

EcoPeace Middle East Briefing Note

The present briefing note discusses the ‘Eastern Station’ power station project, also known as the ‘Reindeer Plant’ and the ‘Hashalom\Peace Power Plant’. It provides background information on the proposed plant and discusses the main environmental threats the project presents for the region and its inhabitants. In addition, it covers the structure and status of the planning process and analysis of key stakeholders involved.

Key Findings Include:

- The Israeli Minister of the Environment, the Head of the Israeli Knesset Environment Committee and Israeli and Palestinian municipalities all oppose the project.
- The project is contrary to Israeli national and global climate commitments by furthering CO2 emissions.
- Environmental risks of the project include pollution of sensitive ground water areas from the storage of large quantities of diesel fuel.
- Public health issues include exhaust gases.

Project Details:

The “Eastern Station” power station is a natural gas-powered facility, which is intended for construction within the South Sharon Regional Council, on the “Mifgash Hashalom” site (see map below). This site is located on the edge of the Palestinian city of Qalqilya in proximity to the ‘Green Line’ in an area between the cities of Kfar Saba in Israel, and Qalqilya in the Palestinian Territories. The ‘Green Line’ is the 1949 demarcation line between Israel and the West Bank.

It is surrounded by Israel Highways 6, 444 and 55. The lion’s share of the land on which the plant is proposed to be built is owned by the Tira’s Abu Dib family - an Israeli Arab family. The Israeli Lands Authority owns the remainder of the land.

The plant is proposed to be built by Reindeer Energy Ltd., as a joint partnership between Germany’s Siemens AG and Israel-based Phoenix Insurance Co. Ltd and other private Israeli businessmen. Phoenix Group holds approximately 40% of Reindeer Ltd.

**NGO in special consultative status with the Economic and Social Council (ECOSOC) of the United Nations*

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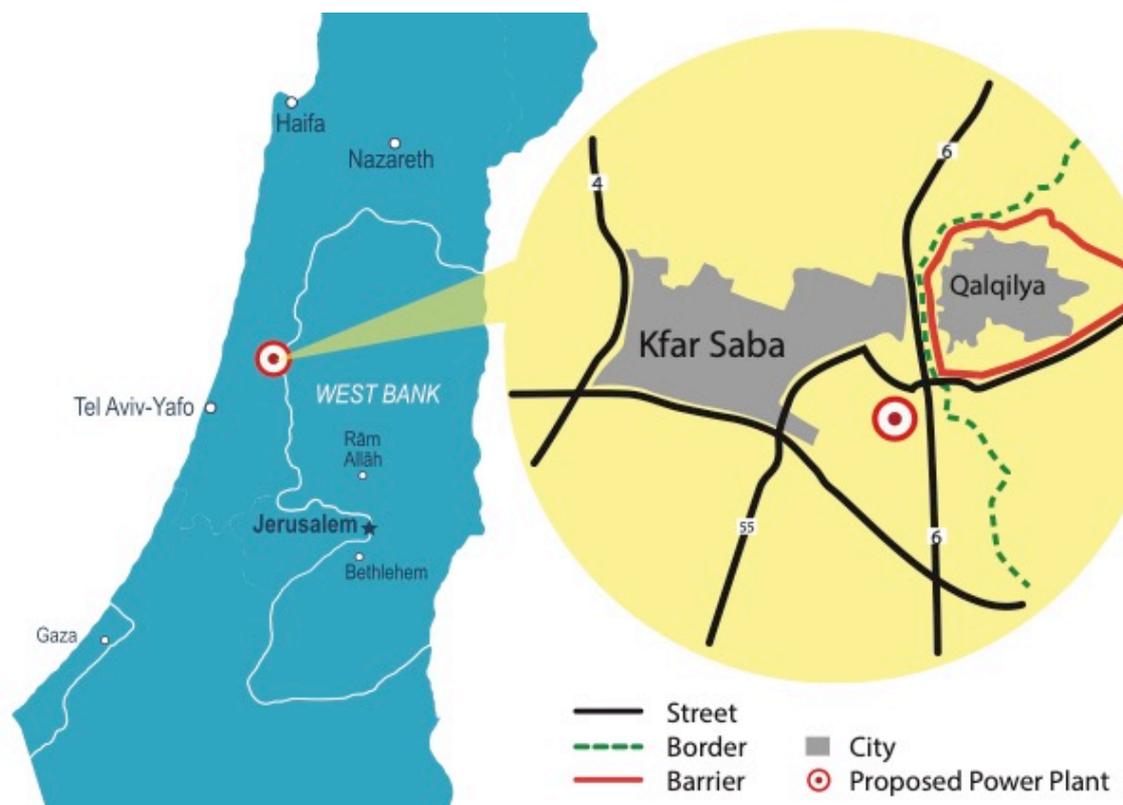
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Phoenix is one of Israel's largest insurance companies and traded on the Tel Aviv Stock Exchange. It was purchased by private equity funds Centerbridge and Gelatine in 2019 from the Delek Group which also controls Israel's natural gas monopoly.

