Adding fuel to the conflict: How gas reserves complicate the Cyprus question

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4

The energy context

4.1 INTRODUCTION: THE ENERGY CONTEXT

To uncover the incompatible discourses between Greek-Cypriots and Turkish-Cypriots, I have to first present the regional energy context within which they unfold. This is what Chapter 4 is about. I start with a description of the geological realities in the countries in the Eastern Mediterranean, more particularly, Egypt, Israel and Cyprus. I rely on desk and field research. I investigate multiple policy reports published by the EIA, PRIO Cyprus Center, the Mediterranean Series in the German Marshall Fund, the International Crisis group and the European Parliament (De Micco 2014; EIA 2013b; Ellinas, Roberts and Tzimitras 2016; European Parliament 2017; Giamourides 2013, Gürel, Mullen and Tzimitras 2013). Through additional policy reports, I examine the perceived risks and dangers attached to the implementation of every decision (Gürel, Mullen and Tzimitras 2013, İşeri and Andrikopoulos 2013; ICG 2013, Giamourides 2013, Khadduri 2012 Tagliapetra 2013, Tsafos and Giamourides 2015, Tsakiris 2014). With the help of academic articles (Karyotis 2011; Tzimitras 2012) as well as legal documents (UN Convention on the Law of the Sea, law bulletins from the UN, 2003, 2004, 2005, 2006, and previous decisions made by the International Court of Justice as regards disputes of a similar nature), I elaborate on the legal context within which the actors involved signed their delimitation agreements and moved on with their exploration initiatives.

After keeping notes from this desk research, in November 2015, I perform the second round of my field research in Cyprus. I meet former policymakers and chief negotiators and energy analysts on both sides and ask them about the significance of the discovered gas reserves for the economies of the communities, as well as the problems with the current infrastructure, the impediments that the companies involved faced in the exploitation of gas reserves and the optimal options for the monetization of the gas reserves. Finally, I summarize the stakes that Greek-Cypriots and Turkish-Cypriots attach to the natural resources based on my open-ended interviews with them. Appendix 1 lists the people whom I interviewed in 2015, as well as my logic in their recruitment (including their code-name). Appendix 2 puts forward the type of questions I asked them.

4.2 THE GEOLOGICAL CONTEXT OF THE EASTERN MEDITERRANEAN

The territories that the region consists of are Egypt, Israel, the Republic of Cyprus, Turkey, Greece, Syria, Lebanon and the Gaza Strip. While delving into the geological context, I pay attention to the first three countries mentioned here, since they have noted a significant progress with their energy programmes.

4.2.1 Egypt: the key player in the region

The protagonist on the Eastern Mediterranean energy scene is Egypt. Located in north-east corner of Africa, Egypt lies at the heart of the Arab world and is a non-member state in the Organization of Oil Exporting Countries (OPEC). The operation of the Suez Canal and the Suez-Mediterranean (SUMED) Pipeline render its role in the international energy markets vital. The Suez Canal is an important transit route for oil and LNG shipments travelling northbound from the Persian Gulf to Europe and to North America as well as for shipments travelling southbound from North Africa to Asia (EIA 2017c). The SUMED Pipeline constitutes the only alternative route near the Suez Canal for the transportation of crude oil from the Red Sea to the Mediterranean Sea when ships are in no position to navigate through the Suez Canal (SUMED 2017).[1]

Egypt is the third largest gas producer in Africa after Algeria and Nigeria. For many decades, oil was the only target of all its exploration activities. That changed with the first commercial gas discovery in 1975. Larger volumes of gas reserves were detected in the 1980s and 1990s[2] in the Gulf of Suez, the Western-Eastern Desert and the Sinai Peninsula. The companies involved wanted to produce it, arguing with the Egyptian government about licences to export it. In 1995, the Egyptian government eventually enabled the companies to actively drill for gas in order to meet domestic demand (Hydrocarbons-Technology 2017). The domestic demand for gas was satisfied in 1999 after the discoveries in the west of Ashkelon. Egypt scaled up their exploitation after 2000 until 2011, when its gas production tripled, paving the way for considerable gas exports. The first major discovery occurred in 2003, when Shell discovered 1.5 tcm of natural gas in the North East Mediterranean (NEMED) block of Egypt, besides its extensive reserves that aremonetized onshore (Independent Online 2003).

Egypt's infrastructure involves additional LNG complexes and pipelines. One of them is the Damietta LNG complex, located 60 km west of Port Said, and the other is the Idku LNG complex, located 50 km east of Alexandria (LNG World Shipping 2018). Furthermore, the gas companies constructed the Arab Gas Pipeline (known as the Trans-Mashreq Gas Pipeline), an infrastructure of 1,200 km connecting Egypt with Jordan, Syria and Lebanon to Turkey, with a capacity of 10 bcm/year (ibid). Finally, the El Arish-Ashkelon Pipeline, operating since 2008, transports Egyptian gas to Israel (European Parliament 2017). In 2010, the pipeline supplied approximately half of the gas consumed in Israel (European Parliament 2017).

[1] It was installed in 1974 following an agreement between Egypt, Saudi Arabia, Kuwait, Qatar and UAE to provide a fast route for Persian Gulf oil from Suez to the Mediterranean, following the extended closure of the Suez Canal in June 1967 (N*ew York Time*s 1973). It is 320 km long, linking Ain Sukhna terminal on the Gulf of Suez with the terminal at Sidi Kerir and its capacity is 2.5 million barrels per day (SUMED 2017).

[2] Approximately 1.8 trillion cubic meters according to BP (Statistical Review of World Energy 2017).

The supplies were interrupted by the so-called Arab Spring, after the political turmoil stopped the inflow of necessary upstream investments (Bahgat 2012). Gas supplies to Israel were unilaterally halted by Egypt in 2012, as Israel had allegedly breached its obligations and had stopped payments a few months earlier. Since then, the pipeline has sat idle (ibid.). The country has had to import more liquid fuels. Additionally, decades of energy subsidies accompanied by population growth with ever-increasing demands resulted in financial exposure and Egyptian General Petroleum Company struggling to meet its payment obligations to foreign energy operators (Ellinas et al. 2016; Tsafos and Giamourides, 2015). These factors caused energy shortages and created the need to import expensive LNG to guarantee electricity supplies.

A recent development could reverse this trend and put Egypt back in the exporting driver seat. In August 2015, the Italian company ENI (an active tenant in Egypt since 1954) announced a giant discovery of the Zohr gas field. The field covers an area of 3,765 square km and is situated in water depths of 1,450 m (Africa Oil and Gas Journal 2013). According to an ENI press release (2015), 'the discovery could hold a potential of 30 trillion cubic feet of lean gas in place (5.5 billion barrels of oil equivalent in place) covering an area of about 100 square km. Zohr – the largest gas discovery ever made in Egypt and in the Mediterranean Sea[3] – could become one of the world's largest natural gas finds.' According to one of my interviewees who is an expert in the energy world, this discovery is a 'game changer' because Egypt may become energy sufficient and might have excess gas for export (Interviewee 6). According to estimations, Egyptians will use the Zohr gas for internal consumption and the other gas near the shores for LNG (ibid).

4.2.2 Israel: from a traditional importer to a potential exporter

Another exploration area, crucial for my study, is the Levant Basin. Located along and off the coasts of Syria, Lebanon, Israel and the Gaza Strip and extending westward into Cypriot waters, the basin comprises a total sea and land area of 32.000 square miles, most of which is offshore (Delek-Group 2010). Until the 1990s, much of the hydrocarbons there had gone undiscovered because the resources lie in very deep waters (known in the industry as 'ultra-deepwater"), with depths exceeding two kilometres in certain locations (Gürel et al. 2013, 4). These features rendered the exploration in the area a technically difficult, risky and expensive enterprise. However, at the dawn of the 21st century, technological progress triggered by high international oil prices set new exploration initiatives in motion.

For the best part of its history since 1948, Israel had been an energy-poor state, relying, almost entirely, on imported fossil fuels to meet its energy needs (Shaffer 2011, 5380). Despite consecutive initiatives and very attractive commercial conditions that Israel's governments have

[3] At the time of writing this research at least.

traditionally been offering to prospective explorers, these efforts have proved fruitless. Many important oil and gas companies hesitated to manifest their interest to explore reserves in Israel (Interviewee 9). While the location of the resources in 'ultra-deep' waters could rationalize this hesitation, an important factor, allegedly pushing the companies away, was the implication of the Arab-Israeli tensions. More specifically, any international company potentially going for exploration in Israel, runs the risk of being precluded from lucrative projects in Arab oil-producing states, which formally could boycott companies, ships and equipment operating in Israel (ibid).

A joint venture between the Israeli Delek Energy[4] and Noble Energy[5] made the first, initially small, discovery offshore Israel in the Levant Basin, particularly in the Noah offshore field in June 1999 and in the Mari-B field in February 2000 (Delek-Group 2010). In January 2009, the offshore Tamar natural gas field was discovered near the city of Haifa. This field reportedly contains approximately 280 bcm of natural gas (Shaffer 2011). The Tamar field was quickly developed and became operational during that period, 'supplying Israel with 7.5 bcm/year of gas already in 2014' (European Parliament 2017). This development was quite significant for the Israeli economy because it enabled it to overcome the gas shortages triggered by the above mentioned post-2011 halt of Egyptian gas deliveries. Furthermore, in 2014, the Tamar consortium (synthesized by Delek Drilling and Noble Energy) struck Israel's gas export deal with Jordan's Arab Potash Corporation and Jordan's Bromine Company to import 2 bcm of NG for 15 years (Jordan News Agency 2014).

The gas developments offshore Israel did not end with Tamar's field. Based on a geology assessment methodology, the US Geological Survey (2010), published a report in March 2010 estimating that there was a mean of 1.7 billion barrels of recoverable oil and a mean of 122 tcf of recoverable gas in the Levant Basin Province (see Figure 4.1).[6] From a global perspective, the Levant Basin's gas resources are – in quantitative terms – significant but not dominating. As mentioned in the introduction, Russia, for instance, maintains the world's largest natural gas reserves, accounting for about 25% of global gas reserves (Paraschos 2013). By Mediterranean standards, the Levant Basin's offshore natural gas reserves are sizeable, but not as big as the gas resources held by other Mediterranean producers, such as Algeria (Paraschos 2013).

[4] Founded in 1951 as Israel's first government-owned gas retailer

[5] An American petroleum and natural gas exploration and production company headquartered in Houston, Texas

[6] In the oil and gas industry, such reports are merely indicative and do not reliably represent the expected volumes. To estimate with greater accuracy the extent of oil and gas volumes in the region more exploration efforts are deemed necessary (Shaffer, 2012).

Figure 4.1. The Levant Basin. Source: United States Geological Survey. (2010, March 5). *Assessment of Undiscovered Oil and Gas Resources of the Levant Basin Province, Eastern Mediterranean* [Photograph]. Retrieved at 5.6.2015 from https://pubs.usgs.gov/fs/2010/3014/pdf/FS10-3014.pdf

In October 2010, the projections of the US Geological Survey were partially confirmed by the next major find (620 bcm) of a giant field in the Leviathan Block (47 kilometres southwest of the Tamar gas field), discovered by a consortium comprising Noble Energy, Delek Drilling, Avner Oil and Ratio Oil (Gürel et al. 2013). Until August 2015 and before the discovery of the Zohr Field, it was the biggest discovery in the Eastern Mediterranean. Leviathan's shareholders entered into negotiations with the Jordanian National Electric Company in 2014 and, after surmounting certain obstacles in September 2016, agreed to supply a gross quantity of approximately 1.6 tcf of gas from the Leviathan field over a 15-year term (*Financial Times* 2016).

Brought to market, these gas reserves were destined to satisfy a large portion of Israel's domestic energy consumption for a number of decades and project it into a leading gas developer in the Levant Basin. Nevertheless, in the gas business, availability of gas reserves does not automatically lead to deliverability because several thorny issues may hamper or delay their exploitation and monetization. While in Egypt, the main problem was the domestic turbulence in the country after 2011, in Israel, certain regulatory issues initially hampered the whole procedure (Interviewee 9).

4.2.3 The Republic of Cyprus

Having proclaimed its Exclusive Economic Zone and signed delimitation agreements with Egypt (2003), Lebanon (2007) and Israel (2010), the Republic of Cyprus demarcated the outer limits of a 51 km^2 exploration area and carved it into 13 blocks (see Figure 4.2).

