

The Mediterranean and the Israeli Society: Economic Implications of the Israeli Natural Gas

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Up until the turn of the century, Israel has been a resource-deprived nation, entirely dependent on primary energy sources imports. This situation changed dramatically with the recent discoveries of abundant hydrocarbons – especially natural gas – in the Mediterranean Sea. The now-available possibilities to allocate these resources not only to replace imports, but also to accommodate massive exports of the gas, necessitates an assessment of the economic implications over the Israeli economy. This study presents a comparative analysis of natural gas exploitation and use policies for the Israeli gas, in terms their impact over the economic growth, sectoral performance, labor market and foreign exchange. The analysis is based on a Computable General Equilibrium (CGE) model for the Israeli economy called "IGEM", developed by the Natural Resource and Environmental Research Centre (NRERC) at the University of Haifa. The model relies on aggregated empirical data for 28 sectors, combined with a detailed description of the energy sector. Finally, the study draws recommendations for natural gas export and taxation policies.

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