



### **Israel Launches New Opportunity to Join its Gas Revolution**

**Government to reopen its Exclusive Economic Zone (EEZ) for natural gas and oil exploration while committing to long-term regulatory stability.**

The Ministry of National Infrastructures, Energy and Water Resources recently published a first call for bids on oil and natural gas exploration licenses.

The call for bids comes after a long period of extended public debate and litigation over the government's regulatory framework' including the aspects of the government's take and restraints on exportation. After the implementation of significant changes to those aspects, the government states it is now committed to "provide long term regulatory stability and a favorable environment for investment".

In the last decade there were several substantial natural gas reservoir discoveries in Israel's EEZ. At present, the total amount of discovered recoverable gas reserves is estimated at 900 BCM. Independent research conducted recently for the Ministry of National Infrastructures, Energy and Water Resources by the international consulting company Beicip-Franlab, estimated potential additional undiscovered resources in Israel's EEZ resources to be 6.6 billion barrels of oil and about 2,137 BCM of natural gas.

In this new call for bids, 24 offshore Israeli Mediterranean licenses are to be granted under the Petroleum Law 5712-1952, in 24 search area blocks, with a maximum area of 400 km<sup>2</sup> each, at a distance of 7 km from the shoreline. Bids may be submitted from March 1, 2017, and no later than April 21, 2017, 14:00 (IL time).

According to the bidding rules, bidders, either alone or in consortia, may bid for any amount of blocks, up to the 24 blocks designated for licenses. The total amount of

licenses that may be granted to a single corporation will not exceed 8 licenses, alone or together, if applicable, with a consortium where the corporation's interest is more than 25%. Any entity that holds, directly or indirectly, an interest of 25% or more in an offshore petroleum lease in Israel that has recoverable reserves greater than 200 BCM will be disqualified.

When a bid is submitted by a single entity, the bidder must qualify as an operator. When a bid is submitted by a consortium, at least one of its members, with an interest of at least 25%, must qualify as an operator.

As detailed in the call for bids documents, there are prequalification conditions regarding the financial strength of a bidder, such as: the total assets in its balance sheet, and for a consortium - that the total assets of all members together, are at least USD 400 million; and the total equity in its balance sheet, and for a consortium - the total equity of all members together, is at least USD 100 million.

Winning bidders will be required to provide autonomous, unconditional and irrevocable bank guarantees between USD 2.5 - 10 million (depending on the number of blocks, their location, and the suggested work plan).

A license will be awarded for a 3+3 year period. The extension for the second 3 year period is subject to the conditions in the Petroleum Law and the following:

- a) The license holder carried out its operations during the first 3 years diligently and in accordance with the activities and timetable set in the detailed work plan.
- b) If no well was drilled in the first 3 year period, the extension of the license for the second 3 year period will be subject to the license holder's committing to drill an exploration well during that second period.
- c) The commissioner is satisfied that the license holder has the technical and financial capability to drill at least one well during the additional period.

A license holder that makes a discovery in the licensed area is entitled, subject to the conditions of the license and of the Petroleum Law, and any other relevant law, to be granted a lease for 30 years.

The Ministry of National Infrastructures, Energy and Water Resources launched a designated website in which you can find the bid documents, timing, guidelines and a

data package - <http://www.energy-sea.gov.il/English-Site/Pages/HomePage.aspx>.

**We would be happy to answer any questions that you may have.**

**Sincerely,**

**Fischer Behar Chen Well Orion & Co.**

**For further information please feel free to contact:**

Adv. Yoram Bonen - [ybonen@fbclawyers.com](mailto:ybonen@fbclawyers.com) +972-3-694-4131

Please visit us: [www.fbclawyers.com](http://www.fbclawyers.com)

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