



Israel's E-1 Settlement Tender

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October 2026

The Israeli government's plan to build 3,401 housing units in the 12-square-kilometer E-1 corridor, between Jerusalem's municipal boundary and the Israeli settlement of Ma'ale Adumim, would [cut the West Bank in two](#). Israeli officials are under no illusion about the implications. Announcing the plan's approval in August 2025, Finance Minister Bezalel Smotrich [called](#) it a "significant step that practically erases the two-state delusion."

For over two decades, [Republican](#) and [Democratic](#) presidents alike have opposed Israel taking the unilateral step of building in E-1 on the grounds that doing so would foreclose a politically, geographically, and economically viable Palestinian state. Along with broader international pressure, this has to date prevented Israeli prime ministers from pursuing this project. While President Donald Trump has [refrained](#) from endorsing a two-state solution in his second term, he has also not ruled it out, and his [20-Point Plan for Gaza](#) leaves the possibility open. He has affirmatively [opposed](#) Israeli annexation of the West Bank. While building in E-1 is not annexation de jure, it amounts to [de facto annexation](#), cementing Israeli control of the Oslo Accords-era "Area C" between Jerusalem and the Jordan Valley.

The first round of bidding on 1,234 housing units closes on October 19, eight days before Israel's October 27 election. Bidding on the remaining 2,167 units is set to run from October 25 to December 21. Israel's attorney general has [postponed](#) the evaluation and awarding of the first set of tenders until after the election. She acted in the name of preventing electioneering on the issue, though recent US Congressional pressure and other international measures outlined below may also have been a factor. In Israel, it has become a campaign wedge issue. Gadi Eisenkot, the current leading challenger to Benjamin Netanyahu in national polling, has called the E-1 plan a "mistake" that damages Israel's standing internationally. Accordingly, the current coalition, which includes Smotrich, is incentivized to secure E-1 as a legacy achievement before a potential change in government. **The US and other international actors cannot assume that postponement of awards has headed off implementation. If financial institutions and contractors submit bids by the October 19 deadline, the government can lock in contractual arrangements to move forward when the bids are opened post-election.**

In addition to bifurcating the West Bank, the project will cut East Jerusalem off from the surrounding Palestinian communities and could [forcibly displace](#) an estimated 3,700 Palestinians across 18 of them. In May 2026, Israeli authorities [demolished](#) around 50 Palestinian shops to clear space for an Israeli-named "[Sovereignty Road](#)" that would divert Palestinian traffic around this Jewish settlement corridor.

On September 8, citing E-1 settlement developments, settler terrorism, and Israel's moves that erode the viability of a two-state solution, the United Kingdom [announced a ban on imports](#) of goods from Israeli settlements in the West Bank [and additional measures](#) intended to deter institutions from financing or otherwise supporting development of E-1. UK Foreign Secretary Ed Miliband described this move as a "reset" of the UK's relationship with Israel. The announcement was coordinated with France and Canada, and [formally supported by nine additional, all European, countries](#).

Why It Matters for the US

Alongside the humanitarian and international legal implications of large-scale Palestinian displacement and de facto annexation, E-1's construction compromises US leverage, credibility, and its stated policy objectives.

- **Building in E-1 Flouts the US Administration's Stated Red Line on Annexation.** Asked directly about the tender on August 21, 2026, a [State Department spokesperson reiterated](#) that the US does not support Israeli annexation of the West Bank, framing "a stable West Bank" as a security interest for Israel and important to the administration's regional peace agenda. The Israeli government may be openly testing whether the American red line against annexation is substantive rather than rhetorical, and whether the US is willing to impose any consequences if it is crossed.
- **E-1 Undercuts the US Administration's Regional Policy Goals.** Regional allies have consistently messaged to successive US administrations, including the current one, that Palestinian statehood remains central to the US goal of a fully integrated Middle East. Limited progress may be possible in the meantime, but the position of [Saudi Arabia](#), among [other](#) Arab and Muslim states, is that normalization with Israel will be offered only in exchange for meaningful, "irreversible" progress toward Palestinian statehood. Existing peace and normalization agreements remain in effect but are constrained in the absence of this condition. Taking the viability of Palestinian statehood off the table appears likely to galvanize Arab and Muslim public opposition to normalization — a grievance that Iran and other regional spoilers have [routinely weaponized](#), limiting the ability of American partners to openly embrace Washington's integration agenda.