As I was notified, some Greek-Cypriot officials already knew about the existence of natural gas reserves in the seabed of the Republic of Cyprus: "On August 4, 1980, Ambrose -the delegate of Standard Oil of Indiana and ARAMCO- paid a visit in my office and mentioned that the two companies he was representing, expressed their interest to drill in the seabed south of Cyprus" (Interviee 8). He stressed that according to their surveys and estimates there are some quantities of natural gas and oil. He also mentioned that Greek-Cypriots were informed by sources of their Embassy's Public Relations office in Washington that Ambrose had already approached the Turkish Embassy on the same issue in order to scan the Turkish reactions towards the initiation of drilling in the Greek-Cypriot seabed (Interviewee 8): "according to what we heard, Turkish authorities warned that if Greek-Cypriots launch drilling, then Turks will repeat what they did in 1974" (ibid).

More than two decades later, in 2006, Norway's Petroleum Geo-Services ASA launched the hydrocarbon assessment programme, providing 'high-resolution, subsalt deep imaging and

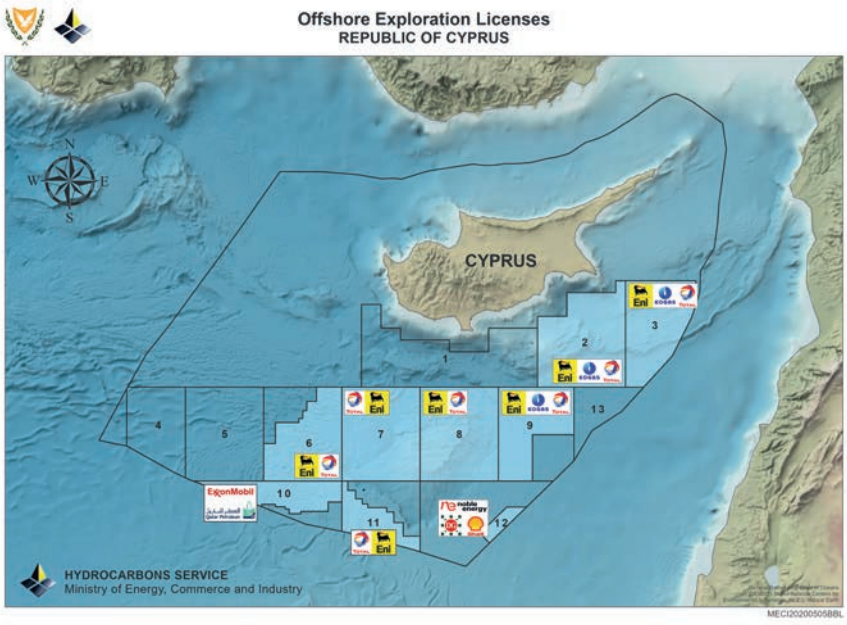

Figure 4.2. 13 Exploration blocks of the Republic of Cyprus. Source: Republic of Cyprus Ministry of Energy, Commerce and Industry . (2016). Granted Licences. Retrieved at December 12, 2017 from http://www.mcit.gov.cy/mcit/hydrocarbon.nsf/page16_en/page16_en?OpenDocument

ties to key wells in Shell's North-East Mediterranean deepwater block off Egypt' *(Oil and Gas Journal* 2007). The seismic report, along with regional geological background, formed the basis of a geological interpretation carried out in 2006 by France's private petroleum consulting firm Beicip-Franlab (*Oil and Gas Journal* 2007).

4.2.3.1 Republic of Cyprus' first licensing round

In February 2007, drawing on the available seismic data, Cyprus launched its first international tender for three-year oil and gas exploration licences. On May 4, 2007, through a notice published in the (*Official Journal of the European Union* 2007), it announced the inauguration of the first Licensing Round Offshore Cyprus, offering 11 of the 13 blocks (Blocks 3 and 13 were excluded because they were undergoing a 3D seismic survey). Greek-Cypriots received three bids from two different parties in the inaugural licensing round, one of which was Noble Energy, already operating in Israel and lodging a bid for Block 12.[7] The muted interest can be attributed to the 'speculative nature of making investments at this early stage in the development of Cyprus's exploration industry, since data collection was ongoing and three-dimensional surveys were expected to be made available for the second phase of licensing' (IHS Markit, 2007).

As a result of the first licensing round, on October 24, 2008, a Hydrocarbon Exploration Licence for the exploration Block 12 was granted to Noble Energy. The geological structure of the Aphrodite field lies on the maritime border with Israel. That explains, among other reasons, why, on December 17, 2010, Cyprus signed a delimitation agreement with Israel (UN 2011). Noble Energy commenced its seismic surveys across the Island in 2011, despite Turkey's allegations that some of these areas fell under its jurisdiction. After continuous seismic surveys, in December 2011, Noble Energy's investors announced: 'results from drilling, formation logs and initial evaluation work indicate an estimated gross resource range of 5 to 8 trillion cubic feet (Tcf), with a gross mean of 7 Tcf' (Noble Energy 2011).

While the continuation of the drilling was necessary, Noble Energy had already come up with an economic proposal on the monetization of the discovered gas reserves. However, this proposal was rejected on political grounds, according to one of my interviewees. Noble proposed the construction of a cable that would gratuitously provide the whole island of Cyprus with electricity for 120 years. The significance of such project would be unquestionable in the sense that Cypriots pay the most expensive bill for electricity in Europe (Interviewee 9). This suggestion, though, could not 'sell' politically, unlike the prospect of an LNG' that would render Cyprus an energy hub in the region (ibid).

[7] The other was a consortium of Norwegian, U.K. and U.A.E. companies, which lodged two bids for two other separate blocks (IHS Markit 2007).

4.2.3.2 Republic of Cyprus' second licensing round

The confirmation of the gas potential in the Republic of Cyprus stimulated a growing interest from the gas industry in the region and prompted its authorities to set up a second licensing round on February 11, 2012 (Republic of Cyprus Ministry of Energy, Commerce, Industry and Tourism 2012). In contrast with the first round, this licensing round witnessed the participation of nearly 30 firms (see Appendix 3).[8] Some of them were chasing contracts in more than one block. Blocks 9 and 2 were the most popular because many bidders were expecting that the same gas structure in Block 12 would extend into these two permits. Blocks 1, 4 and 13 failed to attract bids (Poten & Partners 2012).

The bids were evaluated by a government advisory committee. In the first quarter of 2013, licences were awarded for five offshore blocks out of the twelve (of which nine received bids). More specifically, and as shown in Figure 4.3, in January 24, 2013, the authorities granted the consortium of ENI (Cyprus Limited) and KOGAS (Cyprus Limited) three exploration licences for Blocks 2, 3 and 9. In February 6, 2013, they granted Total E&P Cyprus BV two exploration licences for Blocks 10 and 11 (Paraschos 2013).

In their detailed report for PRIO, Gürel et al. (2013, 4-5) mark two important points. The first is that the list of successful bidders did not include five blocks (1,4,5,7, and 13) which, as Turkey claims, partly fall within its continental shelf, although bids were reportedly also received for two of these blocks (5 and 7). The second one claims that the selected companies 'were very large oil and gas companies from countries with significant military strength' (ibid). According to rumours, national security was prioritized over the business logic in the selection criteria and there were suggestions that the then minister exercised his right to choose other companies than those proposed by the advisory committee (Drousiotis 2012). This allegation was made with regard to Block 9, widely considered the most promising of the 12 offered in Cyprus's 2012 bidding round.[9] In October 2012, according to the revelations of the Greek-Cypriot journalist, Drousiotis (2012), the block was initially awarded to the French-Russian consortium Total, Russia's Novatek and Gazprombank (the investment arm of Russian state gas giant, Gazprom), although it ranked fourth in the first ranking of preferences.

This move was seemingly destined to enlist two diplomatic heavyweights – Russia and France – on the side of Nicosia in the face of Turkish diplomatic threats against companies signing Cypriot exploration deals (*MEES* 2013). This assumption was confirmed through

[8] Some of them lodged the bids on their own but most banded together in consortia for the country's 12 remaining blocks (Poten & Partners 2012). This list included Total of France, ENI of Italy, Gazprombank of Russia, Petronas of Malaysia and KOGAS of South Korea (Poten & Partners 2012).

[9] It attracted bids from six companies and consortia.

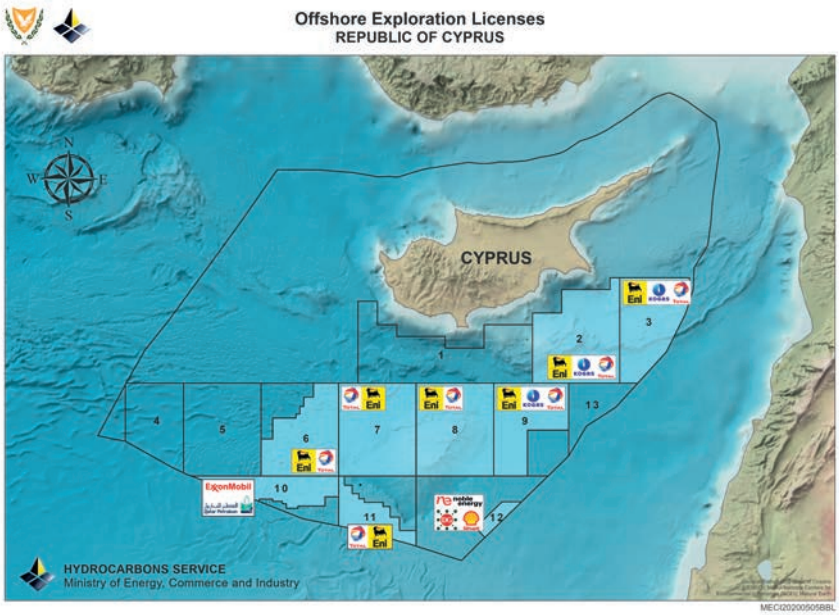

Figure 4.3. Successful bidders for the second licensing round. Source: Republic of Cyprus Ministry of Energy, Commerce and Industry . (2016). *Granted Licences*. Retrieved at December 12, 2017, from http://www.mcit.gov.cy/mcit/hydrocarbon.nsf/page16_en/page16_en?OpenDocument

a personal statement of one policy-maker of the Republic of Cyprus[10] delivered during our interview:

> 'While designing our energy policy, national security was placed high on the agenda. We planned to grant one block to each member of the Security Council that would demonstrate some interest in these blocks … I do not know what went wrong. Various interpretations saw daylight. Russians cast the blame on us, while our side claims that the offer was not good. Even if that were the case, this assumption contradicts our plans to secure our defense. If we, as a country, wanted British, French, Americans, Russians and Chinese to invest their interests in our area, we were urged to downplay the economic aspect. Let's face it, if these were blocks granted to five permanent members of the Security Council, how could Turkey confront them and fulfil its threats against such powers?'

The expectations of the exploration potential in the granted blocks did not match the actual findings of the companies' drilling in the Cypriot waters. The two wells drilled by ENI in Block 9[11] failed to reveal exploitable quantities of hydrocarbons. This result led to a re-evaluation of the company's geological research model and its withdrawal from Cyprus's Exclusive Economic

[10] Anonymous interviewee in 2017

[11] Onasagoras (completed in December 2014) and Amathusa (March 2015).

Zone for an initially unspecified time (Tsakiris 2015, 2016). Furthermore, Total did not find evidence for the existence of natural gas in blocks 10 and 11, a development that spread rumours about its potential withdrawal from the region (New Europe 2015). It should be noted, though, that these setbacks constitute the norm of the upstream industry,[12] where the global success rate for exploratory wells is between 20% and 30%, even in relatively mature areas (Tsakiris 2015, 2016). In the case of Cyprus, after three exploratory wells were drilled between 2011 and 2015, the success rate was 33% (Tsakiris 2016, 25-26).

On November 23, 2015, following seven months of deliberations, Noble Energy announced a 'farm-out agreement for a portion of its interest in Block 12 offshore Cyprus with BG International' (Noble Energy 2015). BG would acquire a 35% interest in Block 12 for a total cash consideration of $165 million. The problem in the Eastern Mediterranean is that the hydrocarbons to be detected are not to an exceptional degree and this causes economic difficulties for companies like Noble, who run for a fire escape (Interviewee 6). As I found out, Noble had always plans to sell their share in Aphrodite from 2012 and to retain about 20% of this particular gas field (ibid). Since they needed the cash, they were forced to sell, even at a really low price. More particularly, they sold 47% of their interests in the Tanin and Karish fields offshore Israel, 35% of Aphrodite, and the amount of cash they got was really important to cure their economic wounds (ibid). Given the low prices they were selling, BG snapped it up.

4.2.3.3 Republic of Cyprus' third licensing round

The discovery of the Zohr field off the coast of Egypt in August 2015 triggered the interest of the gas companies in the Eastern Mediterranean and, by extension, offshore the Republic of Cyprus. On March 24, 2016, the Cypriot government announced the beginning of the third round of licensing for offshore exploration – blocks 6, 8 and 10 in the Exclusive Economic Zone (Republic of Cyprus Press Information Office 2016). After a couple of months, the Minister of Energy announced the list of bidders for these three blocks. Appendix 4 shows a list of the bidders along with the blocks they applied for.

