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The New Energy Resources in the Centre-East Mediterranean: Potential Current and Future Geo-Strategic Consequences

by Janiki Cingoli

ABSTRACT

The discovery of important gas fields off the Israeli, Cypriot and Egyptian coasts could have significant consequences not only in meeting the energy needs of those countries, but also on geopolitical relationships in the region and with Europe. These discoveries have already had a primary role in the reconciliation deal between Israel and Turkey, and provided a new context for the resumption of negotiations between the two parties in Cyprus. Even the most complex situations, like the non-existent relationship between Egypt and Turkey, or the relationship between Israel and Lebanon, might be managed through triangulations – “three-sided partnerships” – like those currently existing between Cyprus, Israel, and Greece or between Cyprus, Egypt, and Greece. The size of the resources will also allow some exports to Europe, supporting the diversification of its supply sources, providing new stability in its energy mix and allowing the development of bilateral and balanced cooperation between the two sides of the Mediterranean.

Natural gas | Pipelines | Eastern Mediterranean | Egypt | Israel | Turkey | Cyprus | Greece | Lebanon



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by Janiki Cingoli*

Foreword

The discovery made by ENI of the large Zohr gas field, offshore of the Egyptian coast, is of immense significance both for Egypt and for the development of Euro-Mediterranean cooperation. This is connected to the previous discoveries made by Israel, with the Leviathan and Tamar fields, and by Cyprus, with the Aphrodite as well as the Marine 1 and 2 fields, which were detected offshore the Gaza coast and have not been exploited to date.

The availability of such resources will act as a bridge to more inclusive collaborations in the energy field, which will extend to the wholerenewable energy sector, the potential development of which is huge throughout the area.

Such momentous resources are strategically significant, since their exploitation offers a concrete potential for the stabilization of the countries of the eastern Mediterranean and Middle East areas. Energy sources that have already been discovered may well become an essential catalyst for overcoming the existing tensions and finding new ways and forms of cooperation throughout the area, where business may play the role of icebreaker in long-standing, now crystallized conflicts.

The whole area is witnessing key geostrategic developments: the first is the fading role of the United States as "external guarantor," after having influenced and determined diplomatic relations in the area for decades. Regardless of the reasons for this process – the so-called "shale revolution," or the priority given by the US government to the Far East – such a phenomenon has made the direct interaction of different regional players, each with their own issues and interests, necessary if not inevitable. Notwithstanding several crises – which have arisen as a result

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of these geostrategic shifts – there have been interesting changes in regional dynamics which in the long run may lead to fruitful and – mainly – steady cooperation between the different regional players, who are increasingly feeling they are protagonists of their own destinies.



The other side of the coin is the growing presence of Russia throughout the area, which tends to fill the current gaps and to present itself as a “guarantor” power of the different regional interlocutors: from Syria to Turkey, from Iran to Egypt.

At the same time, the area is involved in the more general intra-Islamic political conflict between Sunnis and Shiites. The latter intensified as a result of the agreement between the international community and Iran on its nuclear programme, which has led Iran out of its isolation and restored it to the role of great regional power, at the same time strengthening conflicts with its historical enemies, namely Saudi Arabia and the monarchies of the Gulf. A consequence of such conflict is the explosion of the ISIS phenomenon, which can be considered – as Oliver Roy argues – the military wing of jihad-oriented Sunni Wahhabism,¹ aimed at combatting Shiite expansion. This phenomenon is a severe threat to the states of the region as well as to Europe itself, and it needs to be fought and defended against. Yet defence is not enough, there is also the need to maximize the benefit of the new opportunities offered by the changing regional context.

¹ Olivier Roy, “The Regional Context”, in CIPMO (ed.), *The Changing Middle East. The Restructuring of International Relations. The Foci of Crisis*, Milano, CIPMO, February 2015, http://www.cipmo.org/export/sites/Cipmo/publicazioni/ebook/ebook_eng.pdf.

The geostrategic context and the role of the main players

As has been widely emphasized by ENI, the new discoveries open horizons for development opportunities between the two sides of the Mediterranean, grounded on equality, mutual respect and benefit for all. The opportunities to diversify the exploitation of energy resources by the countries of the region and by Europe have transformed the eastern Mediterranean into a crucial strategic testing-ground.