The remaining 60% is held half by Siemens and by Reindeer's founders, Israeli businessmen Itay Rochman and Moshe Krieger. It is important to note that Reindeer itself is a shell company and is a partnership that does not have operational capacities of its own. The venture seems to rely wholly on Siemens' abilities and know-how. It is speculated that a significant portion of the Siemens share in the project is not a financial investment by the corporation but in exchange for the equipment and know-how to be invested.



The construction is estimated to cost between NIS two billion (approximately US\$ 572 million) and NIS three billion (approximately US\$ 858 million), not including its future gas contract, which is expected to double the funding needed.

The plant is expected to supply up to 1,300 megawatts of electricity, around 10% of the current capability of the Israel Electric Corporation, Israel's largest electric power supplier. To put this into perspective, the largest private plant operating in Israel today has a capacity of 910 megawatts. The Israel Energy Ministry and the Israeli National Infrastructure Committee (NIC) maintain that the plant is crucial for the purpose of supplying Israel, and especially Israel's central district, with needed electricity. The plant, it is argued, would reduce the costs associated with transporting energy to the central district.

The Israeli electricity sector has been going through a gradual reform in the last few years and a key element of the reform is to see that further production is not done by Israel Electric Corporation but rather diversified by private enterprises, utilizing Israel Electric Company transport and distribution elements.

The Israeli authorities established a process according to which up to fourteen sites can be proposed. The sites will later be part of a bidding process that will determine which site at what quantity and price will receive the ability to supply electricity. The bidders need to be able to demonstrate a maximum amount of electricity potentially produced, describe a complete operational plan, professional know-how, land ownership/lease and a financial closing package.

The regulatory approval process is composed of two stages with sub-stages at each level.

Planning approval

1. Approval by National Infrastructure Committee (NIC) - The supreme planning authority level tasked with approving large infrastructure projects in Israel.
2. National Planning Council - A formal procedure re-confirming Stage A.
3. Approval by Cabinet - A vote on the plant approval by the Israeli Cabinet.

Economic Bidding:

Upon Cabinet approval each approved site will take part in the economic bidding process.

The Reindeer Project is the sole proposed station that has so far passed planning approval and is now expecting Cabinet approval, while all other projects are in a much earlier stage in the planning process timeline.

Objections to the Project:

Fourteen Israeli municipalities as well as the Palestinian municipalities of Qalqilya and Habla filed objections to the NIC, complemented by expert opinions. Various obstacles, mainly related to last minute notification of the hearing date to hear objections, prevented the proper and due process for municipalities and residents to present their objections. This resulted in Israeli municipalities having to rush preparations before appearing, while Palestinian mayors were given such short notice that they could not arrange the required military permit to enter Israel and therefore **for all practical purposes were prevented from appearing before the committee.**

The Palestinian mayors protested with a follow-up letter calling on the NIC to allow them to appear. The Israel Planning Authority rejected the request on the grounds that their objections was read out loud by a committee staff member during the hearing.

On 4 November 2019, the NIC approved the construction plan, which now only awaits Cabinet approval. The Israeli and Palestinian municipalities will seek legal action in the Israeli Supreme Court, should Cabinet approval for the plant be given.

In recent weeks, the Israeli Ministry of Environment Protection under a new minister, **MK Gila Gamliel** and the Head of the Knesset Environment Committee, **MK Miki Haimovitch**, have come out against the plan to build any new gas-powered stations in Israel including the project proposed. The Minister and Head of the Knesset Environment Committee are **publicly outspoken against all new gas-powered plants** and believe **Israel can fully meet future needs by focusing on renewable energy projects**, that would also be the cheaper option for the country on economic grounds. See attached statements

made by Environment Minister Gamliel in the Knesset Environment Committee and Committee conclusions drawn by MK Haimovitch translated to English from the official Knesset protocol.