In December 2016, the Council of Ministers, upon the recommendation of the Minister of Energy and the preparatory report of the Technical Advisory Committee on Hydrocarbons Exploration, chose the bidders for negotiations over the terms and conditions attached to the production sharing contract (PSC). For Block 6, it picked the consortium of ENI and Total; for Block 8, ENI was selected and for Block 10, the consortium of ExxonMobil and Qatar Petroleum was chosen (Offshore Energy Today 2016b).

[12] By upstream industry, I mean industrial firms which process the basic or raw material into an intermediary product, which is converted into finished product by the downstream industries. For more information, go to: http://www.businessdictionary.com/definition/upstream-industries.html

Table 4.1 summarizes the recent gas discoveries offshore the Eastern Mediterranean, providing the names of the gas fields, the gross mean resources and the year of discovery. While presenting the existing geological realities[13] of the region, we should always keep in mind that the gas sector, due to the continuous development of technological equipment and revision of geological models, is susceptible to continual change.

4.3 INTERNATIONAL LAW OF THE SEA AND DELIMITATION AGREEMENTS

A substantial amount of reserves across the globe lie in areas of contested exclusive economic zones, where, in many cases, neighbouring countries have not yet established mutually agreed maritime borderlines. For instance, a number of maritime disputes have repeatedly occurred in the East and South China Seas, regions rich in hydrocarbons and natural gas, through which trillions of dollars of global trade flow. Six countries – China, Vietnam, the Philippines, Taiwan, Malaysia and Brunei – have overlapping claims to that area. China claims the largest portion of territory by far (more than 90%) – an area defined by the 'nine-dash line' stretching hundreds of miles south and east from its most southerly province of Hainan (Council on Foreign Relations 2017). In a similar fashion, the Eastern Mediterranean region has competing claims involving a variety of states and issues, which, extending its geographical space, reaches the Aegean Sea. It includes disputes such as the ones between Israel and Lebanon and between the Republic of Cyprus and Turkey.

In order to keep a tight grip on these developments, I first pinpoint the basic provisions of the international law of the sea as codified in the United Nations Convention on the Law of the Sea (UN 1982). I shed light on those provisions which directly concern the exploitation status in the Eastern Mediterranean, paying particular attention to the sovereign rights that the states may exercise in their exclusive economic zone or the continental shelf.

Table 4.1. Main recent gas discoveries in offshore EM

Gas Field	Gross mean resources (bcm)	Discovery
Tamar-Israel	280	2009
Leviathan-Israel	620	2010
Aphrodite-Republic of Cyprus	140	2011
Zohr-Egypt	850	2015

Source: Ellinas et al. (2016); European Parliament (2017)

[13] At the time of writing, the description focused on the geological parameters as formulated up to December 2017.

4.3.1 Basic Provisions of UNCLOS

UNCLOS initially divides marine space into two categories: one within the limits of national jurisdiction and the other to comprise the oceans and seas lying beyond the sphere of sovereign control. The section deliberately focuses on the first part because exploring the provisions beyond an exclusive economic zone goes beyond the scope of the research. UNCLOS divides the marine space, which falls under national jurisdiction, into several zones (Figure 4.4): the boundary between internal waters and territorial sea, the territorial sea up to 12 nm from the baseline, the contiguous zone (up to an additional 12 nm, the continental shelf (up to 200 nm or 350 nm under certain conditions) and the exclusive economic zone (up to 200 nm). The most relevant for my subject is the exclusive economic zone and, to a lesser extent, the continental shelf (UN 1982).

By contrast with the territorial waters, in the context of which the UNCLOS assigns full sovereignty to the coastal state, when it comes to the exclusive economic zone and the continental shelf, the coastal state enjoys certain exclusive sovereign rights (but not full sovereignty, as displayed in the territorial waters' regime). Part V of UNCLOS (Articles 55-75) pertains to the exclusive economic zone regime. Article 56, in fact, spells out the sovereign rights the coastal states are entitled to exercise: (a) 'exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters superjacent to the seabed and of the seabed and its subsoil, and with regard to other activities for the economic exploitation and exploration of the zone, such as the production of energy from the water, currents and winds'; (b) 'the establishment and use of artificial islands, installations

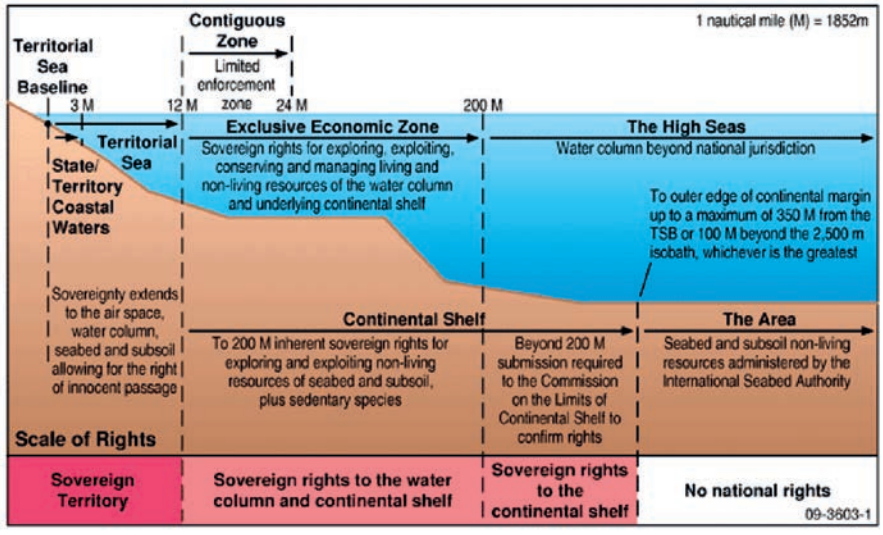

Figure 4.4. Jurisdiction zones according to UNCLOS. Source: Geoscience Australia. (n.d.). *The Law of the Sea*. Retrieved at October 15, 2015, from http://www.ga.gov.au/webtemp/image_cache/GA13555.gif

and structures'; (c) 'marine scientific research' and (d) 'the protection and preservation of the marine environment' (UN 1982).

As regards the delimitation of exclusive economic zones between states with opposite or adjacent coasts (as in the case of the Eastern Mediterranean), Article 74 asks them to seek agreement in order to achieve an equitable solution. Different interpretations arise on this term. Although the countries could have adopted an equidistant line, in the majority of disputes, they have not made use of this solution (UN 1982); thus, so far, this solution has become part of customary international law, which is essential for the maritime delimitation process. Another interpretation for 'equitable solution' is a reference[14] inspired by the judgment of the International Court of Justice in the well-known 1969 *North Sea Continental Shelf Cases*.[15] The court put forward three factors which had to be taken into consideration when pursuing an agreement on the basis of equitable principles (ICJ 1969): (a) the general configuration of the coasts, which involves the presence of any special or unusual features, (b) the physical and geological structure, and the natural resources of the continental shelf areas involved, (c) proportionality between the extent of the continental shelf of the coastal state and the length of its sea frontage.

4.3.2 Delimitation agreements in the Eastern Mediterranean

In 2004, after the ratification of UNCLOS in 1988, the Republic of Cyprus passed a law to provide for the proclamation of exclusive economic zones. In conformity with the UNCLOS provisions, the breadth of this zone extends to 200 nm, measured from the baselines of the respective territorial seas. Cyprus delimited its Exclusive Economic Zone in the south-western, southern and south-eastern directions through distinct bilateral agreements with Egypt (2003), Lebanon (2007) and Israel (2010). These agreements include more or less identical provisions, in the sense that all of the boundaries are specified according to the median line principle (Gürel et al. 2013, 14).

4.3.2.1 Agreement with Egypt and Turkey's reactions

Republic of Cyprus signed an agreement on February 17, 2003, for the delimitation of its Exclusive Economic Zone with Egypt (Karyotis 2011, 47). It also signed a confidentiality agreement in May 2006 and exchanged seismic data on the region (Gürel et al. 2013, 16). Article 1 (par. a) of the 2003 Agreement stipulates that the delimitation of the Exclusive Economic Zone is 'effected by the median line of which every point is equidistant from the nearest point of the baseline of the two Parties' (UN 2004). The same article (par. e) includes a clause stating the geographical coordinates used for the demarcation 'could be reviewed and/or extended

[14] Invariably adopted in maritime delimitation questions.

[15] Between Germany and Denmark, as well as between Germany and the Netherlands.

as necessary in the light of future delimitation of the exclusive economic zone with other concerned neighboring States' and in accordance 'with an agreement to be reached by them' (ibid.). As shown in Figure 4.5, the boundary line measures about 144 nm and is composed of eight geographical coordinates (ibid.).

Turkey recorded its objections to this agreement in the annex of an Information Note submitted to the UN secretary general on March 2, 2004 (UN 2004b). Its position is that the delimitation of the Exclusive Economic Zone or 'of the continental shelf in the Eastern Mediterranean, especially in areas falling beyond the western part of the longitude 32°16'18' also pertains to Turkey's existing *ipso facto* and *ab initio* legal and sovereign rights, emanating from the established principles of equity' and shall be effected by agreement between the related states based on the equity principle (ibid.). In a *note verbale* dated October 4, 2005, Turkey based its reaction against this agreement on the grounds that it constitutes 'a coastal state in the region to be affected' by such agreements and, inevitably, has the 'right to raise here objections as a concerned party in the context of the intended delimitation' (UN 2006, 34). Figure 4.6 shows Turkey's continental shelf claims on the area delimited between the Republic of Cyprus and Egypt.

From the Greek-Cypriot point of view, as communicated in a *note verbale* on December 28, 2004 (UN 2004c), Turkey had tacitly acknowledged the entitlement of Cyprus 'to legitimate claims of maritime zones by failing to raise any objections when the Cyprus submitted in 1974 its continental shelf law and in 1993 a set of coordinates with its baselines' (Gürel et al 2013, 28). Furthermore, Turkey's claim that delimitation in the western part of the longitude 32°16'18"E should be made by agreement was dismissed on the grounds that such an assertion would be

Figure 4.5. Delimitation agreement of the Republic of Cyprus and Egypt. Source: UN. (2003). *Law of the Sea Bulletin No. 52* New York, UN

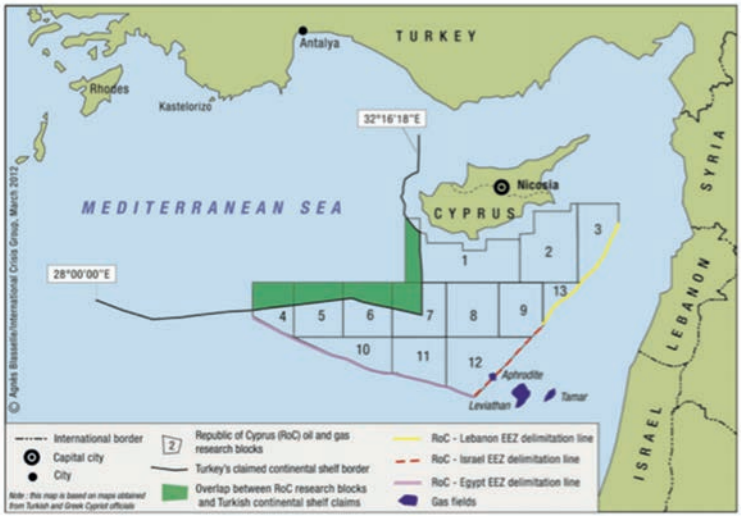

Figure 4.6. Turkey's continental shelf claims. Source: (ICG 2013, 20)

'tantamount to accepting that islands and even more so a sovereign Island state [Cyprus in that particular case] is deprived of any maritime zones' (UN, 2004); this would contravene customary international law, articles 56, 77, 121 of the UNCLOS and the rulings of the ICJ.

4.3.2.2 The role of Kastellorizo

The agreement between Cyprus and Egypt seems to bring another conflict into the equation. Article 3 of this agreement states: 'If either of the two parties is engaged in negotiations aimed at the delimitation of its exclusive economic zone with another State, that party, before reaching a final agreement with the other State, shall notify and consult the other party, if such delimitation is in connection with coordinates' (UN 2003). The last sentence warranted further clarification about which other states could be included. To this effect, one of my interviewees who served as former Foreign Minister of the Republic of Cyprus and signed this agreement told me that Greece asked the Republic of Cyprus to drag the western triple point around 10 kilometres into the East in order to prevent Turkey from raising any question about Kastellorizo' (Interviewee 8).

