

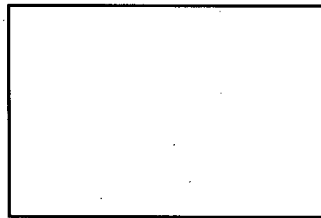
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ISRAEL-EGYPT: Energy and the Sinai

[redacted] //The return of the Sinai Peninsula to Egypt will make Israel almost totally dependent on imported oil for its energy needs, at least for the next several years. Israel will probably try to negotiate access, at preferential prices, to some of the oil and gas it has discovered in the Sinai. Oil purchases from Egypt would save Israel money on transportation costs and would symbolize a major change in political relationships.//

[redacted] //Last year, Israel discovered an oil-producing area off the Sinai that will save it \$20 million in foreign exchange this year and could have supplied most of its oil needs by the early 1980s, saving it about \$500 million a year. A gas find in the northern Sinai could also have filled Israel's current industrial demand for natural gas.//

[redacted] //Under the terms of a peace treaty, Israel may have to pay reparations to Egypt for the 2.9 million barrels of oil extracted thus far this year. Israel may claim a share of the area's mineral resources because of its discovery and exploration efforts, but Egypt has consistently protested--with formal US support--that such Israeli development is illegal.//

[redacted] //If Israel started to import much of its oil from the Sinai, a future cutoff of this oil would not pose a major security problem. Substitute supplies probably could be obtained elsewhere, most likely from Iran and Mexico, Israel's major current suppliers. Israel could in any case operate for at least seven months by rationing stockpiled oil.//

[redacted] //Israel is searching for various alternatives to reduce dependence on imported oil. Coal-fired electrical generating plants are already under construction and should provide about 40 percent of Israel's electrical power needs by 1983. Coal for these plants would be cheaper to import than oil and would come from the US, South Africa, and Australia-- countries traditionally friendly toward Israel.//

[redacted] //Other efforts, such as a government oil conservation policy and funding of research and development of nonoil energy sources, are not likely to bring about a major reduction in oil demand before the late 1980s. [redacted]