

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

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## Cover Page



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In this epilogue I lay out the practical applications of my findings and set forth my personal policy-recommendations to tackle the current impasse. Key international actors, such as the UN and the EU, have repeatedly expressed their optimism that the recently discovered gas reserves could become a catalyst in terminating the political division of the island and transforming it into a modern federate state. This optimism is tempered by the discourses identified in this study. Here, based on the the approach taken and the discourses find in this study, I proceed with some policy recommendations to the EU officials purposing to cope with the impasse. Solving the Cyprus conflict seems out of the question, at least on the basis of the relevant discourses. I conclude with a personal outlook about the future of the divided island.

#### 1. POLICY RECOMMENDATIONS FOR THE EU

Bearing the implications of the discourses in mind, how could other key international actors such as the EU reverse the negative spiral of the Cyprus conflict? The EU has been following the UN-sponsored reunification talks as an observer. This status may not change anytime soon, or even ever, because Turkish-Cypriots have not put any trust in the impartiality of the EU, since as they pretend, the EU admitted the Republic of Cyprus without a settlement, leaving Turkish-Cypriots on the outside. But the fact that the EU cannot operate, in the eyes of both Turkey and Turkish-Cypriots, as an honest broker in the negotiations does not imply that it cannot play any role in facilitating the conditions to overturn the negative trend that the conflict has taken upwards.

Based on the key messages from the discourses, I propose a number of policy recommendations, whose appropriateness and effectiveness might be judged by the EU competent organs. These recommendations could help the EU officials to find a strategy for their involvement. They incorporate two principles: (a) a relation-centred approach to the conflict instead of a problem-solution oriented logic, as the UN Good Offices Mission has followed so far, (b) a regional approach to the energy developments that would multilateralize the stakeholders and disentangle the Cyprus conflict from the hydrocarbons' management.

### 1.1 A relation-centred approach to the conflict

The Turkish-Cypriot discourse 'Micro-politics' emphasizes how policymakers from both sides exploit the grievances of their constituents in order to serve their political expediencies. In order to tackle this, policymakers should consider the alteration of such an environment, where the 'grievances' of the people may not fall prey to the dictates of such political expediencies. Eliminating the grievances is out of the question. However, regardless of whether a settlement is to be reached in the near future, the two communities are destined to live together on

the island.¹ They have to live with each other despite the grievances that each contending party holds against the other. Their grievances, expressed and exacerbated through distorted images of both sides, inevitably increase the information costs of their interaction. This makes their interaction an even more difficult task. This situation, according to the Greek-Cypriot discourse 'Pipe-dreams and imported nationalisms' as well as the Turkish-Cypriot discourse 'Micro-politics' is further exacerbated by the policymakers, who, resorting to the 'grievances of their constituents', find opportunities to add fuel to the fire and gain popular support because of that.

The Cypriots of both sides need to interact repeatedly and indefinitely over time, introducing, testing and experiencing avenues of cooperation on aspects touching their everyday life. Their leaders need to engage in a dialogue which will not be contingent on desire and political will. Such a dialogue would not put 'hard politics' on the agenda, but the everyday lives of the people, covering areas such as telecommunications, tourism, education and environmental protection. The central idea is to create new realities in the sphere of 'low politics', wherein a policy-maker who wants to 'sell' a political settlement in the future encounters a different environment than now; a human environment, wherein the grievances will be counterbalanced, but not replaced, by a culture of practical cooperation and gradual interdependence. These new realities would help to reduce, even if to a small extent, the room for policymakers engaged in micro-politics to mobilize the constituents' grievances for their own ends. Even if a potential round of negotiations failed, these avenues for cooperation might provide a blueprint for the future. This should be outside the dimensions of a UN-sponsored comprehensive plan.

Before laying out some recommendations, I need to establish that tackling grievances is not the only challenge. Although the ideas below – which could be seen as new confidence building measures – might seem promising in the long run, it would be difficult to put them in practice soon, given the existing network of legal restrictions, impediments of a political nature and expediencies of every kind. As clearly stipulated in the Greek-Cypriot discourse 'Gas boosting our geopolitical standing', these difficulties lie mainly in Turkey's preponderant role in taking decisions on behalf of the Turkish-Cypriot community in many instances, as if it were its own territory. To get out of this stalemate, the condition for the fulfilment of these suggestions could be a fruitful area of negotiation between the EU's, Turkey's and Turkish-Cypriots' bureaucrats in the form of technical committees.