The Israeli Ministry of Energy, in order to be seen to accommodate this new position of the Ministry of the Environment and the Knesset Environment Committee, has said that it will reduce its plans for additional gas power plants. However, the Energy Ministry continues to support the Reindeer Station. There is an added concern that it will now rush the approval of the Reindeer Station, announce that it will be the sole gas power station in central Israel and in return ask for its quick approval in the Israeli Cabinet, bypassing the need for a bidding process.

Main Environmental and Public Health Concerns:

The plant presents various environmental concerns for the region and its inhabitants. These include:

Air Pollution: The plant is expected to produce large amounts of electricity from gas and in times of possible gas disruption, diesel fuel. The air pollution concern from natural gas relate to release of nitrogen and sulfur oxides. The objectors have concluded that the assessment made by the proponents of the possible health implications are insufficient, based only on a single model. This is of particular concern for the Palestinian communities given the meteorological and wind regimes of the area will largely carry air pollutants east in the direction of the West Bank.

Hydrological Dangers: The plant is located on a site that is recognized for its hydrological sensitivity, located above the western basin of the Mountain Aquifer, shared Israeli / Palestinian groundwater. See hydrological sensitivity map as prepared by the Hydrological Survey of Israel, an arm of the Israeli Water Authority: [:https://www.govmap.gov.il/?c=206711.98,677484.02&z=3&lay=LANDSENSITIVITY](https://www.govmap.gov.il/?c=206711.98,677484.02&z=3&lay=LANDSENSITIVITY)
The plant would be operating under both natural gas and diesel fuel, with 28,000 cubic meters of diesel fuel being stored in the immediate vicinity of these hydrologically sensitive areas. As a result, the plant poses a significant risk to the groundwater of both Israelis and Palestinians alike. For the Palestinian residents and farming communities around Qalqilya the concern is higher because the ground water represents their only source of water for

domestic and agricultural needs. Israeli communities on the other hand are connected to a sophisticated water network that includes access to desalinated water.

Lack of Fuel Infrastructure Planning: The plant will require over 28,000 cubic meters of diesel fuel storage to function. No detailed plans for the transport and storage of this diesel have been prepared. In other areas of Israel, such as Haifa, fuel storage is being removed from proximity to residential areas. Concerns here are heightened following the city of Beirut disaster.

Public Health Impacts: Exposure to nitrogen dioxide (NO₂) may cause an increase in inflammatory responses in the respiratory system of healthy people. It can lead to an increase in viral diseases and for women exposure to NO₂ during the first trimester of pregnancy increases the risk of fetal heart defects. Exposure to sulfur dioxides can lead to impairment in lung function in children, with the main effect of sulfur dioxide on health is on children and adults suffering from asthma. In conclusion, air pollution as a result of the burning of gas can cause respiratory damage to healthy people and worsen the health condition of at-risk populations.

See <https://www.epa.gov/no2-pollution/basic-information-about-no2#Effects>;
<https://www.epa.gov/so2-pollution/sulfur-dioxide-basics>

Climate Change Crisis: From a climate change mitigation perspective, the building of additional fossil fuel power plants is problematic and acts as a disincentive to combat the global climate crisis. The new position of the Israeli Ministry of the Environment highlights this point and reiterates that solar power can completely meet Israel's future needs and at cheaper prices.

International Law:

It is noteworthy that projects with cross-border elements such as the Eastern Station trigger various obligations under the [Oslo II Accord](#) to share Environmental Impact Assessments (EIA). This includes the obligation to update and consult Palestinians and their representatives.

Stakeholder Analysis:

Parties supporting the plan

1. Israeli Government:

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- A. Israeli Energy Ministry - The ministry is focused on providing short term solutions to meet growing electricity demand.
- B. Israeli Electric Authority - On the whole are supportive of the plants, but have internally voiced concerns that the bidding process is far from structured and fully planned out.

2. Phoenix Holdings Ltd (Israel): [As described](#) by the international news agency Reuters, the company “provides a range of products and services through two segments: insurance and investments. The insurance segment includes car insurance, home insurance, mortgage insurance, travel insurance, life insurance and health insurance, among others. The investment arm provides a wide range of long-term savings solutions, investment products and platforms for independent trading in the capital market. The Company is active locally.”

