

Attorney/Client Privilege/ Attorney Work Product

Final

Statement to the Kandel Committee

January 21, 2015

I want to begin by reading two statements by the legal advisor for the Antitrust Authority.

Let's be clear. Noble Energy did not violate the law, we did not enter into an agreement in restraint of trade, we have not prevented competition. What we have done is to succeed beyond the expectations of the Government of Israel which invited us to invest in Israel and which was happy to have us risk our shareholders' money, apparently, so long as we did not succeed.

There is a monopoly here – that is not a crime - but we need to understand why.

1. Noble and our partners risked our capital in exploring where other companies refused. Our technical innovation and belief in Israel pushed us to take risks that others were not willing to take (For that we will not apologize).
2. Egyptian gas was cut off in 2011. (That is not our fault).
3. Other, less qualified companies, failed in their exploration attempts (Again, not our fault).
4. The continued intervention by the Government of Israel through a collection of regulators with no oil and gas background who have changed the rules, re-traded agreements and tried to push forward legislation and regulations in a way that has chased away any company, other than Noble, who contemplated entering the Israeli market

Let's also be clear that we are not here today simply because of the impending decision by the Antitrust Commissioner. Let me also state that it is my belief that the Antitrust Commissioner has acted in concert with a number of regulators who have coordinated their efforts for the purpose of taking away value from our discoveries. We have arrived at this current situation because the regulatory system in Israel is broken. The extent of the dis-functionality of this system has caused Noble Energy's shareholders, board of directors and management to lose faith and trust in the word of the Government of Israel. What's more, financing institutions have also lost faith in the regulatory environment in Israel and the ability to prudently invest in Israel. I say this with regret and great pain.

Noble Energy and our partners have already invested more than \$1 billion in advancing the Leviathan project. We have done this based on assurances of the Israeli Government, in accordance with all Israeli laws, and in anticipation that the regulatory environment and the commercial situation would allow for sanctioning the project in the near term.

Among the issues that we believed had been resolved was the antitrust issue. As I stated, Noble Energy rejects outright, the claim by the antitrust commissioner that there was an agreement in restraint of trade. This baseless claim argues that in 2008, when Noble acquired a 30% working interest from Delek and 5% working interest from Ratio in the Ratio Yam Preliminary Permit we broke the law. To know the facts and reach such a conclusion would require the suspension of all logic. I remind you that this false allegation was only brought forward in late 2011 after the Leviathan discovery.

Nevertheless, Noble and our partners, for the sake of removing the cloud hovering over the Leviathan development, and, to allow that development to move forward as quickly as possible, agreed to a fire sale of the Tanin and Karish assets under terms and restraints that precluded the ability to optimize value. I might add that our rights to explore and develop these assets were also acquired legally and that we invested more than \$100 million in their exploration. I would just remind you that the resources in these reservoirs are twice the size of Yam Tethys.

After negotiating with the Antitrust Authority for more than two years, we arrived at an agreement in March of 2014. For the following nine months, we listened at conferences, Knesset hearings and other venues as the antitrust commissioner explained to every audience why this deal was important for the citizens of the State of Israel and what a phenomenal achievement it was for competition¹.

For nine months we waited for the consent decree that we executed at the request of the Antitrust Authority, to be sent to the antitrust tribunal for ratification. In that time we have faced and have tried to resolve the following:

1. The Public Utilities Authority has manipulated electricity tariffs, destroying clarity in the pricing indexation in contracts; contracts that were approved by that very authority less than 3 years ago.
2. We have been under the threat of price controls by the Price Control Committee, despite Israel having gas prices that are amongst the lowest in world.
3. The Ministry of Finance has attempted to manipulate export taxes in such a way as to make potential deals sub-economic.
4. For over two years we have waited to receive approval of gas sales contracts that were reviewed by various government agencies and to which changes were made at the demand of those very agencies.
5. The Ministry of Energy has reassessed how royalties are calculated, contrary to historical practice and the Petroleum Law.

¹ Economic Committee protocol dated January 30, 2014.

“אני רוצה לחדד ולהדגיש שההסדר שמתגבש הוא לא מה ש”דלק” הציעה. זה מה שהתעקשנו. הם הציעו הרבה פחות. לא היתה להם ברירה אלא לקבל את מה שהתעקשנו עליו. הטענה שלנו, שמדובר בהסדר כובל, היא היתה המנוף. האיום שלנו להילחם עם זה עד הסוף היה המנוף כדי להשיג את ההישג הפנומנלי הזה לתחרות שאנחנו משיגים כאן. אני רוצה להזכיר שאם לא היינו נוקטים בצעד הזה אז לא היתה שום תחרות בשוק הזה.”