For instance, the European Commission could immediately start to study how a roaming agreement for the mobile phones on both sides could be made. In our interview, the Turkish-Cypriot Professor Ahmet Sozen (2014) complained:

<sup>&</sup>lt;sup>1</sup> Issues concerning the identity and the composition of each community's population, as well as any other distinct community, ethnic, religious or linguistic group they belong to should have to be first clarified and then agreed upon by the engaged parties, in line with UN guidelines.

'For God's sake, it's so stupid that my phone works everywhere in the world – in the last few months I've been to Iraqi Kurdistan, Austria, a couple of years ago, to Russia – but when I cross a few hundred metres to the other side, it stops. The same is true for Greek-Cypriots, when they cross to the North a few hundred metres, it stops working. This is ridiculous'.

Under the auspices of the European Commission's Structural Reform Support Service, the EU could include Turkish-Cypriots in the 'roam like at home' regulations. According to this regulation, every Cypriot could use their mobile phone while travelling across the whole territory of the island without losing their signal or paying any additional roaming charges. Such a policy would decrease the costs of communication for both sides and probably increase their mutual interaction for personal and professional reasons.

As suggested by the Greek-Cypriot discourse 'Pipe-dreams and imported nationalisms', another field tailor-made for practical cooperation is tourism involving the whole gamut of tourism – medical, cultural, cruise, agro-tourism, ecotourism, 'religious tourism' and gambling entertainment (Tzimitras and Hatay 2016). A more integrated tourism product could include, for instance, combined itineraries diminishing the industry's costs. As Tzimitras and Hatay (2016) point out, cultural and 'religious' tourism could attract tourists to holy and ancient sites on the whole island. For instance, the Hala Sultan Teke mosque in Larnaca (in the south)<sup>2</sup> and the church of St Barnabas in Famagusta would attract more people of different religions (ibid.). Similar initiatives could involve the rebuilding of Varosha – the so-called ghost town – or transform Famagusta into an eco-city.<sup>3</sup> Such initiatives would incur high infrastructure costs covered mainly by private sector investments. Given the profits that the tourism sector already produces on both sides, the European Investment Bank, through the initiative of the European Fund for Strategic Investments (EFSI) and with the coordination of the Structural Reform Support Service of the European Commission, could provide the guarantees and unlock private investments for such ambitious projects.

An additional field for cooperation is the environment, an aspect that has been ignored in the discourses. While the discussion has focused on the 'sovereignty' attributes of the natural resources, the environmental challenges have been left aside. The effects of climate change, long drought periods, forest fires and invasive species jeopardize nature and biodiversity on both sides of the island. Furthermore, due to high consumption patterns, Cyprus has one of the worst rising waste generation rates, with grave environmental, health and socioeconomic effects. Bearing this in mind, both sides could consider the idea of running a technical dialogue process on monitoring and crisis- management (Gurel, Kahveci and Tzimitras 2014). Under

<sup>&</sup>lt;sup>2</sup> The fourth praying place for the Muslim world, after Mecca, Medina and Jerusalem (Interviewee 2)

<sup>&</sup>lt;sup>3</sup> For a detailed discussion, see F. Mullen, A. Apostolides and M. Besim, 'The Cyprus Peace Dividend Revisited: A Productivity and Sectoral Approach,' PRIO Cyprus Centre Report 1 (2014).

the auspices of the DG Directorate of Environment of the European Commission, both sides could formulate an East Med Environmental Regime, designed to tackle the dangers emanating from the use of the hydrocarbon potential of the region. Along these lines, they could also institutionalize standard operating procedures for dealing with blackouts or forest fires on the island. In addition, they could establish a cooperation platform for waste management.

