

STATE OF ISRAEL
MINISTRY OF NATIONAL INFRASTRUCTURES
NATURAL GAS AUTHORITY

To: ICL Inc.
Att: Mr. Jonathan Shtibel

August 2, 2007

Re: brief overview of the natural gas sector in Israel.

Below you will find a brief overview of the natural gas sector in Israel.

Natural gas was first found in Israel in 1999 was the Mari B field, located offshore of Ashkelon, which was discovered by a group of American and Israeli companies. No other gas fields within Israeli borders have been discovered.

Natural gas was first available in Israel in February 2004 following the construction of a production platform and a sub-sea pipeline to the Eshkol power station, which is owned and operated by the national electricity company, the Israel Electric Company (IEC). At that time, Israel Natural Gas Lines (INGL) commenced operation as the national gas transmission company.

The Ashdod Refineries, a former government company that was recently privatized and acquired by the Paz Group, began consuming natural gas in November 2005 while it was still a government-owned company.

In June 2006, INGL commissioned a 30", 40 km sub-sea pipeline from Ashdod to Tel Aviv and began supplying gas to IEC's Reading power station in Tel Aviv. As of July 2007, the only users of natural gas in Israel are the IEC and the Ashdod Refineries.

A further 60 km of sub-sea pipeline, with a lateral connection to Hadera is commissioned this week, while the 92 km, 24" onshore pipeline from Ashdod to Ashkelon will supply natural gas to the desalination plant in Ashkelon and IEC's power stations Gezer and Tsafit.

It is expected that the transmission pipeline to the Negev (Kiryat-Gat - Sdom will be operational by first half of 2008.

Import of gas from Egypt to Ashkelon is expected to commence in the first quarter of 2008.

The Israeli economy has been awaiting the introduction of natural gas for nearly a decade. Natural gas will bring tremendous environmental and development benefits to Israel.

Miki Komer,
Chief Economist
The Natural Gas Authority

