



EAST MEDITERRANEAN ENERGY DISCOVERIES: OPPORTUNITIES FOR GREECE AND EUROPE

Antonia Dimou
(Center for Strategic Studies (CSS), University of Jordan
& RIEAS Senior Advisor)

John Nomikos
(RIEAS Director)

Copyright: Research Institute for European and American Studies
(www.rieas.gr) based in Athens, Greece. (Publication Date: 13 April 2014).

The energy findings of the East Mediterranean could ensure Europe's energy security in terms of alternative supply sources and delivery routes. Of particular importance in the European energy security context is that a size-able proportion of confirmed discoveries are situated in the Exclusive Economic Zone of Cyprus, a EU member state, while more discoveries are on the way. Greece, also EU member state, follows next with several promising prospects. Speakers on the sidelines of the 1st Mare

Forum Oil and Gas Europe 2014 at a resort south of Athens noted that, in a broader sense, the massive new findings close to the European market are destined to alter the economics and geopolitics of the wider region. The ongoing turmoil in Syria, the Ukrainian crisis, and the aftermath of the Arab spring involve oil and gas in some way or another.

In pursuit of clarity in the broader energy game, the 1st Mare forum examined the big picture depicting the world economy outlook, shale gas and energy alternatives, supply and demand of oil and gas, and pipelines vs. shipping. As acknowledged, oil and gas have a pivotal role in the world economy, given that oil alone accounts for 7 percent of global gross domestic product, and world gas consumption has been rising at 2.6 percent since 2005. Gas considered as fuel of choice that is expensive in liquefied natural gas form and subject to political pressures in pipeline form, has become a huge success in the United States thanks to the shale gas revolution. Specifically, American industry pays less for its electricity than the European industry, because it generates using cheap gas from its extensive shale formations. Notably, the European average in 2013 was 85 percent higher than the electricity prices faced by industry in the United States.

Questions in the 1st Mare forum centered on the host country as to if Greece can become an energy hub during the next decade and if the Greek shipping industry can enter heavily into the offshore business. As stated, Greece's strategic location necessitates the construction of a liquefaction plant and the Hellenic Republic can embrace Cyprus-Israel energy cooperation by linking gas pipelines away from war risk zones. Undoubtedly, the production of gas in sufficient quantities can serve as basis for the relief of Europe from Russian pressures and from difficulties to import additional quantities of gas from the US. It is estimated that Europe's natural gas needs for the next 50 years can be met by the gas reserves of the East Mediterranean. According to a 2010 US geological survey, the Levantine basin could hold as much as 120 trillion cubic feet, thus securing supply of energy not only for Europe but also for the Asian market. Nevertheless, Greece has to take practical and speedy steps to improve the existent hydrocarbon law on deep and ultra-deep water depths, and provide incentives so that it becomes regionally competitive with focus on gas exploration. The establishment of a legal system that is transparent and non-corrupt, the clear definition of areas and periods of exploration, compliance with environmental standards, and a concrete definition of profit sharing are some of the key issues that Greece needs to address so that international companies are attracted for exploration activities.

Realistically, the East Mediterranean is a complicated piece of real estate characterized by political and financial instability and open maritime disputes, thus favoring the exploration of a medley of export options, especially those related to confirmed Israeli gas reserves. One of the proposed options is connected to the construction of LNG facilities in Vasilikos located in Cyprus, in order to serve the division of Israel's exports and offer all the benefits of a flexible liquefied natural gas policy centered on EU soil. Another export option centers on the construction of a pipeline to Turkey which, however, faces several political and technical complications with most prevailing the decades-old Cyprus problem. Specifically, the Cyprus problem surfaces the dispute between Turkey and Cyprus over the island's sovereignty, thus currently prohibiting the pipeline option that could carry Israeli gas

to Turkey. The existent geopolitical grounds prompted a unanimous position on the sidelines of the 1st Mare forum, in favor of an increased political and energy cooperation level between Greece, Cyprus and Israel. As characteristically noted by a major speaker in the forum, a Greece-Cyprus-Israel partnership is the only long-term sustainable and EU friendly force not only for energy security, but also for the development of oil and gas infrastructures in the whole East Mediterranean region.

Understandably, a holistic regional energy strategy has to be employed, one that is based on three major components, namely (a) the development of a South East Energy Mediterranean Corridor for the transportation of gas to Europe; (b) the political encouragement of states to give priority to commercial considerations that will allow the international energy corporations to develop the regional energy potential free of unnecessary government intervention and regulation; and (c) ensurance that littoral states in the region respect current bilateral and international agreements on delineation of Exclusive Economic Zones, territorial waters, continental shelf, in accordance with the United Nations Convention on the Law of the Sea, to which all member states, and the European Union as such, are signatories.

It becomes evident that East Mediterranean discoveries provide a golden opportunity for energy security, an opportunity that must not be neglected because as it is intelligently highlighted in an Arabian proverb “*three things come not back; the spoken word, the sped arrow, and the neglected opportunity*”. It is in this spirit that the Mare Forum series has over the last years managed to create a platform for energy professionals to network, share ideas and practices so that the opportunity is not neglected...