Another significant factor is that these gas fields are located in close proximity to one another. This renders cooperation almost mandatory, and projects to develop undersea pipelines that can connect the three deposits to one another and to potential markets are at an advanced stage of investigation.

At present, the only actual agreement is that which was signed between Egypt and Cyprus on 31 August 2016, preceded by the Memorandum of Understanding signed by the two countries in February 2015 pertaining to building a pipeline for the undersea transport of the gas from the Aphrodite field; a possible prelude to a potential future connection with Zohr.

Furthermore, "trilateral partnerships" are in force between Cyprus, Israel and Greece as well as between Cyprus, Egypt and Greece (even though residual elements of contradiction and conflict are still present between these countries), aimed at developing energy cooperation and creating a regional hub. It may also be assumed that various forms of cooperation can be extended to involve the most significant players in the area.

For this purpose, it is worth mentioning the special significance of the trilateral summits: the first one between Egypt, Greece and Cyprus held in December 2015, and then between Israel, Greece and Cyprus in January 2016, where the energy sector was the primary focus of attention.

Potential cooperation between Israel, Egypt, Cyprus, Turkey and Greece, which may represent the cornerstone to extending such cooperation to the whole region and to Europe, is more hypothetical and linked to the many variables that depend on the current status of the bilateral relationships, but it cannot be fully excluded either, because of some interesting developments that have begun.

Furthermore, the development of the East-Med project has been brought back onto the agenda. This undersea pipeline would take gas directly to Europe through Egypt, Israel, Cyprus and Greece (via Crete), thus reducing Europe's energy dependency on Algeria and Russia.² Its design and development are still a long way off, because of the absence of a clear definition of the maritime borders between some of the players involved, but – mainly – because the timing is not fully clear

² Ibid.

as to when and how the gas coming from these fields would be marketable (to date, the only active field is Israel's Tamar). For instance, Zohr is not expected to reach its second stage of evolution and become fully operational until 2019. In this complex scenario, which cannot exclude Turkey for obvious reasons, the different interests of the regional actors play a determining role.

In this way, gas could represent a potential bridging element paving the way to more inclusive collaborations in the energy field, and this is bound to extend to the entire field of renewables, whose potential for development is huge throughout the area.

However, these new conditions will fit into a highly fragmented and contradictory geostrategic reality. The current status of the main players involved will now be analyzed.

Egypt

The unexpected wealth of Zohr has offered a new opportunity and horizon for President al-Sisi's government to overcome the precarious economic conditions that are currently afflicting the country. The resources provided by Zohr are expected to be primarily allocated to domestic consumption. This will help the government (which recently managed to reap the success deriving from doubling of the Suez Canal) to maintain social stability, investing also in sectors of great social importance, such as healthcare and education, whose current shortfalls are enormous.

The desire of the Egyptian government – which is made realistic by the recent discoveries – to turn the country into the real energy hub of the region is clear, even though other significant players – primarily Turkey – are also contenders for this role. This ambition is also grounded on the presence of remarkable energy infrastructures that are already available in the country. The potential opportunity, which is yet to be verified, of using the existing liquefaction plants of Idku and Damietta on the Egyptian shores, as well as of two existing pipelines to export gas from Egypt to Israel, Jordan, Syria and Lebanon – none of which are currently utilized – is of great interest.

Such development could help Egypt escape from its dependency on Saudi Arabia and the Gulf monarchies, which are today the main political and also financial supporters of the Egyptian regime, thus ensuring a new margin of manoeuvre in its foreign policy.

Egypt's relations with the Greek part of Cyprus are traditionally very good and Egypt-Israel relations have recently entered a particularly intensive phase.

Although the discovery of Zohr was initially perceived by Israel as potential competition that risked jeopardising the future of agreements on exporting Israeli gas to Egypt, the agreements for the next few years have been confirmed, overcoming some litigation that had begun, and in the last few months the two countries have intensified not only their economic cooperation, but also their military and security-related cooperation. For a long time these relations have been developed on a double track – officially and unofficially – in order not to upset fiercely anti-Israeli Egyptian public opinion.