I should reiterate that measures of this nature are not destined to resolve the conflict because they do not entail the character of 'high politics', such as questions of governance, territorial adjustment, security guarantees and intervention rights. Despite their seemingly limited potential, under certain conditions, they could lay the groundwork for peace from a bottom-up perspective. Since the two communities have to co-exist regardless of a settlement, these initiatives could become the departure point for their peaceful co-existence irrespective of the successful conclusion of the long-lasting reunification talks. They do not redress one of the core aspects of the conflict, which is grievances, but they add an extra element that could counter-balance them. The realization of the suggested measures would, hopefully, make the vision of togetherness much more concrete, tangible and 'measurable' instead. Finally, as iterated, it is a counter-balance to policymakers mobilizing existing grievances in order to satisfy their political expediencies and putting the peace process at risk.

#### 1.2 Changing the dominant logic of the 'informal debate'

The 'geopolitical' and 'sovereignty' attributes of the 'informal debate' between the competing discourses have been extensively analysed. Whilst the economic rationale behind the exploitation of the gas reserves was not extensively explained, some of the discourses articulated their preferable monetization options. 'Gas boosting our geopolitical standing' mentioned that the export option to Egypt and the FLNG would be economically the best while LNG is the most preferable one geopolitically. With respect to the Turkish-Cypriot discourse, 'gas stimulating political equality' articulated Turkey as the best option for the exporting of Cypriot gas reserves. Based on these competing preferences, how could the EU play a role to bring the two sides together, on the one hand, and support the monetization options of the Greek-Cypriots, on the other?

Departing from the discourse, 'Pipe-dreams and imported nationalisms', the EU might rather develop a regional and proactive approach instead of hammering out a Cypriot-centric strategy. The Directorate General of Energy, Enlargement and European Neighbourhood Policy, with the joint action of the European External Action Service, could found an 'Eastern Mediterranean Energy Diplomacy Task Force' (European Parliament 2017). The objective of such an initiative would be to establish a framework unifying regional stakeholders and facilitating regional dialogue towards the establishment of the Eastern Mediterranean as a gas hub through prioritizing Egypt's existing LNG facilities as its cornerstone. While striving for diversification of its energy supplies, the EU should provide the opportunity to the gas reserves in the Eastern Mediterranean to emerge as a 'vibrant center for a pipeline network transporting

gas to continental Europe' (Baconi 2017). Regional stakeholders include, among others, industry players, technical experts, energy analysts, parliamentary members of the energy affairs committees and bureaucrats from Egypt, Israel, Jordan, Cyprus, Lebanon and Turkey, as well as Turkish-Cypriots. The gatherings could bring the various stakeholders in, forming working groups to specify cooperation agendas in elaborating 'Euro-Mediterranean Energy Partnership Action Plans' (Weber 2017).

In order to alleviate the fears over questioning Cypriots' sovereignty, as expressed in the 'gas boosting our geopolitical standing' discourse, such agreements need not to be legally binding nor raise questions of *de jure* recognition. This should help to avoid potential impasses between Lebanon and Israel, Turkey and Cyprus or the potential upgrading of the Turkish-Cypriots' community status into a state. The action plans, along the lines of the European Neighbourhood Policy, should rather set out a broader road map for cooperation, conveying the overall objective of approximation towards EU norms and expressing the commitments of the stakeholders towards the development of projects of common interest (PCI) (ibid). In these meetings, the experience of institutions like the German Marshall Fund<sup>4</sup> might prove useful in organizing such working groups and gatherings.

At the time of writing and after the discovery of the gas field in Zohr, Egypt is the key player at the energy chessboard of the Eastern Mediterranean. With its LNG facilities in place (Idku and Damietta) and a number of gas fields coming into operation (West Nile Delta, Atoll and Nooros) in the coming years (Tsafos 2015; Ellinas 2018), Egypt will not only cover its increasing domestic demand but might produce surplus gas for export. Therefore, at this moment and with the current reserves detected, the only realistically available option for Cyprus to export its gas would be through Egypt's LNG facilities. This resonates with the preferences stipulated in the discourse, 'Gas boosting our geopolitical standing'. The energy ministers of both countries have signed an agreement to facilitate the construction of an underwater pipeline from Cyprus's Aphrodite gas field to the Egyptian shores and then to the LNG facility in Idku (Psyllides 19.9.2018).<sup>5</sup>