Kastellorizo is part of the Dodecanese group of Greek islands called Megisti, which includes the offshore islands of Ro and Strongyli, along with other smaller islets, located at the south easternmost edge of Greek dominion.[16]

[16] More particularly, Kastellorizo *(Municipality of Megisti)* lies 72 miles east of the nearest Greek island, Rhodes, 328 nautical miles from the Greek mainland (port of Piraeus) and 2 km from the Turkish Anatolian coastal town, Kas. Kastellorizo's total surface is 9 km^2, with a coastline of 19 km, while it has

Greece, being part of UNCLOS and controlling the Megisti islands, is able to claim an Exclusive Economic Zone of 200 nautical miles (nm) in length. Together with the Greek-Cypriot zone, this would leave Turkey with 'a narrow Exclusive Economic Zone, hardly extending out from its long coastline' (ICG 2013, 23). In a note addressed to the UN dated of February 24, 2005, Greece declared its position in relation to the maritime delimitation in the area of the agreement between Egypt and Cyprus, disputed by Turkey and Turkish-Cypriots, that is, west of longitude 32°16'18"E (UN 2004c). This delimitation, from Greece's point of view, should take place in accordance with the rules of international law on the basis of the principle of equidistance/median line, as confirmed by long-standing state practice (Figure 4.7).

In that case, according to Turkey's position, its maritime zones would be entirely cut off from those of Egypt, while Greece and Egypt would have opposite coasts; the potential boundary would be determined somewhere between the line connecting the coasts of some Greek islands[17] and the northern shores of Egypt (Başeren 2010). Had the Greek claims come to fruition, Turkey 'would have lost 71,000 of its 145,000 km^2 of the continental shelf, with 3,000 km^2 being for the Greek-Cypriots' benefit, and would have had to be content with only 41,000 km^2 in the Eastern Mediterranean' (Başeren 2010).[18]

Turkey maintains that the delimitation of the exclusive economic zones in the region should follow the principle of natural prolongation. This means that it should not award any zone effect to the islands of the Eastern Aegean, especially the Dodecanesian island of Kastellorizo (Siousouras & Chrysochou, 2014). Turkey bases its claims on the ICJ's 1985 ruling between Malta and Libya and the ICJ's judgment (ICJ 1985) on the maritime delimitation between Romania and Ukraine on February 3, 2009 (ICJ 2009).[19] Turkey did not solely resort to legal argument but went a step further. In September 2011, it issued a NAVTEX to carry out exploration around that area. It dispatched the Norwegian seismic vessel, *Bergen Surveyor*, accompanied by other vessels in an area, which, 'according to the relevant provisions of

a population of 450. Between 1522 and 1912, it was part of the Ottoman Empire's territory until the island's seizure by Italy in the aftermath of the First Balkan War (1912-13). After WWII, according to Article 14 of the 1947 Paris Peace Treaty, the sovereignty of the Dodecanese islands (including Megisti and several nearby islets) was ceded to Greece.

[17] Crete (Kriti/Girit), Kassos (Kasos/Kassot), Karpathos (Karpathos/Kerpe), Rhodes (Rodos) and Megisti (Kastellorizo/Meis).

[18] According to the projections of Pr. Başeren, in the Turkish Marine Research Association (TÜDAV.ORG.TR).

[19] The first ruling adjusted the median line 18 nm northward to provide Libya with a larger continental shelf. It found that 'the difference in their coastal lengths, with a one-to-eight proportion was 'so great as to justify the adjustment of the median line' (ICJ 1985). In the Ukraine-Romania case, the ICJ considered that the Serpents' island should have 'no effect on the delimitation other than that stemming from the role of the 12-nautical-mile arc of its territorial sea and, therefore, be any factor justifying the adjustment of the provisional equidistance line' (ICJ 2009).

Figure 4.7. Greece's viewpoint on the delimitation of its EEZ. Source: Pike, J. (2017). GlobalSecurity.org - Reliable Security Information. Retrieved at December 18, 2017, from https://www.globalsecurity.org/jhtml/jframe.html#https://www.globalsecurity.org/military/world/war/images/map-med-eez-2012.jpg|||Eastern%20Med%20EEZ

international law, overlaps the Greek continental shelf south of Kastellorizo' (Hellenic Republic Ministry of Foreign Affairs 2011). The Greek Embassy in Ankara made a representation to Turkey's Foreign Ministry and put forward a request that Turkey abstain from 'any exploration activity that infringes Greek sovereign rights in the area' (ibid.).

The above concerns laid out by Turkey over the Eastern Mediterranean are linked to Turkey's claims over the Aegean,[20] which is the (ostensible) root cause of Turkey's not having signed or ratified the UNCLOS, in spite of its participation in the negotiations. When the Republic of Cyprus signed the agreement with Egypt, it may haven woken up a sleeping giant. The stake was not only in the Eastern Mediterranean but also in the Aegean Sea; it was something that would not make Turkey step back. Even Greece would not step back' (Interviewee 13).

4.3.2.3 The ambiguous agreement with Lebanon

Lebanon and the Republic of Cyprus started negotiations in 2002 and in 2007 signed an agreement on the delimitation of their Exclusive Economic Zones (Stocker 2012). The Cypriot parliament ratified the agreement in 2009, while the Lebanese parliament did not. The lack of ratification was attributed to various reasons. The most likely one may have been political pressure from Turkey, which had expressed its discontent with any Greek-Cypriot agreement with other countries that allegedly neglected the interests of the Turkish-Cypriots' (Republic of

[20] Detailed in Appendix 5.

Turkey Ministry of Foreign Affairs 2007). Moreover, Lebanon was in a negotiation process with Turkey on a free trade agreement which was signed at the end of November 2010 (Meier 2013).

The 2007 agreement embodies certain particularities which may also account for why the Lebanese parliament has not ratified the agreement yet.[21] In a similar fashion to the agreement between Egypt and Cyprus, Article 1(a) of the Lebanon-Cyprus agreement states that the limitation of the Exclusive Economic Zone between both states is effected by the 'median line of which every point along the length of it is equidistant from the nearest point on the baselines of the two parties'. The boundary line extends for about 84.5 nm (Scovazzi 2012, 7) and, as Figure 4.8 shows, it connects six equidistant points from north to south. Point 1 marks the southern extent between Lebanon and Cyprus and Point 6 marks the northern extent between them.

Nevertheless, in accordance with Article 1(e), these two points of the Lebanese Exclusive Economic Zone have been left for further negotiations with neighbouring countries, namely Israel[22] and Syria. On May 21, 2009, the Council of Ministers (Decision No. 51) provided a new delineation with a list of geographical coordinates submitted to the UNSG in July 2010 (Permanent Mission of Lebanon to the UN 2010). On October 20, 2010, Lebanon deposited the southern part of the western median line of its Exclusive Economic Zone, that is, the point bordering Cyprus, in addition to the southern coordinates that it had deposited earlier and that border Palestine (ibid.).

4.3.2.4 Agreement with Israel and the Lebanese-Israeli dispute

On December, 17 2010, Israel[23] signed an agreement with the Republic of Cyprus in Nicosia delimiting their exclusive economic zones. The agreement entered into force on February 25, 2011. Similarly to the previous agreements (with Egypt and Lebanon), Article 1(a) projects the 'median line' as the optimal solution to delimit their exclusive economic zones. Furthermore, Article 1(b) posits that this median line consists of 12 geographical coordinates defining the edges of the Exclusive Economic Zone (*UN Israel* 23.3.2017). Figure 4.9 sets forth these 12 geographical coordinates which delimit the exclusive economic zones between Israel and the Republic of Cyprus.

The problem, based on the attached list of these coordinates, is that the first boundary marker was surprisingly placed at the same coordinates of the conflictual Point 1 defined by the above-

[21] At least at the time of writing.

[22] It should be stressed, that in line with Lebanese law and practice, the term 'Israel' refers territorially to 'Occupied Palestine' and politically to the 'Zionist Entity'.

[23] Not a contributing part to the UNCLOS.

Figure 4.8. Agreement between Lebanon & Cyprus. Source: UNDP. (2014, December). *The maritime boundaries and natural resources of the Republic of Lebanon.* New York, USA, p. 33

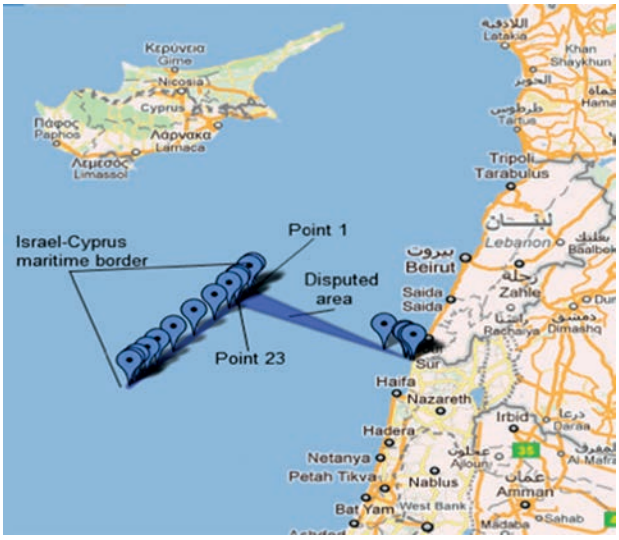

Figure 4.9. Coordinates for the EEZ between Cyprus & Israel. Source: Google Map

mentioned Greek-Cypriot agreement with Lebanon. Lebanon submitted notes to the UNSG in October 2010 (before the Greek-Cypriots' agreement with Israel) which displayed the charts and lists of the geographical coordinates for the delimitation of their Exclusive Economic Zone with the Palestinian Authority (the only authority they recognize) and the Republic of Cyprus. On July 12, 2011, Israel, in its turn, deposited a unilateral claim over the northern limit of its maritime space with the UN. The unilateral claim line defines what would 'be the maritime boundary with neighbouring Lebanon' (Permanent Mission of Israel to the UN 2011). Although the declaration does not specify the methodology for drawing the border-line, the provided turning points create a line that largely follows the northern limit of an existing 'security zone'

claimed by Israel close offshore, before following the northern limit of Israel's gas licence blocks extending out to the tri-point with Cyprus (Gürel et al 2013). These claims stirred up a reaction from Lebanon.

In 2011, Lebanon's Foreign Minister, Adnan Mansour, sent a letter to the former secretary general, Ban-Ki Moon, and declared (*Haaretz* 2011): 'The maritime maps that Israel presented to the UN are a blatant violation of Lebanon's sovereignty and its economic zone.' He explained that the coordinates Israel set forth cut a triangular area 'of 860 square kilometres of Lebanon's economic zone and regional waters' (ibid.). He concluded that this development 'jeopardizes international peace and security' (ibid.). Figure 4.10 shows the disputed area.

Formally at war for years and without any diplomatic relations, Israel and Lebanon have never reached an agreement on a delimitation of their maritime boundaries. The only reference point they may hold as their borderline is the Blue Line since 2000 (although neither side has recognized the other as a state entity).

4.3.2.5 Delimitation Agreement between Turkish-Cypriots and Turkey

In 2002, Turkish-Cypriots passed what they called the 'Territorial Sea Law No. 42/2002', arranging the breadth of their territorial sea to 12 nm (Gürel et al. 2013, 24). In 2005, they passed the 'Maritime Jurisdiction Areas Law', No. 63/2005, which provides for the proclamation of the Exclusive Economic Zone up to 200 nm as well as for its delimitation by agreement with neighbouring coastal states (in spite of the fact that except for Turkey none of these states has recognized them as a state entity). For Turkey and the Turkish-Cypriots, this came into force with a retroactive effect on March 21, 2003, 'except for articles 15 to 17, which impose sanctions for the violation of the maritime rights and came into force on the day of the promulgation' (Yuksel and Ercan 2017, 287).

When Greek-Cypriots initiated their exploration activities, the Turkish-Cypriots made a call on them to postpone them. One of my interviewees (No. 13) informed me that the former Turkish-Cypriot leader, Mehmet Ali Talat, had submitted letters to the UNSC in 2006, 2007 and 2008.[24] In 2011, the then chief negotiator, Kudret Özersay, considered Greek-Cypriot drilling an attempt of the Greek-Cypriot side to allegedly increase tension in a period of intensified negotiations for the reunification of the island (Gundem Kibris 2011). Greek-Cypriots were accused of 'abusing the negotiation process' in order to proceed on the issue of natural resources with the companies (Interviewee 14). 'In case you show a good environment in Cyprus negotiations, there is no need to suspend these processes. We can give further licences. This is what Greek-Cypriots were doing' (ibid.).