Israel, Syria, Turkey and Iran were not invited to the inauguration of the doubled Suez Canal, in August 2015. Nevertheless, cooperation between the Egyptian and Israeli intelligence services is very close, mainly in regard to fighting the jihadist groups in Sinai: Israel has allowed Egypt – bypassing the provisions of the 1978 Camp David Agreements – to deploy part of its army in Sinai and face the jihadist threat of *Ansar Bayt al-Maqdis*, which was – amongst other things – guilty of several acts of sabotage directed towards gas transport infrastructure.

This was supported, on the Egyptian side, by the control and containment of the Hamas regime in Gaza, which the Egyptian government considers a terrorist group since they are an emanation of the Muslim Brotherhood. The evacuation of Rafah and the creation of a 5 km buffer zone on the border of Gaza, together with destruction of the numerous tunnels that enabled the passage of weapons and goods between the two countries, have been crucial steps in the consolidation of such relations.

As far as is known, the al-Sisi military takeover also relied on the support of Israeli intelligence, and the pro-Israeli lobby in the United States mobilized so that the al-Sisi upheaval would not be classified as a coup d'état, with the subsequent suspension of military aid, as is provided for in US legislation.

The cooperation between the two countries made a qualitative leap with the visit of the Egyptian Minister of Foreign Affairs, Mr. Samekh Shukry, to Israel on 10 July 2016, and by President al-Sisi's relaunch, together with Saudi Arabia, of the 2002 Arab Peace Initiative for the resolution of the Israeli-Palestinian conflict. A new Egyptian ambassador, Mr. Hazel Khairat, has been accredited in Tel Aviv after a three-year interruption.

Relations with Moscow are also increasingly closer, after the difficulties recorded with the United States as a result of the military takeover.

At present, the only country in the area not to have good diplomatic relations with Egypt is Turkey, since it has not recognized the new regime and has declared that the ousting of President Morsi was illegal.

Israel

The relations between Israel and Turkey were officially resumed by last June's agreement, with the energy factor certainly being a catalyst. The visit to Turkey of the Israeli Minister of Energy, Mr. Yuval Steinitz, on 13 October 2016 (the first visit of an Israeli minister after six years), underlined the primary interest of the two countries in resuming cooperation in this field. Minister Steinitz declared his wish for greater involvement from Turkey in the Israeli energy sector. "Exporting gas to our neighbors in the region or to Europe through different pipelines," he stated, "this is of course very important and of course one of the important options is connecting to Europe through a pipeline to Turkey." The Minister also stressed Israel's openness to a greater involvement of Turkey in supplying energy to the Gaza Strip, which is ruled by Hamas.³

In addition the relations between Egypt and Israel are excellent, even better than is officially known, as are those between Israel and Cyprus (and Greece, which is its natural background).

As far as Lebanon is concerned, there is a significant controversy with regard to maritime rights on some offshore blocks. The uncertain definition of the maritime borders between the two countries, which have never signed a peace treaty, makes the situation even more complicated, especially if it is taken into account that southern Lebanon is firmly held by Hezbollah. The relations between these two countries are currently the most complex matter to be settled in the area. It cannot be dismissed, however, that a triangulation of relations could occur through Egypt, since this country maintains relations with both parties.

As far as the Gaza Strip is concerned, which – as is well known – is ruled by Hamas, it has already been mentioned that two gas fields – namely Marine 1 and 2 – have been detected offshore of its coasts. The Oslo I Accord does not mention the exploitation of ocean floor resources as a right granted to the Palestinian National Authority. As a consequence, the concessions made by the late President Arafat to the British Gas and Consolidated Contractors Company have been considered null by Israel. Nevertheless, informal contact between Israel and Hamas is reported to be in progress, with Turkish mediation, as a result of the negotiations after the cease-fire of August 2014, which ended the war with the Hamas regime. Proposals are also reported to have been made by a minister of the Israeli government concerning the building of an artificial island offshore of Gaza, which would host a harbour, with the cooperation and surveillance of Egypt and Turkey (a difficult pair to team up). In these circumstances, the two aforementioned gas fields could begin to be exploited.

³ Can Sezer, "Israel, Turkey Deepen Energy Ties as Relations Resume After 6-Yr Rupture", in *Reuters*, 13 October 2016, <http://reut.rs/2ejvx00>.

Turkey

The re-establishment of relations with Russia in August 2016, after the severe crisis arising from Turkey's shooting down of the Russian jet in November 2015, and the signing of the agreement to develop the Turkish Stream, allowed Turkey's security in regard to energy procurement to be restored and its role as a sorting hub for Russian resources to be relaunched at the second Putin-Erdogan summit on 11 October 2016. However, the interest of the country in diversifying its sources and in proposing itself as a natural integrated sorting hub towards Europe remains high.