However, challenges still lie ahead and the role of the EU in addressing them is crucial. Because of the turbulent period that the Egyptian economy has gone through, investors may feel alarmed about its current state of affairs. Therefore, the EU schema discussed above, along with the help of the IMF with which Egypt signed an agreement in 2016, should facilitate the latter in implementing reforms of its energy sector in accordance with EU norms. Such an initiative might induce Egyptian officials to create an environment tailor-made to meet the preferences

<sup>&</sup>lt;sup>4</sup> For more details on its work, see http://www.gmfus.org/forum/eastern-mediterranean-energy-and-geopolitics

<sup>&</sup>lt;sup>5</sup> The price at which the gas would be sold is strictly up to the companies operating in the Aphrodite gas field (Noble Energy, Delek, Shell) and the LNG plant in Egypt.

of investors such as ENI and BP (Bacconi 2017; European Parliament 2017). The European Commission could consider the possibility of including this pipeline into the PCI. Such a development would clear the way for the allocation of resources, including budget and staff, to the task of exploring the financial and technical viability of this option.

In the context of this regional approach and amid the efforts to develop the Eastern Mediterranean into a gas hub, a settlement of the Cyprus conflict would be extremely useful. However, on the basis of the existing political realities and the competing discourses, such a prospect does not seem close. The politicization of the energy debate and its linkage with the reunification talks have made the situation even worse. The emphasis on the power-political dimension and the inadequate awareness of the economic benefits of a sound energy policy form the constraints under which the EU can participate in the debate.

What could the EU do? An energy diplomat, potentially a member of the Eastern Mediterranean Energy Diplomacy Task Force, might invite the members of the energy affairs committees of both sides for an informal dialogue process and set forth suggestions centred on the 'de-politicization' of this issue. By asking them to tone down the public rhetoric around the sovereignty aspects of the energy debate, the content of this dialogue would not be the exploitation of the gas reserves because such a discussion would undermine the sovereignty of the Republic of Cyprus; it should rather focus on future revenue sharing. Starting an unofficial dialogue scheme to discuss how potential revenue sharing (the modality of which depends on the availability of the gas reserves) could take place, should not be a taboo for Greek-Cypriots. By encouraging such an informal type of dialogue, the EU would kill two birds with one stone: it would not question the sovereignty of Cyprus over its hydrocarbons' management, but it would satisfy the demand of the Turkish-Cypriots for a forum of dialogue to discuss this topic. Bringing the two sides into the framework of such a dialogue would partially take away the pretext invoked by Turkey for its repeated incursions into the Eastern Mediterranean: that Turkish-Cypriots are excluded from hydrocarbons' management.

In this context, EU could advance 'Track II' or 'backchannel' diplomacy, involving an unofficial, informal interaction between Greek-Cypriots and Turkish-Cypriots to develop common strategies about the future monetization of the gas reserves. This contrasts with the official or 'Track I' diplomacy, which unfolds through government channels. In a Track II approach, under the aegis of an EU energy diplomat, Greek-Cypriot and Turkish-Cypriot NGO representatives, academic scholars, former diplomats, businessmen and retired policy-makers could run workshops bringing members of conflicting groups together in order to develop personal relationships, see the dispute from the perspective of the other side and hammer out strategies for tackling the current impasse. Track II diplomacy cannot replace Track I diplomacy; it is designed to assist official actors to resolve disputes by exploring potential solutions without the requirements of formal negotiations or bargaining for advantage. Track II diplomacy was

successfully adopted in the Israeli-Palestinian conflict back in the 1990s and led to the 1993 Oslo Accords between the PLO (Palestine Liberation Organization) and Israel.

Finally, in order to discuss the potential profits, Greek-Cypriots have to reconsider their thoughts about the risks they ascribe to the management of hydrocarbons. The greatest challenge to exporting is not the (geo)political risk but the commercial one because of low global gas prices. As Ellinas (2018) points out: 'you experience political risk when you reach the point of selling. If the prospect of selling is not there, where is the risk'? Despite Turkey's incursions, the potential of gas finds has not prevented gas companies from acquiring blocks and carrying on with exploration and drilling in Cyprus's Exclusive Economic Zone. This implies that the fears stipulated in the 'Gas boosting our geopolitical standing' discourse may be exaggerated.