3. Siemens AG (Germany): is a German multinational conglomerate engineering and manufacturing company. Siemens claims to “practice sustainability in the interest of future generations”, but its track record - for example in regards to the company’s involvement with Adani’s Carmichael mine in Australia - has proven different:

<https://new.siemens.com/global/en/company/sustainability.html>

Parties opposing the plan:

Since plans for the plant were first announced, many stakeholders have called on the Ministries of Health and Energy to cancel it.

1. Israeli Municipalities: 14 Israeli municipalities with key cities being Kfar Saba, South Sharon Regional Council, Jaljulia and Tibe.
2. Israeli Ministry of Environment and Head of Knesset Environment Committee: Newly opposing but lack any regulatory power in the planning and approval stages.
3. Palestinian Municipalities.
 - A. Qalqilya
 - B. Habla

Additional Concerns Relating to Siemens Past Practices:

Siemens according to [one source](#), “is alleged to have bribed officials approximately 4,000 times to the tune of 1.3 billion euros between 2000 and 2006 with the goal of winning contracts abroad”. It should be noted that, as the New York Times [reported](#), Siemens AG ultimately “pleaded guilty to violating accounting provisions of the Foreign Corrupt Practices Act in the US, which outlaws bribery abroad, and paid a fine of \$2.6 billion in total: \$1.6 billion in fines and fees in Germany and the United States and more than \$1 billion for internal investigations and reforms.”

One of the alleged bribes [took place in Israel](#) between 2001 and 2005, “when Siemens Israel Ltd., a subsidiary of Siemens AG [admitted] to paying \$2.5 million in bribes to top executives at Israeli power utility Israel Electric Corporation in return for information and for favoring Siemens in bids valued at €700 million”. [Siemens agreed](#) to a plea deal that would put an end to criminal proceedings against the company. As part of the deal, Siemens Israel would plead guilty to conspiring to commit a crime and pay a fine of over 60 million NIS (US\$17 million).

Unofficial Translation from the Hebrew

See Knesset Committee website:

<https://main.knesset.gov.il/activity/committees/internalaffairs/Pages/default.asp>
[X](#)

**Selected Statements Made at Knesset Environment Committee
Hearing, July 27th, 2020.**

Minister of Environmental Protection – MK Gila Gamliel

We must give priority to infrastructure leading to a reduction in greenhouse gas and pollutant emissions and avoid building infrastructure that will lock us in a high-emission economy.

We need to make sure that the right decisions are made for the State of Israel that guarantee us energy security along with safeguarding the long-term economic interest. The renewable energies today enable the preservation of all these interests while preserving the health of the public and the environment.

In light of the position of the Ministry of Environmental Protection under my leadership, the Ministry of Energy has already reduced its estimates for the scope of additional gas-powered plants required in the next decade from 3,500 megawatts on June 1, 2020 to 1,400 megawatts but for me it is not enough.

The committee should demand from the Ministry of Energy to switch to renewable energies here and now.

Why should one go now and produce here a really unreasonable amount of gas stations that they actually are unprofitable and undesirable in terms of health, environment and economics.

It is done in many countries in the world and there is no reason why it should not be done here as well.

The good of the citizens of the State of Israel and the economy of Israel requires us just to come and demand to stop immediately all the programs (gas stations) and care only for renewable energies and that is for all reasons, health reasons, environment and also economic reasons.

Chairwoman of the Knesset Environment Committee - MK

Micki Haimovitch:

The government plan that decided on the deployment of private gas power plants was set in a different reality. Our commitment to reducing emissions and the technological development of solar panels and storage require us today to rethink and set new goals.

There is also a health aspect here. Opposition to the construction of so many stations and a struggle that crosses sectors, crosses rural and urban sectors, Jews and Arabs.

I have met with countless groups of concerned citizens who are anxious about building gas power plants near residents' homes, near schools, on water resources.

The Committee considers the Ministry of Environmental Protection a key player in dealing with the climate crisis and calls on it in this capacity to lead a process in the government to freeze all plans of new gas power plants and to re-examine the energy economy in light of the climate crisis.

The committee calls on the Ministry of Environmental Protection to work to repeal Government Resolution 2592 which allowed private entrepreneurs to build private gas-based power plants and replace it with a government decision that would encourage the establishment of distributed solar power generation across the country.

The Committee also calls on the Forum of Private Electricity Producers to stop investing so many resources in trying to influence regulators and elected officials to promote gas-based stations and instead help promote the field of renewable energy. Invest your energy, your strength and your financial ability there.

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