[24] These letters were not published in the Turkish Cypriot newspapers although they were received by the UN officials (ibid.).

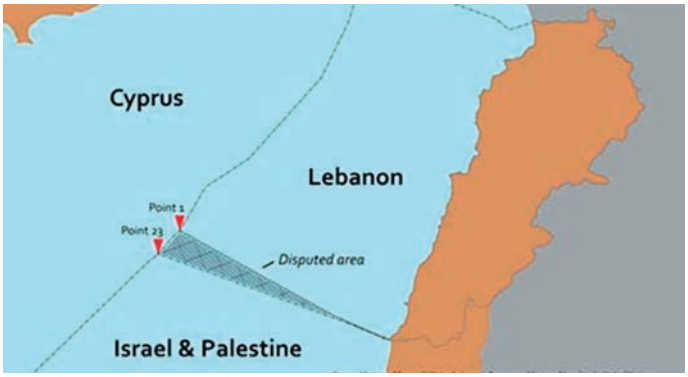

Figure 4.10. The maritime disputed area between Israel and Lebanon. Source: InfoPro Online Service. (2017, March 22). Israel to annex disputed gas-filled maritime area. Retrieved at December 14, 2017, from http://www.businessnews.com.lb/cms/Story/StoryDetails/5964/Israel-to-annex-disputed-gas-filled-maritime-area

Özersay alleged, inter alia (Gundem Kibris 2011):

> 'Similar steps drag the Cyprus problem into the Middle East problem which is complex in any case and could harm the safety of life and property of many people... Therefore, the Turkish-Cypriot side is bent on responding with counter measures (ibid.).

What kind of measures did he actually mean? On September 21, 2011, the Turkish-Cypriots signed a continental shelf delimitation agreement with Turkey, which has a boundary consisting of 27 coordinates (see Figure 4.11). This boundary does not constitute the median/equidistance line, but a line 'determined on the basis of international law and equitable principles'[25] (Republic of Turkey Ministry of Foreign Affairs 2011a). This agreement would be legally binding for Cyprus after a settlement is reached, since there is a succession principle and 'all agreements of the predecessor states remain in place' (Interviewee 13).

Along these lines, Turkish and Turkish-Cypriot officials parcelled out eight blocks calling for Turkish Petroleum (TPAO[26]) to initiate seismic surveys (between September 27 and November 1, 2011). Some of these blocks (F, G) encroach on blocks lying in Cyprus's Exclusive Economic Zone.[27] TPAO dispatched a seismic vessel, *Piri Reis*, to carry out exploration on behalf of the breakaway regime in the occupied area of Cyprus, near parcel 12 where Noble, on behalf of the Republic of Cyprus, was conducting its own drilling. This development was justified

[25] Without elaborating on what this actually means.

[26] Acronym standing for 'Türkiye Petrolleri Anonim Ortaklığı'.

[27] Blocks 1,2,3,8,9,12 and 13.

as a reaction to the commencement of exploratory drilling authorized by Cyprus in its own Exclusive Economic Zone without consulting them. In his first statement after the signing of the agreement, the then prime minister of Turkey said: 'We made clear to the international community that neither Turkey nor the Turkish-Cypriots can remain indifferent to this situation, which constitutes a clear and concrete violation of the rights and the interests of the Turkish-Cypriots; and that in the event that the Greek-Cypriots go ahead with the drilling, we would take a series of concrete steps with the TRNC in order to protect the legitimate rights of the Turkish-Cypriots' (Republic of Turkey Ministry of Foreign Affairs 2011b)

According to sources quoted by Anadolu Agency, on September 25, 2011, the Turkish-Cypriot leader, Derviş Eroğlu, during a private meeting with the UN Secretary General (Today's Zaman 2011c), handed over a four-item proposal to manage the tensions that arose after the signing of the agreement with Turkey. The first item recommended the suspension of the 'natural gas exploration simultaneously until a comprehensive solution is found to the Cyprus problem' (ibid). In case the activities did not cease, Eroğlu, as a second item, set forth the establishment of an ad hoc committee, composed of an equal number of Turkish and Greek-Cypriot representatives. This committee would be assigned to make decisions and submit written approvals for research or extraction licences. According to the third item, the income ensued from the drilling could be transferred to a fund operating under the auspices of the UN. Finally, in line with the suggestions of the fourth item, this income could be allocated later to both sides, with a clause prohibiting both from using the income for purchasing arms (ibid.).

Pr. Özersay, who had claimed the origin of this idea, explained to me his rationale:

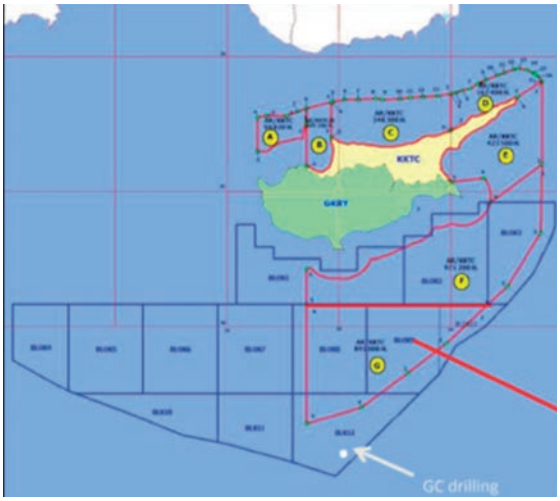

Figure 4.11. Delimitation of continental shelf between Turkey and the 'TRNC'. Source: (Republic of Turkey Ministry of Foreign Affairs 2011a)

> 'I had a kind of a vision. I was really serious and sincere when I encouraged and convinced Mr. Eroğlu to make a proposal about the use of these resources together even before a comprehensive settlement with the aim of un-melting it in the negotiation process. The only way for the lay person to see the benefits of a settlement is to bring some of them now in their pocket in a concrete way. So, in my view there is a fear of the Turkish-Cypriots being dependent more and more on outside sources, meaning Turkey, particularly in the field of energy' (Interviewee 14).

4.3.3 Economic and geopolitical context

After the discovery of the gas reserves and the delimitation of their economic zones that would provide the legal framework for the drillings, the policymakers of the involved countries examined various options for the monetization. Table 4.3.3 lays out the projects that involve the Republic of Cyprus. The construction of (a) LNG plant offshore the Cyprus, (b) the installment of the East-Med pipeline which links Israel, Cyprus, Greece and, via the latter, Italy, (c) a pipeline between Israel, Cyprus and Turkey and (e) a pipeline from Cyprus to Egypt are among these projects.

These projects crystallize a sequence of continuous negotiations among the countries involved. These negotiations unfolded against a pre-existing economic background circumscribing their relations. I focus on the economic and political background of the relationships of the countries involved. I start with the relationships between Israel and Turkey, which have come under severe strain at the dawn of the new decade, especially after the rise of the Justice and Development Party (AKP) in Turkey. I move on to examine the relationships among the Republic of Cyprus, Greece and Israel as well as among the Republic of Cyprus, Greece and Egypt.

4.3.3.1 From Leviathan to Turkey

Israel became the first mover in the economic and geopolitical game as regards the monetization of its reserves in terms of new export routes and infrastructure projects (Shaffer 2011). If Israel

Table 4.2. Monetization projects for Eastern Mediterranean Gas

Projects	States Involved	Gas Capacity	Estimated Cost (USD billion)	Estimated Year of Operation
LNG Plant	Cyprus and Israel	7-14 bcm/year	10-15	2020
East-Med Pipeline	Israel-Cyprus-Greece	30-40 bcm/year	17-20	After 2020
EuroAsia Interconnector Electric Cable	Israel-Cyprus-Greece	2000 MW	3.24	2019
Pipeline	Israel-Cyprus-Turkey	5-11 bcm/year	5-10	2023-2025
EuroAfrica Interconnector Cable	Egypt-Cyprus-Greece	2000 MW	3.74	Unknown
Pipeline	Cyprus-Egypt	700 mcf/day	Unknown	Unknown

Author's Compilation from Prontera & Ruszel (2017, 147); De Micco (2014)

wanted to transport its gas to the European gas market, Turkey had to be considered as one of the transit options through the construction of a pipeline crossing its territory. What are the actual possibilities for the realization of such a project?

After the AKP took over Turkey's governance, the traditionally stable bilateral relations between Turkey and Israel gradually deteriorated[28]. They hit a low in May 2010, when Israeli commandos killed nine Turkish activists on board the ship *Mavi Marmara*.[29] In the immediate aftermath of the 2010 incident, Turkey withdrew its ambassador from Tel Aviv and suspended military cooperation between the two countries. Turkish officials conditioned the restoration of the bilateral ties on three prerequisites: a clear apology to Turkey, compensation to the victims' families and relaxation of the Gaza blockade (*Hurriyet Daily News* 2013).

How can we explain the problematic relations between Israel and Turkey during the AKP's era? One of the interviewees told me that the 'withdrawal of the American troops, the weakening of Iraq and the rise of Shia governments changed the balance of power in the region and influenced -to a great extent- Turkish foreign policy' (Interviewee 5). Disrupting the ties with Israel would make no sense since Turkey coud strike a delicate balance in the Arab-Israeli conflict without devaluating the military ties with Israel (ibid). It seems though that the ideology of Turkey's leadership may have shaped Turkey's policy vis-à-vis Israel (ibid).

On March 23, 2013, Turkish Prime Minister Erdogan announced that he had finally received an apology from Israeli Prime Minister Netanyahu for the deaths of the Turkish activists in 2010. As he alleged, this apology – brokered by US President Barack Obama – met Turkey's

[28] One of the tests they weathered was in February 2006, when, after an offer by the then Turkish prime minister, Recep Tayip Erdogan, the exiled supreme leader of Hamas, Khalid Mishaal, had a meeting with Turkish diplomats (al Jazzeera 2006). On December 27, 2008, after a six-month ceasefire, Israel launched an offensive in the Hamas-controlled Gaza Strip, with dozens of air -raids killing more than 1,000 Palestinians (*Guardian* 2008). According to Inbar (Inbar 2001), the fact that Israel did not inform Turkey about its impending attack on Gaza came as a great disappointment to the AKP government, which had viewed itself as an honest broker in the Palestinian-Israeli conflict. In January 2009, in one of the panels during the annual Davos World Economic Forum, the then Turkish Prime Minister Erdogan criticized, in front of the audience, Israeli president Shimon Peres for the Gaza offensive and stormed out of the forum. In September 2009, Israel rejected Ahmet Davutoglu's request to enter the Gaza Strip through Israel, 'where he planned to meet Hamas officials before crossing back into the Jewish state' (ibid.). Davutoglu had to call off the planned trip to Israel (Keinon 2009). Moreover, in October 2009, Turkey excluded Israel from a multinational air force exercise – codenamed Anatolian Eagle – which takes place on an annual basis.

[29] This ship was part of a six-boat aid flotilla, organized under the auspices of the International Gaza Movement and a Turkish group called the Foundation for Human Rights and Freedoms and Humanitarian Aid (IHH), aimed at breaching the blockade of Gaza imposed by the Israeli authorities. Ehud Barak, Israel's then defence minister, accused IHH of being a dangerous Islamic organization with terrorist links, 'although no evidence was provided to back this claim' (Tavernise and Bronner 2010).

conditions and proved its regional clout (Reuters 2013)[30]. On June 26, 2016, the two countries reached an agreement to normalize their ties (Lewis and Pamuk 2016). Despite the severe political tensions between the two countries, there has been a booming trade between them; this development has continued up to today (see Figure 4.12).

Moreover, the two sides launched a discussion on an energy deal between them, with special reference made to the construction of a pipeline transporting hydrocarbons from Leviathan's gas fields (Israel) to Ceyhan (in Turkey). On the sidelines of a nuclear security summit in Washington in March 2014, Turkish President Recep Tayyip Erdogan allegedly held a private meeting with Israel's Minister of National Infrastructure, Energy and Water Resources, Yuval Steinitz, for 20 to 30 minutes (Baker 2016). That moment signalled the highest-level contact between Israel and Turkey since their diplomatic relations broke down in 2010. After the two sides renewed their ties (June 2016), the energy discussions intensified. In October 2017, the adviser of Yuval Steinitz, Dr. Cohen, said: 'discussions between Turkey and Israel were currently on the price and the route of the proposed natural gas pipeline between the two countries' (Sengul and Tiryakioglu 2017), as shown in Figure 4.13. The negotiations involved private Turkish and Israeli companies as well as government officials. The significance of such a pipeline for Turkey is explained in Appendix 6.

