestinian Authority holdings into the fund audited by Standard & Poor's and now valued at an estimated \$1.3 billion. The fund's portfolio includes Palestine's most profitable company, Paltel, and serves as the primary vehicle for private investment in Palestinian sustainable infrastructure.

The PIF is ostensibly overseen by the Palestinian Authority; revenue generated by the fund could potentially be available to a Hamas-led government. Through the deal structured with the PIF, BG owns 90 percent of the Gaza Marine license. Consolidated Contractors Company, a Palestinian owned construction firm, owns the remaining 10 percent. The Palestinian Authority retains an option to take a stake in the concession once production is sanctioned. After the 2006 Palestinian election results, Israel began stalling in its negotiations with BG. Any deal that could result in funds reaching Gaza would seriously undermine official Israeli policy toward Hamas. For its part, Hamas assured it would not interrupt development of the project, but reserved its right to restructure parts of the deal it deemed harmful to Palestinian interests. In an interview with Dow Jones Newswires, Minister of Economy Ziad al-Zaza reiterated Hamas opposition to any sale of fuel to Israel.

After the Hamas election victory, Israel embarked on an intense campaign to eliminate the movement as a viable political entity in Gaza while at the same time attempting to rehabilitate the defeated Fatah as the dominant political player in the West Bank. By leveraging political tensions between the two

parties, arming forces loyal to Abbas and the selective resumption of financial aid, Israel and the United States effectively re-installed Fatah in the West Bank, projected the party back onto the international stage and revived the possibility of concluding the energy deal.

With Hamas isolated geographically in Gaza, Israeli policy focused on isolating it politically as well. Israel has made significant progress toward this goal. Fayyad was appointed Prime Minister of the new unelected West Bank government recognized by the West, and by April 2007 the Israeli Cabinet had reversed an earlier decision to prohibit the purchase of natural gas from the Palestinian Authority. But with 1.5 million people living in the Gaza Strip, Hamas retains significant influence in the Palestinian political arena. Israel will have to eliminate the party completely in order to create a political climate suited to accommodate the BG deal. Time is running out.

In January, BG announced it was pulling the plug on negotiations with Israel due to the long impasse, and was again considering Egypt as a buyer. The Egyptian option includes liquefying up to a third of the gas for export to the US and Europe. BG announced plans to close its office near Tel Aviv at the end of January and sell its share in Israel's offshore Med Yavne natural gas field. Since the announcement, Israel has radically expanded its sanctions, cut fuel shipments entirely and stepped up its military campaign. Increased air strikes and use of internationally proscribed tank shell ammunition has led to a drastic increase in civilian deaths and injuries in hopes of eroding support for Hamas in Gaza. Combined with dangerous shortages of food, water and basic supplies, the coastal region has fallen into catastrophe. Israel and the United States refuse to acknowledge the growing chorus of international condemnation. Appeals from Ramallah lack the popular mobilization needed to effectively advocate an end to the Israeli siege. Regardless of the future of the Gaza Marine Field, Gazans can be sure they will be denied any relief it might once have afforded them.

*** Editor's note:** This article originally stated the natural gas reserve has 1.3 trillion cubic meters rather than feet. The Electronic Intifada regrets the error.

International human rights activist Mark Turner recently returned from a nine-month stay in Balata Refugee Camp in the northern West Bank city of Nablus. Turner is currently touring the US, presenting his experiences and analysis of the developing situation in occupied Palestine and can be reached at [Mark.Turner\[@\]ResearchJournalismInitiative.net](mailto:Mark.Turner[@]ResearchJournalismInitiative.net).

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