No relations have been in progress between Turkey and Egypt since diplomatic relationships were broken off after President Morsi was deposed. Nevertheless, the improvement of Turkey's relations with Israel, Russia and Saudi Arabia may create bridges between the two countries, thus enabling restoration of some forms of cooperation, which will be necessary and advantageous for both if they intend to proceed with an integrated coordinated exploitation of the energy resources within the area. Economic leverage could be a significant factor in repairing the breach in relations between Egypt and Turkey, at least from the business viewpoint.

As far as Cyprus is concerned, Turkey claims the right to guardianship of the Turkish portion of the island and has criticized the choice of entrusting exploration to Noble Energy, an Israeli-American energy company, declaring its firm opposition to exploitation of the deposits discovered by the Cyprus government; an opposition that even translated into the sending of military ships to garrison the contended area.

Nevertheless, the improved relations with Israel, the need to participate in the shared exploitation of the discovered energy resources and – mainly – the improvement in progress between the two realities of the island may pave the way to developments that could not even be imagined until recently. The new Turkish Prime Minister, Mr. Binali Yildirim, is a strong supporter of the reunification process. The timing is now right and has even accelerated after the failed coup d'état in Turkey. The wall of Nicosia is the final one dividing a European country.

Cyprus

Cyprus appears to be a focal point of feasible change. The opening began with the understanding existing between the two presidents elected in recent years, respectively in 2013 and 2015. For the first time in history, both leaders, i.e. Nikos Anastasiades (Greek) and Mustafa Akinci (Turkish) are in favour of reunification of the island. A warm understanding seems to exist between the two: many unofficial visits have been made and an optimistic atmosphere seems to pervade the island, especially its Turkish portion. The two presidents are engaged in drafting a negotiation plan that touches on essential points, such as the matter of land and property, which excludes the participation of the respective reference countries

(i.e. Greece and Turkey). Worth mentioning is the approach of the North Cyprus Republic, which intends to handle the issue independently, no longer viewing Turkey from a subordinate standpoint (as “a child talking to his father,” in Prime Minister Akıncı’s words), but as a sibling entity with which they communicate as equals.

On 15 May 2016 the two leaders released a joint statement the objective of which was reaching an overall agreement by the end of 2016 and – during the last months – the two leaders met repeatedly to discuss the crucial terms of it. The meetings are held in the former airport of Nicosia, which was closed in 1974 and today hosts the UN offices. The contours of the solution are rather clear: reference is made to a two-area and two-community federation. The two leaders aim at signing the agreement and submitting it to a referendum within 2017.

Some thorny issues still remain, such as rebuilding of the trust between the two communities, some territory-related guarantees and the presence of approximately 35,000 Turkish soldiers: incidentally a part of the army which has not yet been touched by Erdogan’s purges.

Another crucial point will be the campaign for 2017’s presidential elections on both sides. The Greek Cyprus parliament that resulted from the elections of 22 May 2016 is extremely fragmented. The forces in favour of reunification still hold the majority but – at the same time – the radical right-wing is growing. The previous Annan plan for reunification failed in 2003 right at the ballot-boxes, when the Greek Cyprus party (which was already an EU member) voted against it, whilst the Turkish party was in favour.

It is evident that reunification could foster the economic growth of the island: it is estimated that GDP could potentially grow by 4.5 percent per annum, considering also the opportunities arising from the joint exploitation of the recently discovered energy resources.

As far as international relations are concerned, Cyprus is witnessing unexpected new fortune. Nobody has ever questioned the strategic significance of an island which has always played the role of outpost for different regional and international hegemonic powers in the eastern Mediterranean and even now hosts NATO military bases.

Russia itself is yearning to buy its sympathy. Trade relationships – mainly tourism – with Russia have seen remarkable growth. Furthermore, after Cyprus’ economic crisis, in 2011 Russia granted a big loan to the small republic, which was already a tax haven for rich Russian families. It is clear that the Russian influence on the island is very frightening for both Europe and Turkey.

Cyprus’ relations with both Israel and Egypt are very good and those with other Arabian countries are increasingly improving. In particular, the relations between Cyprus and the Gulf monarchies have intensified in the last two years.