While interviewing energy analysts from both sides, I encountered, as expected, competing arguments about the construction of such a pipeline. One of them suggested that Greek-Cypriots should 'keep the Turkish option open if they want their gas to journey to Europe. Exporting to Turkey is a possibility and the economic argument has not been properly investigated' (Interviewee 6). The challenge would be that only if the single market were Turkey, a scenario that would enable Turkey to dictate the prices (Interviewee 6). This view is not shared among all Greek-Cypriots. Another Greek-Cypriot interviewee counterargued that 'Turkey is a difficult country at the level of cooperation and to the extent that other export options exist, the Turkish option should be left aside.' Since Turkey questions the Exclusive Economic Zone of the Republic of Cyprus, it would be unwise for the Greek-Cypriots to place them on the driver seat (Interviewee 4). The company that seeks to invest in you, due to the high risk, will ask you the double and triple price to invest' (ibid).

Moreover, the same interviewee ruled out the scenario that such project would work as a peace-pipeline. Such term exists nowhere in the world (Interviewee 4). Instead 'energy might further fuel the tensions and create a problem in parallel' (ibid). That is why the most important stake is the guarantee of the sovereignty of the Republic of Cyprus and of its rights. These should not be compromised by any means (ibid).

[30] Although Israel has not agreed to lift the Gaza blockade, one of Ankara's pending two conditions for the restoration of bilateral relations.

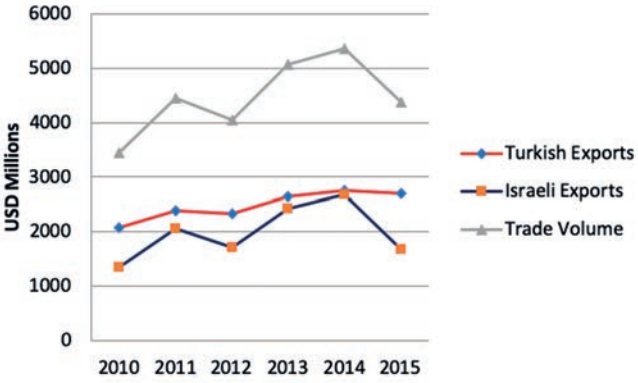

Figure 4.12. Trade relations between Turkey and Israel. Source: (Republic of Turkey Ministry of Foreign Affairs 2015).

A Turkish-Cypriot interviewee counter-argued that the construction of a pipeline from Israel to Turkey is worth it (Interviewee 13). Turkish companies have launched lobbying to construct it, considering the option that the pipeline might not go from the Republic of Cyprus but from Karpaz (ibid).[31] Turkish diplomats are hammering out their plans on the pipelines without consulting the Turkish-Cypriots (ibid). A Greek-Cypriot interviewee does not believe that Israel will 'go behind Greek-Cypriots' backs to move on with such a project (Interviewee 4). The Israelis recognize that such a pipeline crosses our red lines and, therefore, respect our concerns' (ibid).

4.3.3.2 The Trilateral partnership and Turkey's reaction

On December 5, 2017, three EU members – Greece, Cyprus and Italy – along with Israel signed a memorandum of understanding for the construction of the world's longest underwater natural gas pipeline (Reuters 2017b). The project, listed as Project of Common Interest, provides for the construction of the largest undersea pipeline in the world, a 1,300 km offshore pipeline and a 600 km onshore pipeline (*IGI-Poseidon*). As Figure 4.13 shows, it is destined to channel offshore reserves (between 8-14 bcm/y) from the Levantine Basin (which includes Cyprus and Israel) to Greece and from there to Italy. More particularly, it consists of the following sections (ibid.): (a) a 200 km offshore pipeline stretching from the Levant Basin sources to Cyprus; (b) 700 km offshore pipeline linking Cyprus to Crete in Greece; (c) 400 km offshore pipeline from Crete to the Greek mainland (Megalopoli in Peloponnese); (d) 600 km onshore pipeline crossing Peloponnese, West Greece, and reaching the metering station within the municipality of Otranto in Italy (DEPA 2018).[32]

[31] Which lies in the occupied territories in the north of the island.

[32] Since July 2014, this section was developed by the IGI Poseidon SA, a Greek company equally owned by Greek DEPA SA and the Italian Edison International Holding.

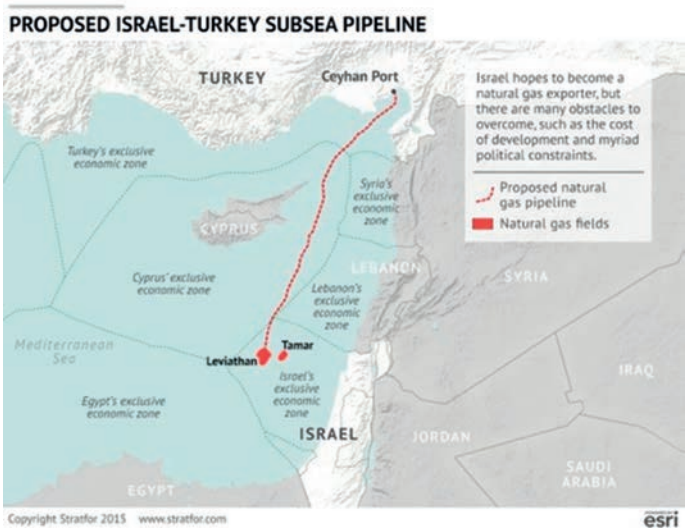

Figure 4.13. Proposed pipeline between Israel and Turkey. Source: Stratfor. (2014, April 2). [A Potential Turkey-Israel Pipeline Project]. Retrieved at 21.11.2015 from https://worldview.stratfor.com/article/potential-turkey-israel-pipeline-project

One of my interviewees does not believe that the construction of a pipeline to Greece is a feasible option due to the depth of the water and surface on the sea (Interviewee 8). The challenge for Israel, is to meet great demands of its domestic market, while selling gas to other neighbouring markets, like Jordan and Egypt (ibid). That explains why Israelis may not invest in such option sincerely (ibid). An important obstacle concerning the Greek-Cypriot gas reserves is that under the current prices, it is difficult to take any advantage. The whole endeavour is much more expensive for the Republic of Cyprus, especially because 'these reserves lie offshore, in 'ultra-deep' waters. You need to install drilling platforms, to extract the reserves and transport them; therefore, the cost gets bigger and bigger'.

In order to comprehend how the three countries, in particular, Israel and Cyprus, concluded this agreement, I search for the background of their bilateral relations over the last few decades.

Due to its geographical proximity, Israel viewed Cyprus – an initial transit point for many Jewish Holocaust survivors in the 1940s – as an integral part of its 'periphery doctrine' (Guzansky 2014), a strategy going back to the first years of its existence, and designed to counter-balance pan-Arabism and overcome its isolation from the Arab states (Stergiou 2016). Despite reaction from within Egypt, the two countries, in January 1961, formalized their diplomatic relations with the establishment of an Israeli embassy in Nicosia. However, the participation of Greek-Cypriots in the Non-Aligned Movement – with their Arab friendly stance towards the Arab-Israeli conflict and the close ties it developed with Soviet Union – impeded their further

development[33] (Stergiou 2016, 378). Greek-Cypriots seeking the support of the numerous Arab states, especially after 1974 in their confrontation in the UN with Turkey, explains their stance. They feared that Israel's full recognition , without a simultaneous recognition of Palestine, would bring about a risky precedent for the recognition of the breakaway regime in the north of the island (ibid). The two countries upgraded their bilateral relations in 1993 after the signing of the Oslo agreement, which paved the way for mutual Israel-PLO recognition (State of Israel Ministry of Foreign Affairs 1993). On February 23, 1994, Cyprus installed its embassy in Tel Aviv. However, Israel's close military ties with Turkey had initially inhibited the further improvement of relations with the Republic of Cyprus.

Coinciding with the gradual deterioration of the Turkish-Israeli relations, a 'wind of change' spanned the traditionally distant relations between Greece and Israel,[34] as well as between Israel and Cyprus. The discovery of gas reserves offshore of Cyprus and Israel became the 'critical junctures' in this breakthrough. As stated above, in December 2010, the two sides signed an agreement to delimit their exclusive economic zones. On August 24, 2011, the Cypriot Minister of Foreign Affairs, Erato Kozakou-Markoullis, visited Israel to discuss strengthening the energy cooperation between the two countries and to formulate a common strategy to deal with the anticipated Turkey's reactions against Greek-Cypriot drilling (Newsit.gr 2011).

The predictions about Turkey's reactions proved accurate. *Hurriyet Daily News* (2011a) quoted Turkey's former foreign minister, Ahmet Davutoglu saying: 'The Eastern Mediterranean will no longer be a place where Israeli naval forces can freely exercise their 'bullying' practices against civilian vessels'. He warned that Turkey 'would take every precaution it deems necessary for the safety of maritime navigation in the Eastern Mediterranean' (ibid). Turkey's EU Minister, Egemen Bagis, asked the Greek-Cypriots to stop 'acting as the Trojan Horse of Israel' (*Daily Sabah* 2011). He also warned (Today's Zaman 2011a): 'This is what we have the navy for. We have trained our marines for this; we have equipped the navy for this'. In a similar tone, Turkey's Energy Minister, Taner Yildiz, in reference to Greek-Cypriots' intention to launch drilling, stressed 'no one should attempt to test either the Turkish government or the country's past' (*Hurriyet Daily News* 2011b).The Greek vice-president, Theodoros Pangalos, asked in

[33] Stergiou (2016, 378) invokes the Archive of the Ministry of Foreign Affairs of the Republic of Cyprus, Folder FA 2/176: Report on the Consultative Meeting of the Non-Aligned Countries in Colombo in 1976 and FA 50: Report on the Consultative Meeting of the Non-Aligned Countries in Belgrade 8-11 July 1969.

[34] Since 2008, Greece and Israel have decided to put the 1994 Defense Agreement into practice. Between May and June 2008, the Israeli Air Forces (IAF), with the collaboration of the Hellenic Air Forces (HAF), carried out a major military exercise in the Greek national airspace – codenamed *Glorious Spartan* – of an attack against Iran's uranium plant, probably at Natanz (Israel National News 2008, Tziampiris 2015). In May 2010, a similar military air force exercise – codenamed *Minoas* – (involving aerial battles, long-range missions and mid-air refueling) was planned at a Greek air base in Souda Bay on the island of Crete (Pfeffer 2010).

parliament about the potential escalation of the crisis in the EM, stated: 'an attack against Cyprus means an attack against Greece' (Naftemporiki 2011). At that moment, Turkey was signing a delimitation agreement on the continental shelf with the Turkish-Cypriots and authorized TPAO to conduct surveys in that area, which encroaches on the Exclusive Economic Zone of Cyprus. TPAO dispatched the seismic vessel, *Piri Reis*, to explore potential gas reserves. After signing the agreement, Prime Minister Recep Tayyip Erdoğan called the joint Cyprus-Israel drive to explore gas reserves in the Eastern Mediterranean 'madness' and a blow to negotiations to reunite Cyprus (Today's Zaman 2011b). One of my Turkish-Cypriot interviewees told me that Özersay played an important role in the crisis. He allegedly 'dragged the issue to a reciprocity question.' (Interviewee 13)

Taking Turkey's threats into consideration, in October 2011, Cyprus agreed to do joint exercises with Israel. Although Cyprus has no air force, it possesses a modern military airport base in Paphos ('Andreas Papandreou') as part of a common defence doctrine with Greece. Israelis planned exercises in Cyprus's airspace, involving air refuelling and aircraft interceptions (ibid.). These agreements were put into practice after 2014, when Cyprus and Israel embarked upon joint air force exercises codenamed Onisilos-Gideon (Republic of Cyprus Ministry of Defense 2014).

Back in 2012, addressing *The Economist Energy Summit*, the Israeli Minister of Energy and Water Resources, Uzi Landau, underlined the significance of Greece, Cyprus and Israel 'axis' – as he called it – in Tel Aviv's 'geostrategic thinking' and 'as an anchor of stability' in a 'Middle East, that is now caught in a tremendous earthquake, stretching from the Atlantic to the Persian Gulf and beyond' (Melacopides , 2016, 139; Tsakiris, 2014). At the same time, between March 26 and April 2012, Israel, US and Greece conducted a joint naval exercise, codenamed *Noble Dina*, which involved 'exercises of repelling enemy attacks against offshore natural gas and oil rigs, anti-submarine warfare, anti-surface warfare and prohibition of military aircraft operations' (Turkish Navy 2012).

4.3.3.3 Joint Israel-Cyprus LNG plant on the southern coast of Cyprus

In November 2012, Israeli, Greek and Cypriot ministers signed an agreement to set up joint Greece-Cyprus-Israel working groups which would evaluate the feasibility and promotion of some major energy initiatives (besides the East Med) enabling gas exports from Israel and Cyprus to Greece (Tagliapetra 2013).