Policy Considerations

Once tenders are awarded, reversing the E-1 plan would require an Israeli leader to override binding contracts in the name of public interest. Given the political and legal costs, that is an unrealistic safeguard to rely on in the immediate term, and construction could begin before it is tested. Beyond diplomatic pressure, the available tools calibrated to E-1 fall into two categories: those that can take effect before bids close, and those that could persuade Israel that there is an overriding public interest in sustaining a moratorium on taking any unilateral steps in E-1.

Immediate Term

The Trump administration should move beyond its broad rhetorical approach against annexation to specifically naming E-1 as a red line. Repeated objections to “annexation,” including from the president, have not yet moved Israeli decision-making away from steps that are tantamount to that. This leaves the administration’s own stated policy looking purely rhetorical. If this is not its intention, a public statement citing E-1 as a violation of the annexation red line and calling for the tender’s withdrawal would signal that crossing it carries consequences. The statement could be paired with clear, coordinated warnings about the cost to potential developers and financiers before bids are submitted. This could include:

- **Build on the Steps of International Partners:** The US could join the UK-coordinated effort warning of credible financial consequences. The US administration, to date, has [said](#) it would not follow suit but refrained from [explicitly condemning](#) the approach and [noted](#) that it does not want to see the West Bank destabilized. Should the US choose to join its allies, potential tools include a [FinCEN advisory](#) flagging E-1-related financial activity for enhanced due diligence by US banks, raising the cost of compliance and reputational risk for any US-linked institution involved.
- **Amplify Existing Regional Partner Condemnation:** The UAE has [echoed](#) the US in articulating a “red line” against annexation. Its foreign minister has also condemned the E-1 plan in a [joint statement](#) with his counterparts from Egypt, Jordan, Saudi Arabia, Qatar, Turkey, Indonesia, and Pakistan, explicitly framing the project as a threat to the Trump administration’s regional peace initiative. The US could coordinate with some of these partners to explicitly message to Israel that proceeding with E-1 is likely to adversely affect current normalization agreements and foreclose the prospect of future ones.
- **Leverage Congressional Momentum:** On September 23, a group of Democratic senators introduced

[legislation](#) to sanction individuals or entities the Treasury Secretary determines are facilitating E-1 construction and the transfer of Israeli civilians into the area. While the bill is not [likely to pass](#) in the immediate term, and carries only Democratic sponsors, any signal of openness to such an approach by the administration could communicate to potential E-1 tender bidders that crossing Washington’s stated red line may have consequences.

Forward-Looking Prevention

If momentum on E-1 proceeds, Congress could consider farther-reaching measures, optimally in a bipartisan manner, to signal that the United States will not condone such unilateral action in E-1 that affirmatively seeks to “erase” the possibility of a longstanding US policy objective; contravenes the current administration’s redline against annexation; and harms the sustained US interest, articulated by the Trump administration, that “a stable West Bank keeps Israel secure and is in line with this administration’s goal to achieve peace in the region.”

- **Seek Bipartisan Support for Codifying Statutory Sanctions Authority Against Actors Engaged in E-1 Development:** Congress could build on existing legislative efforts to pursue a sanctions framework focused on individuals and entities that are financing de facto annexation and perpetrating or enabling violence, displacement, and further West Bank destabilization in direct contravention to US stated red lines. In addition to the Senate effort described above, one exists in [S.2672, the SANCTIONS in the West Bank Act](#), which would codify the previously revoked Executive Order [14115 \(2024\)](#) framework.
- **Attach Reporting Requirements to the National Security, Department of State, and Related Programs and the National Defense Authorization Act:** Congress could require that the Secretary of State, in coordination with Treasury, submit a report identifying entities and individuals providing material financing for E-1 settlement construction as well as assessing whether US-linked financial institutions, tax-exempt entities, or persons are involved. This reporting requirement would enable a given Congress or administration to act quickly if they decide circumstances warrant.

For more information on Israeli settlements, please visit: www.mei.edu. To arrange briefings on this topic with MEI experts Lucy Kurtzer-Ellenbogen, Natan Sachs, or Yael Lempert, please contact Zeina Al-Shaib: zalshaib@mei.edu.