



The Economic Costs of the Israeli Occupation for the Palestinian People: The Unrealized Oil and Natural Gas Potential



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The Unrealized Oil and Natural Gas
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Note

This study was prepared by the UNCTAD secretariat, drawing on a study prepared for UNCTAD by Mr. Atif Kubursi, Professor Emeritus of Economics, McMaster University, Ontario, Canada. This study seeks to stimulate debate on the research subject.

Any references to dollars (\$) are to United States dollars.

In tables, two dots (..) indicate that data are not available.

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Acronyms

BGG	BG Group
BTC	Baku-Tbilisi-Ceyhan pipeline
GDP	Gross domestic product
ICJ	International Court of Justice
PNA	Palestinian National Authority
UNCTAD	United Nations Conference on Trade and Development
USGS	United States [of America] Geological Survey

Executive summary

Geologists and natural resources economists have confirmed that the Occupied Palestinian Territory lies above sizeable reservoirs of oil and natural gas wealth, in Area C of the occupied West Bank and the Mediterranean coast off the Gaza Strip. However, occupation continues to prevent Palestinians from developing their energy fields so as to exploit and benefit from such assets. As such, the Palestinian people have been denied the benefits of using this natural resource to finance socioeconomic development and meet their need for energy. The accumulated losses are estimated in the billions of dollars. The longer Israel prevents Palestinians from exploiting their own oil and natural gas reserves, the greater the opportunity costs and the greater the total costs of the occupation borne by Palestinians become.

This study identifies and assesses existing and potential Palestinian oil and natural gas reserves that could be exploited for the benefit of the Palestinian people, which Israel is either preventing them from exploiting or is exploiting without due regard for international law.

Identifying and quantifying the economic loss to the Palestinian people of being denied their natural right to develop and exploit their natural resources extends beyond oil and natural gas resources. The focus of this study, however, is confined to these two resources, in the light of their high value and their critical importance in potentially meeting basic Palestinian needs for energy and export revenues. Also critical are the new oil and natural gas finds in the Eastern Mediterranean that Israel has begun to exploit for its own benefit, while these resources may be considered shared resources, whereby the oil and natural gas exist in common pools. The use of and benefits from these resources should be governed by the same rules and norms that apply to other common resources.

The disputes and tensions involving oil and natural gas cannot be separated from the political context that surrounds them, and the fact that the period when the natural gas discoveries were made coincided with a number of important political developments in the region. The political context intersects at many crucial junctures with the oil and natural gas resource developments and thus complicates an already complex political situation. Ignoring these complexities can only rob the analysis of many crucial determinants.

Several defining characteristics of oil and natural gas separate them from other natural resources. First, they do not follow political borders and can therefore coexist with and straddle multiple national borders. Second, they take several millions of years to accumulate underground, such that the current generations of owners are not necessarily either the only or the legitimate owners. Third, they can be stored at zero cost for decades, centuries and even millenniums. Typically, their

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