One example was the possibility of an LNG plant at Vassilikos port in Cyprus and the EuroAsia Interconnector. This project would involve the transportation of Israeli and Cypriot gas to a liquefaction plant at the port of Vassilikos at Larnaca District in Cyprus, and from there, exporting it by ship to Greece for regasification (Tagliapetra 2013). Given the proximity of the Leviathan's field to the Aphrodite field, this option was considered as the 'only realistic and

viable way to deliver Israeli and Cypriot natural gas to the EU' (Tagliapetra 2013). Furthermore, as an option, it reflected an attractive market segment for gas sellers, since 'global demand for LNG has been growing three times faster than for gas as a whole' (Giamourides 2013, 21). Due its inherent flexibility, LNG would have been 'well-positioned to capture new gas market opportunities' besides Europe (ibid.). Since the Asian gas market has been growing faster than the EU market, the LNG might have entailed better prospects in the longer term than pipeline gas (Gurel, Mullen and Tzimitras 2013, 79). Furthermore, from the moment the production took place at a single site, it would be less vulnerable to terrorist attacks (as opposed to the Egypt-Israel gas pipeline, which was repeatedly targeted in the aftermath of the Arab uprising in Egypt). Finally, an additional advantage would be the much smaller volume it would contain, facilitating large quantities to be exported at any single time and eventually reducing the transportation costs.

Gürel et al. (2013, 79-82) list a number of challenges that such an enterprise might involve. The very large running and investment cost might reduce the revenue that could be generated. The cost of exploration and development wells (which, as explained at the start of this chapter, lie in 'ultra-deep' waters), the number of years needed to build up the plant (according to the current projections six to seven years after a final decision to initiate its construction) and the amount of gas reserves essential for its construction (around seven tcf for a single train-plant of five million tonnes per annum) might render this endeavour a risky business. Finally, the low LNG prices at the moment further question its future competitiveness in the global market (Interviewee 6).

In June 2013, Cyprus signed a memorandum of understanding about the potential construction of such a facility with Noble Energy International Ltd, Delek Drilling Limited Partnership and Avner Oil Exploration Limited Partnership[35] (LNG World News 2013). The MoU does not entail a binding character but rather paves the way for a series of negotiations 'that will specify the technical and commercial basis on which an onshore LNG plant will be built at Vassilikos' (ibid.).

4.3.3.4 The construction of the EuroAsia Interconnector

The EuroAsia interconnector is an underwater cable, approximately 1,518 km long, linking the electrical grids of Israel (Hadera), Cyprus (Kofinou) and Greece (via Korakia in Crete) through submarine DC cables and HVDC onshore stations in each country with a capacity of 2000 mw (Tsakiris 2014). Its estimated cost is approximately €2.65 billion (ibid.). Making use of the gas reserves detected in Leviathan and Aphrodite (with the utilization of additional renewable sources), the central objective of this project is to set out a reliable alternative

[35] The companies which were granted a production sharing contract for Block 12 in 20o8.

corridor for transferring electricity to Europe, terminate the energy isolation of Cyprus[36] and Crete (ibid.), and 'offer Israel an additional "fail safe switch' in the event of a flow disruption in Tamar or Leviathan' (Tsakiris, 2014, 9). It is promoted by a trilateral consortium composed of Greece's DEH (Public Power Corporation), Israel's Electricity Corporation (IEC) and DEH-Quantum Energy Ltd[37] (Tsakiris 2014, 8). According to the current projections, this venture's costs will be recouped in four years and should earn €17.5 billion throughout the life of the cable.[38] After a year of negotiations, on August 8, 2013, the three countries, represented by their ministers of energy, signed a memorandum of understanding (MoU) declaring their intention to implement the EuroAsia Interconnector (Globes Online 2013). This memorandum covered cooperation on desalination of water resources as well (ibid.).[39]

4.3.3.5 The trilateral summits

Between 2013 and 2016, the three countries were deepening their cooperation. They reached an agreement to 'further promote trilateral political consultations and expand dialogue to all levels, with a view to contributing to the consolidation of regional peace, stability, security and prosperity' (State of Israel Ministry of Foreign Affairs 2014). The ambassadors of the three countries expressed their concerns 'for illegal actions and provocations in the sea waters of the Eastern Mediterranean in violation of international law' (ibid.). The recipient of the message was clear: Turkey. After Cyprus announced drilling in Block 9, on October 3, 2014, Turkey issued a navigational warning (NAVTEX), 'designating' from 20 October to 30 December, 2014, a large area within the Exclusive Economic Zone of Cyprus as reserved for seismic surveys to be conducted by the Turkish vessel *Barbaros* (European Parliament 2017). This development allegedly triggered the Cypriot president to pull out of the negotiation talks with the Turkish-Cypriot leader at that time. The second trilateral political consultations with the participation of the countries' ambassadors took place in Jerusalem on January 16, 2015, expanding their agenda on other areas, such as 'search and rescue, civil protection, economic cooperation, shipping, health and medicine, education, agriculture and fisheries, conflict resolution, people-to-people contacts and culture' (Republic of Cyprus Ministry of Foreign Affairs 2016).

From 2016 until 2017, three trilateral summits were held. In January 2016, the first trilateral summit took place in Nicosia. In a joint statement, they emphasized: 'The discovery of important hydrocarbon reserves in the Eastern Mediterranean can serve as a catalyst for peace,

[36] As the last member of the EU fully isolated without any electricity or gas interconnections.

[37] Located in the Republic of Cyprus and the project's operator.

[38] As the East-Med Pipeline, this endeavor is listed also among EU's PCIs.

[39] In August 2013, a subsidiary of Israel's National Water Company, Mekorot, opened desalination plants in Limassol and Larnaca. Both projects are destined to meet 40% of the island's water consumption, seeking to curb the increasingly problematic water shortages it faces (Udasin 2013)

stability and cooperation in the region' (State of Israel Embassy in Cyprus 2016). At the second trilateral summit, held in Jerusalem on December 8 2016, they announced the establishment of a 'Permanent Ministerial Committee on Energy designed to consider strategic and practical aspects of joint action in the field of energy cooperation' (Proto Thema 2016). They stressed the strategic value of the trilateral energy projects, such as the East-Med pipeline to Europe and 'EuroAsia Interconnector'.[40] In April 2017, the energy ministers of the three countries, in the presence of Italy's energy minister and the EU Commissioner for Climate Action and Energy, Miguel Arias Cañete, pledged their commitment to the East-Med project (Euractiv.com 2017). Finally, in the third trilateral summit, held in Thessaloniki on June 15, 2017, the leaders of the three countries announced once again their commitment to and the strategic value of the two projects (State of Israel Ministry of Foreign Affairs 2017).

What is the logic driving the cooperation among the three countries? Was it economy, security or different considerations motivating this partnership? One theory is that the lack of experience or expertise in securing their natural resources through their coast-guard, navy and air force motivated Greek-Cypriots (Interviewee 5). From Greek-Cypriots' point of view, 'Israel was a practical resort, in line with latter's effort to alter the diplomatic balances vis-à-vis Turkey' (Interviewee 5). By approaching Israel and considering that Noble, a company of American-Jewish interests, was drilling in Block 12, 'Cyprus aimed at creating a nexus of interests that would potentially benefit the Republic of Cyprus against Turkey' (ibid). Inspired by a neorealist view, the 'anarchic environment' in the Eastern Mediterranean was the main imperative behind these initiatives. Given that Syria was in a state of chaos and that the pipeline between Israel-Egypt and from the latter to Europe through Algeria could not be utilized – mainly because of political risk calculations – 'Israel was also urged to turn its attention to Cyprus, having discovered its own gas, and to Greece as being the natural extension of the Eastern Mediterranean in geostrategic terms and because of the latter's bonds with Cyprus' (Interviewee 5).

Another interviewee expressed a different theory, according to which the triangles were based on a consolidated perception: the 'enemy of my enemy is my friend' (Interviewee 13). These developments matched the priorities of Israel because of Liberman. Liberman, who is of Russian origin, as Minister of Foreign Affairs, 'being obsessed with Turkey, contributed to the establishment of these triangles with Greece and Cyprus in order to counter-balance the losses supervened after the dissolved cooperation with Turkey' (Interviewee 9).

Another theory pinpoints domestic calculations behind the rapprochement between the two countries. The leftist Cypriot government of Christofias at that time allegedly initiated the whole

[40] They also agreed to expand their cooperation in various fields, such as tackling the humanitarian aspects of the migration crisis, facilitating the dialogue among the diaspora communities and enhancing the EU-Israel relations.

rapprochement towards Israel in order to restore its shaken image after the Mari events in 2011 (Interviewee 13). The poor economic performance of the government and its reluctance to take austerity measures made him launch these plans in order to distract attention from the reforms needed.' (ibid).

4.3.3.6i The Egyptian option

One potential outlet for the Greek-Cypriot gas reserves is that 'Egypt has two LNG termination plants at its disposal (Damietta and Idku), which are not operational at the moment, due to miscalculations of the Egyptian authorities'. In recent years, Egypt has been suffering natural gas supply shortages due to 'a lack of investment in the country's upstream sector, political unrest, and a struggling regulatory environment' (Norlen and Maddock 2015). By 2015, the country had largely shut down its two LNG facilities (in Idku and Damietta) as well as its pipeline to Israel, transforming Egypt from a dynamic exporter into a net natural gas importer.

Nevertheless, the 2015 discovery of a giant field (850 bcm) in the Zohr basin offshore Egypt reshaped the country's prospects and rendered it once again the cornerstone of the energy security architecture in the Eastern Mediterranean. According to McKinsey (Norlen and Maddock 2015), the supplies from the Zohr discovery are destined to satisfy growing domestic demand, while the existing LNG plants on its coast (Idku and Damietta) may crop up as an opportunity to export the Eastern Mediterranean gas to Europe and beyond. In August 2016, Cyprus and Egypt signed an agreement paving the way for the supply of Cypriot gas to Egypt via an undersea pipeline, without determining whether the gas would be used for Egypt's domestic needs or be liquefied at Egypt's LNG plants for export to other markets (Hadjicostis 2016). A year later, in November 2017, the two countries signed a memorandum of understanding to begin transferring NG and began discussions about the construction of a pipeline (*Daily News Egypt* 2017).

Royal Dutch Shell, owner of the Egyptian LNG facilities in Idku, reportedly launched negotiations to buy natural gas from Israel's Leviathan field, 'combine it with output from the Aphrodite field[41]' and pump it to Idku (Bloomberg 2017). Linking the Leviathan and Aphrodite fields to the Idku plant in Egypt held an additional advantage: it would bypass politically contested and sensitive zones in the Eastern Mediterranean as such a route would only require permission to solely pass through Egypt's Exclusive Economic Zone. The to export gas to Egypt would be the best option for the Greek-Cypriots according to one of my interviewees, given that the Zohr field might need a couple of years to be explored (Interviewee 5).

Besides their economic implications, these developments had a political impact as well. Since 2014, Egypt has begun different forms of cooperation with Cyprus and Greece. Between

[41] In which it owns a 35% stake through the BG Group.

November 2014 and November 2017, five trilateral summits[42] took place with the participation of the three countries' leaders. According to the joint declaration published in the aftermath of the fifth trilateral summit (21.11.2017), the three leaders reached an agreement to broaden 'strategic cooperation' on energy, devising plans to transport Eastern Mediterranean gas to Europe and linking the grids of Europe and North Africa via an undersea cable (Hadjicostis 2017). This cable, the EuroAfrica Interconnector, with a length of approximately 1,648 km and a capacity of 2000 mw, would create an electricity highway from Egypt-Cyprus-Crete-mainland Greece to Europe through which the EU could securely access electricity produced by the gas reserves in Cyprus and Egypt as well as from available renewable energy sources (EuroAfrica Interconnector). The realization of such a project would contribute to the completion of the European internal market (ibid.).

In these declarations, they also pledged to launch negotiations on the delimitation of their maritime zones where it is not yet done. While the Republic of Cyprus and Egypt have delimited their exclusive economic zones since 2003, the respective delimitation between Greece and the Republic of Cyprus as well as Greece and Egypt is still pending.

4.4 CRITICAL REFLECTIONS, CONCERNS AND PRIORITIES

I have presented in a detailed fashion most of the technical, legal, financial and geopolitical aspects of the energy setting in the Eastern Mediterranean. Without these aspects, readers cannot gain an adequate understanding of the realities in which the recent Cyprus gas dispute has unfolded. These aspects are enriched by the statements of analysts and officials directly or indirectly involved in this scenario.

Before I provide some conclusions to this Chapter, I present some of the concerns of analysts on how the key actors among the Greek-Cypriots and Turkish-Cypriots, as well as the other surrounding states in the Eastern Mediterranean, have handled the issue so far and the future prospects of the gas reserves.