While moving on with the explorations, what matters for the Greek-Cypriot policymakers is to put 'project-bankability' (the ability to secure finance) and 'project-financing' at the forefront of the policy discussion; geopolitics is not the only obstacle. Although Greek-Cypriots' concerns over Turkey are not unjustified, the economic rationale, present in the discourse 'Pipe-dreams and imported nationalisms', needs to gain ground in the debate. Given that low gas prices threaten the economic viability of the development of the Aphrodite field, the most important issue is which financial partners will be involved in the project development. Large corporations such as ENI and Total have undertaken initial exploration, and their participation could offer financial strength and enhanced access to export markets for large-scale projects.

The EU could play a crucial role in this respect by becoming a source of funds for energy infrastructure in the Eastern Mediterranean. The European Investment Bank could promote strategic infrastructure around Cyprus:

- a. The Facility for Euro-Mediterranean Investment and Partnership, which could provide loans for the development of energy projects in the south and east of the Mediterranean (this facility funded Egypt's LNG facilities)
- b. The European Fund for Strategic investments, which facilitates private investment with higher risk
- c. The Connecting Europe Facility, which provides grants for the development of trans-European energy infrastructure (pipelines, storage, LNG terminals)
- d. The European Bank for Reconstruction and Development (Tsafos & Giamourides 2015)

#### 2. PERSONAL REMARKS AND FUTURE SCENARIOS

Could utilization of Cypriot gas reserves lead to a peaceful settlement? The Greek-Cypriot discourses, 'Gas boosting our geopolitical standing' and 'Resentment matters', would suggest not, while the Greek-Cypriot discourse, 'Pipe-dreams and imported nationalisms', and the Turkish-Cypriot discourse, 'Gas stimulating political equality', would suggest it could. Comments from international analysts uphold that the gas question will not help political settlement. 'Energy trade reflects existing peaceful relations; it does not create them' is what Shaffer (2012) asserts. As Tsafos (2016) aptly puts it: 'It is energy relations following political relations and not vice versa. Energy relations can reinvigorate ties when relations are cordial and get in the way when relations deteriorate'. To this end, it is the tenor of the reunification talks that determines whether gas will be treated as a problem or as a solution, not the opposite. Hence, the conclusion is that gas discoveries cannot be the game changer for the Cyprus conflict, as was hoped.

This brings the discussion back to the reunification talks about a comprehensive solution of the Cyprus conflict, with special reference to the future role of the UN. 'Outline papers', the opening statements of the Secretary General, 'food for thought' papers, and 'convergence papers' have been written to bridge the gap between the competing sides (ICG 2014). Despite these efforts, the future role and involvement of the UN Good Offices Mission are still subject to questioning. Whereas the UN has done an excellent job in preserving - through its bluehelmet peace corps and through bi-communal talks- negative peace (no armed conflict since 1974), it has not managed to produce a breakthrough in the politically problematic relations between the adversaries. A couple of years ago, a veteran Turkish-Cypriot negotiator asserted: 'the talks maintain and preserve the status quo. So, when you fail, you start again... The UN parameters are the tool we always use against each other... It's like a tennis match' (ICG 2014). In the immediate aftermath of the failed talks in Crans Montana (July 2017), Turkey's foreign minister Mevlüt Cavusoglu stated: 'This outcome shows that within the UN's Good Offices Mission parameters, a resolution cannot be found. There is no meaning left in continuing within these parameters' (Daily Sabah 2017). Turkish Foreign Ministry spokesman Hami Aksoy said: 'A federal solution cannot be achieved with the Greek-Cypriots' mentality... We now believe that a new path should be tried' (Cyprus-Mail 2018a). What kind of paths do the Turkish officials mean? A lot of interpretations have been given to these statements.