These monarchies can provide remarkable expertise to the small republic, which unexpectedly finds itself with the task of managing the great fortune deriving from the Aphrodite field.

Finally, also worth mentioning is the recent visit of the Italian Minister of Foreign Affairs, Paolo Gentiloni, and the constructive dialogue that began with both parties on this occasion.

Greece

As far as Greece is concerned, the government is finally aware that the passage of gas coming from the eastern Mediterranean through its territory might lead to remarkable advantages in terms of both investments and new employment, in a country that was dramatically impoverished by the economic crisis and by the drastic “cure” dictated by the EU’s troika. Greece is already traversed by the TAP pipeline, which supplies Europe with gas coming from Azerbaijan. Israel is already active in investigating new opportunities for the transit of its own gas through Greece. The relations between Greece and Israel have recently improved to an unprecedented extent. Israel has staked much on its relations with Greece, mainly during the break with Turkey, the historical rival of Athens. The Tsipras government has no objections to the opportunities for new foreign investments on Greek territory, which would significantly help an economy in severe difficulty.

This adds to the explicit intention of both Europe and the United States to act so that Athens does not wind up under Moscow’s umbrella; a temptation Greece has always been exposed to because of cultural and – mainly – religious affinities.

Therefore, even though it is a weak economy and of relatively light demographic weight, Greece plays a strategically significant role. The country is member of NATO, as is Turkey, its uncomfortable neighbour with which serious issues remain in regard to defining maritime borders as well concerning migrants, which have not been fully settled by the EU-Turkey agreements.

Lebanon

Lebanon is also trying for a role in this game. As already mentioned, a significant controversy currently exists with Israel concerning maritime rights on some offshore blocks. The uncertain definition of the maritime borders between the two countries, which have never signed a peace treaty, makes the situation even more complicated, especially when you consider that southern Lebanon is firmly held by Hezbollah. Lebanon is aware that the exploitation of such resources would permit reducing the huge national debt, on which the “energy” item is weighing significantly. Whilst Israel has already started drilling on site, Lebanon is still paralyzed by deep internal divisions.

The stakes are very high and the relations between the two countries are doubtlessly a cause of trouble and complication in the development of energy cooperation within the area.

Nevertheless, if establishing direct relationships and cooperation with Israel looks rather difficult, a way could be found in a triangulation through Egypt and Cyprus, which maintain positive relations with both interlocutors.

Conclusions

The natural gas resources discovered in the Mediterranean these past few years appear to be increasingly strategic, since their exploitation contains concrete potential for the stabilization of the eastern Mediterranean and Middle East area. The possibility is arising that the energy sources that have been discovered will become an essential driver in overcoming existing tensions and finding new ways and forms of cooperation throughout the area, where business may play the role of icebreaker in long-standing, crystallized conflicts.

This is therefore an opportunity to deal with long-lasting issues of insufficient economic development at their very roots and create new avenues for cooperation, both on a horizontal level, i.e. between the countries on the southern shores of the Mediterranean Sea, and also with Europe and – specifically – Italy.

If the new energy resources that have been identified supply the countries involved and – in particular – Egypt, their volume is such as to leave a wide margin for export towards Europe, with special focus on Italy, a country that – being the leading buyer of Egyptian exports and Cairo's second trading partner – will increase its energy centrality in the Mediterranean area.

This seems therefore to give rise to optimum conditions for the diversification of import sources, which Europe is seeking. If a sufficient critical mass is achieved in finding new energy resources, this might generate a significant contribution to the actual variation of the energy balance of Europe itself, with a reduction in the most polluting sources (namely oil and coal), and substantial improvement of environmental impact, in line with the deliberations of the recent COP21 Paris conference.

The stabilization of the Mediterranean basin is also a key condition for establishing deeper relations along the North-South corridor, which links Europe to the African continent in a potentially mutually fruitful partnership. The Egyptian discovery adds to that of Mozambique and provides the eastern Mediterranean basin with further strategic significance as a regional hub. This also involves an exchange process that sees Europe receiving new supplies on the one hand and – on the other – Africa acquiring investments and technology in compliance with a fairer distribution of resources and wealth, which may stem at their outset the phenomena of religious radicalism, conflicts or an increase in migration flows.

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