Pipeline Politics: The $35 Billion Standoff threatening Eastern Med Energy Security

A landmark $35 billion deal to double Israeli gas exports to Egypt is paralyzed by political intervention, exposing how geopolitical risk is re-pricing energy infrastructure across the Eastern Mediterranean.

THE SHORT ANSWER

Why is the $35 billion Israel to Egypt gas deal stalled, and what does it mean for energy executives working in the region?

A commercial agreement to expand natural gas exports from Israel's Leviathan field to Egypt, worth $35 billion and involving doubling export volumes over 15 years, has been paralyzed by political intervention since late 2025. Israeli Prime Minister Netanyahu paused approval, linking the gas deal to broader security negotiations over the Gaza border and Sinai. For energy executives, the standoff is a material disruption to North Africa's supply and demand balance and a signal that geopolitical risk is re-pricing regional infrastructure assets, meaning contracts need robust political force majeure buffers and supply portfolios must be diversified.

In this briefing

01

Context: The Interdependency Trap

- The deal in question was designed to solve two problems simultaneously. Israel has a gas surplus and limited export routes, with no LNG facilities of its own, while Egypt has a gas deficit, soaring domestic electricity demand, and idle LNG export capacity at Idku and Damietta.
- This politicization of the molecule flow breaks the commercial shield that has largely protected the Israel to Egypt gas trade from political volatility over the last five years.

FIG.54.01 · DATA

Context: The Interdependency Trap

Side of the standoff	Position
The Plan	Chevron and its partners committed to investing heavily to expand Leviathan's production and build a new offshore pipeline, the Nitzana route, to bypass existing infrastructure bottlenecks
The Reality	Israeli Prime Minister Netanyahu paused the approval process in late 2025, linking the gas deal to broader security negotiations regarding the Gaza border and Sinai

FIGURES AS STATED IN THE FULL DOSSIER; ESTIMATES MARKED AS SUCH.

02

Risks: Capex, Counterparties and Credibility

- The immediate casualty of this pause is investor confidence. The expansion of Leviathan Phase 1B and Phase 2 requires Final Investment Decisions worth billions, and these are predicated on firm offtake agreements.
- Egypt is already grappling with power shortages, and its government had factored these incremental Israeli volumes into its 2026 to 2030 power generation strategy. If this gas does not arrive, Egypt faces two expensive choices.
- Egypt's strategy to earn hard currency by re-exporting Israeli gas as LNG to Europe is effectively paused, denying Cairo a critical revenue stream needed to service its sovereign debt and stabilize its currency.

FIG.54.02 · DATA

Risks: Capex, Counterparties and Credibility

Risk	Exposure
Stranded capex	FIDs for Leviathan Phase 1B and Phase 2 cannot be greenlit without firm Egyptian offtake, threatening the project timeline
Egypt energy fragility	Missing volumes force greater reliance on costlier, higher emission fuel oil or spot market LNG imports
LNG re-export model	Egypt's plan to re-export Israeli gas as LNG to Europe is paused, cutting a needed hard currency revenue stream

FIGURES AS STATED IN THE FULL DOSSIER; ESTIMATES MARKED AS SUCH.

03

Upside Scenarios and the Executive Takeaway

- Is the deal dead? Likely not. The economic logic remains overwhelming for both sides. History suggests that energy often becomes the sweetener in larger diplomatic deals, and a resolution to the security disputes could see the gas deal approved as part of a broader normalization package.
- This friction may also accelerate Israel's exploration of alternative export routes, such as the long discussed pipeline to Turkey or a floating LNG facility.
- The paralysis of the Leviathan expansion serves as a case study in political risk management. For companies investing in MENA cross border infrastructure, commercial viability is necessary but insufficient. Contracts must include robust buffers for political force majeure, and supply portfolios must be diversified.

What matters

01 A $35 billion deal to expand Leviathan gas exports from Israel to Egypt is paralyzed by political intervention as of mid-December 2025.

02 The deal would double export volumes over 15 years but has already missed critical execution milestones, including a November 30 decision gate.

03 Israeli Prime Minister Netanyahu paused the approval process, linking the gas deal to broader security negotiations over the Gaza border and Sinai.

04 Chevron and its partners, including NewMed and Ratio, cannot green light Final Investment Decisions for Leviathan Phase 1B and Phase 2 without firm Egyptian offtake.

05 Egypt faces two costly choices without the incremental gas: greater reliance on fuel oil for power generation, or importing more LNG on the spot market and draining foreign currency reserves.

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