One of them is that Turkey might devise a plan to legalize Cyprus's divided status quo. In this framework, Turkey could intensify diplomatic efforts to enable Turkish-Cypriots to consolidate their self-declared independence. Turkey's officials, for instance, in close consultation with some of the 56 member states from the Organization of the Islamic Cooperation, could lobby for *de jure* recognition of the breakaway regime and attract economic investment for speeding up financial development in the North. Jack Straw, British Foreign Secretary 2001-2006, has bluntly

echoed this prospect: 'It's time, in my view, for the international community to acknowledge this reality and recognize the partition of the island. That would be far more likely to improve relations between the two communities than continuing the useless merry-go-round of further negotiations for a settlement that never can be' (Straw 2017). According to Faustmann, 'permanent partition is secretly favoured by a significant proportion of the Greek-Cypriots, though they would not dare to say so publicly' (ICG 2014). What could the implications emanating from the fulfilment of such a scenario be? As Rolandis (2017) predicts, Turkey, acting as the 'Big Brother', may make a claim for a bigger share of the hydrocarbons reserves. In such a scenario, Cyprus, Greece and other members of the EU would express their opposition to this scenario because it would otherwise give their blessing to Turkey's military invasion and occupation of 37% of Cyprus's territory (Rolandis 2017).

A second path, along the lines of the first one, would be a negotiated partition, a so-called 'velvet divorce' between the two sides or even a confederation, including a loose association between the constituent states. Such an agreement could include territorial adjustments in favour of the Greek-Cypriots and a *modus operandi* for the distribution of the gas reserves. However, the Greek-Cypriot negotiator, Andreas Mavroyannis, clarified that this scenario is 'another covert Turkish approach, which is euphemistically presented as attractive, painless, mutually desirable and profitable' (*Cyprus-Mail* 2018b). Greek-Cypriots could not give their consent to this because a Greek-Cypriot signature would promote the *de jure* division of the island. 'The effects of the invasion and occupation are not negated by their legitimacy and our people will not be vindicated by the waiving of their rights; the future is not ensured by the embellishment of the problems' were the remarks of Mavroyiannis (*Cyprus-Mail* 2018b). Mustafa Akinci, on his part, added that the idea of a confederation or a two-state solution was not something the Turkish-Cypriot side could get on the negotiating table: 'The political atmosphere is not favourable [for that]. It is not realistic' (J. Christou 2018)

A third 'path' would be the annexation of 37% of the island's territory by Turkey. There is a historical precedent for such a scenario. In 1939 and after a referendum, Turkey, with the aid of the French troops under the League of Nations French Mandate of Syria and Lebanon, annexed the province of Iskenderun (now known as Alexandretta), which belonged to Syria. In a similar fashion, the Turkish-Cypriots could become the 82nd province of Turkey, while probably maintaining a special status of self-governance. Such a prospect is not likely to ease the tensions in the Eastern Mediterranean Sea because Turkey might make the same territorial claims over the exploitation of the gas reserves (Rolandis 2015).

Regardless of these scenarios, I conclude with an additional personal note. All international actors involved have come to realize that the Cyprus question is not only about gas or the abovementioned substantive issues of security, guarantees and territory, but also about 'mistrust, fear and suspicions' (Yılmaz 2010). This is fully justified by the discourses I found. A chronic

conflict, whose latest phase has lasted over 50 years, has led to the accumulation of grievances incorporated into each adversary's version of history and, consequently, to the conflicting energy security discourses. The long narrative of violence in the 1960s and 1970s, as well as the continuous deadlocks in several negotiation rounds for a settlement, have probably penetrated the minds of the Cypriots to such a degree that each side fears becoming a victim once again. From the moment that these thoughts dominated the public consciousness and amplified the emotional refusal of the Cypriots to utilize the benefits of togetherness or the common exploitation of gas, each contending party developed a vested interest in the continuation of the conflict and a zero-sum perception of the negotiations. The decision-makers and chief negotiators of both sides are typically continuing the existing status quo, rather than seeking efforts to alter it. The benefits and costs of the existing power configurations are known to policy actors, unlike the uncertainties that new arrangements bring forth after a settlement. Therefore, securing agreement on major changes in power-sharing, the withdrawal of Turkish troops, territorial adjustment, addressing property issues and hydrocarbons' management for Cypriots' interest in the long run have become an extremely difficult task to cope with.

The solution of the Cyprus conflict is not the highest priority of the communities and the neighbouring states. Based on the findings, I consider that what comes first, in the long-run, is to de-politicize and de-securitize the energy debate, de-link it from the development of the Cyprus conflict, tone down the rhetoric over geopolitics and try hard to make the current monetization options bankable. If these policies resonate with the confidence-building measures mentioned above, a wind of change might blow over the island. Otherwise, people of Cyprus and neighbouring states stand to lose important economic and political benefits.