4.4.1 Critical reflection on the energy debate

According to one of my interviewees (No. 9), all the regional actors, such as Egypt, Israel and Cyprus, approached the whole debate purely from a political point of view and prioritized it over the business logic. Tremendous opportunities were being missed of monetizing the gas reserves both in Cyprus and Israel from political and economic viewpoints (Interviewee 9). This view was shared by another interviewee, who asserted that the policymakers in the region

[42] 8.11.2014, 29.4.2015, 9.12.2015, 11.10.2016 and 21.11.2017.

looked at the situation narrowly (Interviewee 6). They allegedly did not have a good grasp of what was happening at a global level, including the development policies in relation to a global energy perspective (Interviewee 6). Another interviewee mentioned that the parties involved should not look at the issue narrowly, but in a regional dimension in order to involve other stakeholders and consider their interests (Interviewee 11). The same interviewee mentioned that the energy issue had been handled by both sides in a very Cold War-style fashion –in a win-lose competition-oriented way and not in light of a win-win logic.

So the fundamental question is how an issue that emerged as recently as 2011 has been viewed through the prism of the existing conflict and became another link in the chain of the Cyprus crisis (Interviewee 9). One explanation is that in cases where political securitization has reached high levels, such as the case between the Republic of Cyprus and Turkey, the possibilities for energy cooperation are low. Energy can become a game changer as a peace catalyst, but the main prerequisite is a low degree of political securitization, which allows energy to be put on the agenda and become manageable in both political as well as securitized terms (Interviewee 4). In the case of political-military conflicts, drawn from existing practices and experience, energy as such has not been a factor conducive to their resolution. Instead, it has evolved into an essential chapter of the pre-existing conflict, despite the ability to smoothen things out at a later stage and under concrete circumstances (Interviewee 4). Cyprus is not an exception in this respect.

4.4.2 Greek-Cypriot concerns and priorities

What are the stakes that both sides attach to the monetization of the natural resources? To what extent can economic calculations outweigh the security ones? As confirmed by the assertions of the interviewees above, security gains take primacy over economy, especially for the Greek-Cypriot side, which seems to prioritize the containment of Turkey's influence over reaping the economic benefits from the natural resources. For instance, although the Greek-Cypriot participants acknowledged that the transportation of natural gas through Turkey was in financial terms a much more viable option than any other solution, in political terms and with the current gas reserves detected, exports to Turkey would be the wrong choice, even after a settlement (Interviewees 4 & 7). The reason was because 'Turkey is unpredictable. We do not know whether tomorrow Turkey will bring two warships. If we are not ready to guarantee our sovereignty, why should we expect from Turkey to respect it?' (Interviewee 4). Even if Greek-Cypriots are willing to discuss the energy issue, Turkey cannot get the pipelines whilst simultaneously asking the Republic of Cyprus to abolish itself as a state entity. Turkey does not allow any room for compromise (Interviewee 3). 'You cannot assign a price to the political cost or to the political risk. How can you talk about energy cooperation with your enemy when he does not recognize you as a state entity' (Interviewee 4)? The energy issue as presented here not as a question of economics but of high politics. As aptly put by one of the interviewees, 'energy in our case is deeply securitized at a political level: screw the economics" (Interviewee 4). This

approach justifies to a great extent why the trilateral agreements between Cyprus-Egypt-Greece and Cyprus-Israel-Greece are oriented in the right direction (Interviewee 3).

It becomes clear that for Greek-Cypriots, Turkey is the main problem. How do they view the role of Turkish-Cypriots? Should they participate in hydrocarbons management or not? Should they reap any economic benefits from the extraction of the natural resources or not? I recognized a division on this topic by the Greek-Cypriot respondents. 'Without knowing the realities attached to the potential solution [of the Cyprus conflict], such a discussion is purely speculative' according to one of them' (Interviewee 4). Greek-Cypriots might find an economic formula to distribute the economic benefits, but not a political formula that would grant rights to the Turkish-Cypriots (ibid). 'In this way, Turkish-Cypriots would not accuse them of seeking the profits of these reserves solely for their own benefit' (Interviewee 4). What is the problem with Turkish-Cypriots' participating in the decision-making? 'No company in the world feels ready to invest millions or billions if it does not know who it is dealing with. Who is putting down the signature? The Republic of Cyprus signs now and its signature is abiding for the state' (Interviewee 4).

If the issue reaches a bi-communal level and every community has the right to exercise its veto, no company in the world would want to invest millions if it had to face any form of obstructiveness (ibid). Obstructiveness for the interviewee meant a Turkish-Cypriot veto. As argued, if Greek-Cypriots had to strike a deal with the Egyptians, with Total or ENI they would have first to reach an agreement with Turkish-Cypriots. This would give Turkish-Cypriots the chance to tell the Greek-Cypriots: 'No, we do not agree, except for the case we agree on a rotating presidency' (Interviewee 4). In the face of a deadlock, Greek-Cypriots could expect an oil company to tell them to wait until the Cyprus conflict was resolved, although in 46 years this has not been the case and high financial costs are at stake (Interviewee 4). There is an additional impediment to the Turkish-Cypriots' participation in hydrocarbons' management: that is their overreliance on Turkey. 'If the cooperation in the management of these resources were a solely bi-communal issue, someone would claim that a *modus vivendi* could be reached' (Interviewee 4). 'If the approval of Turkey – which is behind this– is requested, then what happens? We are especially talking about today's Turkey, which is unpredictable and unreliable' (ibid).

Another Greek-Cypriot participant counter-argued this and warned that 'without a meeting with the Turkish-Cypriots – not with Turkey – to discuss these issues, the Greek-Cypriots would find themselves under the Damoclean sword of Turkey' (Interviewee 8). The same person came up with a suggestion: Greek-Cypriots could keep the drilling activities, 'but under the supervision of an international authority, within which a Turkish-Cypriot could also participate' (Interviewee 8). The Turkish-Cypriots would not be eligible to participate in the management of these reserves but they could supervise the whole procedure under an

international banner (Interviewee 8). Such a proposal would include a disclaimer: 'whatever is agreed on the energy topic does not constitute a precedent for the other arrangements-items of the Cyprus question' (Interviewee 8). Moreover, the same person pitched the idea of creating an escrow account for the distribution of the economic benefits even before a settlement was reached and for every $100 that the Greek-Cypriots would earn, a proportion of this amount could be directed to the Turkish-Cypriots (Interviewee 8).

The debate on the economic cooperation with Turkey and the participation of the Turkish-Cypriots in the hydrocarbons' management boil down to the assumption that the most important stake for the Greek-Cypriots is the guarantee of the republic's sovereignty and of its rights. The sovereignty of Cyprus should not be compromised and it should be solely the Greek-Cypriots making the decisions (Interviewees 3; 4; 7; 8). This explains how security considerations outweigh economic calculations.

4.4.3 Turkish-Cypriot concerns and priorities

Turkish-Cypriots seem to pursue incompatible objectives. They are after decision-making powers. What they want is to have a say in decision-making and conduct the explorations jointly, despite the negative reaction of the Greek-Cypriots, for which the explorations constitute a sovereignty issue (Interviewee 10). One of my Turkish-Cypriot respondents mentioned: 'Everybody agrees that hydrocarbons belong to both communities'[43] (Interviewee 10). Greek-Cypriots' claim: 'we have the Republic of Cyprus which is capable of using all these sovereign rights, so we don't really want to bring in the Turkish-Cypriots because that would imply that the Republic of Cyprus is actually problematic'. The respondent further argued that the Republic of Cyprus was problematic, just as the 'TRNC' was problematic, 'although the 'TRNC' may be more problematic, of course, because it's also not recognized' (Interviewee 10). Therefore the approach of Greek-Cypriots, summarized as 'don't bother guys, we will give you your money" is also problematic (Interviewee 10). The interviewee urged Greek-Cypriots to find a different way of defending their rights. They were requested to consider how to cooperate with Turkish-Cypriots 'without prejudicing the existing political status quo as regards the Republic of Cyprus' (Interviewee 10). Greek-Cypriots should not render the monetization of gas reserves as an existential question for the Republic of Cyprus, as if the Republic of Cyprus's existence depended on talking about hydrocarbons with Turkish-Cypriots or not (ibid). That is why the hydrocarbons' issue should be put on the negotiation table as a parallel process that would not prejudice any other issues.

According to Interviewee 10, Greek-Cypriots were 'blinded by a misperception that the discovery of natural resources has granted them bargaining chips in their confrontation

[43] Turkish Cypriots, on their part, recall a resolution issued by the UNGA in 1962, 'Permanent Sovereignty over Natural Resources', which attributes access rights not only to states, but to people and nations.

vis-à-vis Turkey'. Greek-Cypriots 'falsely assume that the discovery of natural resources has brought Turkey on its knees and Turkey has to make concessions in order to gain access' (Interviewee 10). The same respondent implied that by doing this, Greek-Cypriots were 'trying to strengthen their position and ownership rule within the Republic of Cyprus' and the treatment of Turkish-Cypriots as an insignificant political minority: 'they want to patch us up' (Interviewee 10).

Turkey's stance, in the words of the Turkish-Cypriot respondents, has not been constructive either. 'Turkey is an important country in the region and obviously a big country in the region will have certain priorities as to its presence and geopolitical interests in the Eastern Mediterranean. If left out of the regional energy plans, 'Turkey will getting angrier and angrier I'm not saying it is handling it well, but it's getting angrier and angrier and this is not a good idea' (Interviewee 10).

Another respondent mentioned that Greek-Cypriots' fear of the negative impact that the Turkish-Cypriots' participation would have on the decision-making procedure was based on the presumption that the 'Turkish-Cypriots will continuously exercise their veto' (Interviewee 14). Such an assumption underscores the absence of federal culture in the Cypriot context (ibid). That is why they made a call to Greek-Cypriots to form a joint body, a joint committee under the UN even before a comprehensive settlement on the Cyprus conflict was reached. In this body, the parties would deliberate about developments, management and perhaps create some kind of mechanism which would not prejudice their political positions in the negotiations (Interviewee 14). The only way for the average person to see the benefits of a settlement is to 'bring some of the benefits of the settlement in the short run and feel them in their pocket in a concrete way' (ibid). A system-project could be created for the use of natural gas, especially for the production of electricity, which is more environment-friendly (ibid). This would not be about sharing the money but the resources within an inter-connected system, destined for industrial purposes and housing as well as in the kitchen (ibid). This is something concrete that could bring the two sides together (ibid). Another Turkish-Cypriot respondent called on the Greek-Cypriots to create a peace fund for reconstruction after a settlement was reached (Interviewee 13). This fund would be used to introduce new things on the island, for example, fixing the traffic across the island, a problem that affects both sides (ibid). A final suggestion was that if 'Greek-Cypriots want these resources, to utilise them, to exploit them properly, they really need to make peace with Turkey, somehow' (Interviewee 10).

4.5 CONCLUSIONS

Summarizing the answers above, it seems that most of the Greek-Cypriots have traced their 'red lines': 'no cooperation with Turkey because peace pipelines do not exist' and 'no negotiations with Turkish-Cypriots on the hydrocarbons management' in order to avoid a future impasse on

this topic. Greek-Cypriots claim that they will provide some economic profits to the Turkish-Cypriots either with or without a settlement. On the other hand, many of the Turkish-Cypriot interviewees required their involvement in the discussion over the hydrocarbons' management even before reaching a settlement, while they underscored how Greek-Cypriots do not have the luxury of excluding Turkey as a player in the region. Some participants from both sides accused all actors involved of a 'narrow mindset' concerning the energy debate, while some did not rule out some options to open up small-scale cooperation on the energy field regardless of whether a settlement is reached.

It has been clearly established that the discovery of the gas reserves has exacerbated the conflict. While in Chapter 3, I elaborated on the lessons that both sides have drawn from the conflict as well as the reasons why no settlement has been reached so far, in this chapter, I set out the various energy realities in the Eastern Mediterranean. Cyprus, Greece, Israel and Egypt have embarked upon partnerships that would safeguard the utilization of these reserves. Their task is hampered by the low gas prices (at the time of writing), which jeopardize the competitiveness of their final product, the depth of the waters wherein the drilling companies have to operate and by Turkey's resistance, which wants to impose its involvement in future energy projects.

The Greek-Cypriot and Turkish-Cypriot historical and energy views I outlined through open-ended interviews in Chapters 3 and 4 form the Greek-Cypriot and Turkish-Cypriot concourses of my study, meaning the 'universe' of subjective communicability regarding the topic as articulated by the two sides. These positions will be subject to further introspection through the aid of Q-methodology.