6. The Ministry of Energy holding for ransom our request to connect the Tamar Southwest discovery to the Tamar infrastructure, while not extending the Eran license for not performing an operation which anyone in our industry, and the Petroleum Commissioner, knows would be irresponsible to perform.
7. The Ministry of Energy has not granted us a gas storage permit. This, despite the fact that storage was an integral part of the Tamar development plan and where we invested over \$100 million, and that the delay in storage will harm the Israeli economy at large and the gas consumers in particular.
8. The Ministry of Justice attempted to rush through a piece of legislation, the Maritime Bill, which shows an obvious disregard for how the oil and gas industry operates. What was contemplated was not a question of burdening the oil and gas industry with additional costs. What was contemplated would make exploration and production activity off Israel's shores practically impossible. It is clear that this legislation's goal was not to ensure the future of the oil and gas industry but rather to accommodate inter-ministerial rivalries.

Let me be clear—this list does not include all of the issues that have impeded our ability to sanction the Leviathan project.

Lest you think that Noble and our partners have done nothing to advance the project while all this was going on, let me disabuse you of that notion. Together, we have been spending more than \$25 million a month to advance this project. Engineering teams in Houston, Israel and Oslo worked to design a project that would provide additional gas to Israel's domestic market (with all the economic, energy security and environmental benefits that entails) and export gas to her neighbors. Our marketing teams have spent thousands of man hours in Amman, Egypt, London, Madrid and Ankara, negotiating gas sales agreements which are essential to Leviathan's development and which would enhance Israel's relationships with her neighbors while providing billions of dollars for Israel's budget. It's important to note that despite the added burden imposed upon us by the government's adoption of export limitations, another in a long list of examples in which the rules of the game were changed following our investments, our marketing efforts were at quite an advanced stage.

Our ability to conclude those contracts is now called into question by our intended customers. We have been intensely engaged with project financing consultants and leading international financing institutions to secure the massive funding required for this project – estimated to exceed \$6.5 billion for the first phase, alone. The availability of that funding has been seriously jeopardized by the government's recent actions and it may require years to restore. In Israel, Noble continued to grow the number of nationals in its ranks and invested in education to prepare the workforce for jobs in the oil and gas industry. Eighty-five (85) percent of our workforce in Israel are Israeli citizens.

And then, out of the blue, we were informed on December 21, 2014, that the agreement to which we capitulated was no longer enough. Why? I'm still not sure. But I've heard, even from people here in this room, that we need to give more. For our management, this action is a breach of trust so grave it calls into question the capacity of the government of Israel to provide the basic requirements for economic development on this scale. For them, and for us, this is not acceptable.

We can no longer ask our shareholders to invest on the assumption that things will turn out "OK". We can no longer expect our shareholders and those of the international investment community to continue to invest their money simply based on promises given by the Government of Israel. We cannot do it because that trust has been violated too many times. We cannot and we will not relive our experience of being denied approval to proceed after we invested in assets such as Tamar Storage, Tamar SW, Tanin/Karish, and Leviathan sanction preparation.

We cannot and we will not relive our experiences of the Tamar development, of having our taxes doubled after having committed to more than \$1 billion of a \$3 billion project (the largest privately funded infrastructure project in Israel's history) based on assurances that Tamar would not be affected by the Shishinski Committee. We can only invest when we have assurances that the rules, regulations and fiscal terms that are fundamental to making prudent investment decisions are in place and will not be changed. We cannot allow a repeat of the evening of March 28, 2013, when the Ministry of Energy used a purely technical document, the Permit to Operate, to effectively renegotiate the Tamar Lease under threat of delaying initial gas flow from the Tamar reservoir.

You have met or will be meeting with some of our partners. They will be here trying to save a project. We are here to restore our ability to invest in a country. We are here to ensure that the international investment community can invest in energy projects in Israel. We will discuss all of your ideas on how to resolve these issues. We will do so in a professional manner and in good faith, as has been the hallmark of our dealings with each of you. What we will not do is agree to anything that contemplates selling Tamar or Leviathan, or anything that further erodes the value of our assets, assets that were all legally obtained and the rights to which we will defend to the fullest extent necessary and available to us.

אף אחד לא רוצה למצוא פתרון יותר מהיושבים מולכם היום ומייצגים את נובל. כולנו כאן ישראלים. הצטרפנו לנובל כדי להיות חלק ממשהו גדול ומשמעותי. הצטרפנו כי ניתנה לנו הזדמנות להיות חלק ממשהו שיציע את המדינה ואת החברה הישראלית קדימה ויביא לתועלות עצומות לשנים רבות ולדורות הבאים.

אנו מוכנים לעבוד יחד איתכם בכדי לייצר אקלים המאפשר את ההשקעות הנדרשות לקידום ושגשוג תעשיית הגז והנפט לטובת כולנו, החברות, המדינה ובעיקר אזרחי ישראל.

No one wants to find a resolution more than those of us sitting here representing Noble today. All of us here today are Israeli. We joined Noble for the purpose of being part of something great. We joined to be part of something that would benefit our country and society for years to come.

We look forward to working with you to create an investment environment where the international oil and gas industry can thrive for the benefit of all stakeholders.