

Eastern Mediterranean Hydrocarbons Prospects: In Need of a Pragmatic Geopolitical Assessment

by Harry Tzimitras

An evaluation of the Eastern Mediterranean hydrocarbons situation requires realism, thinking outside the box, taking nothing for granted, appreciating the sense of urgency and a pragmatic assessment of the international environment.

The Eastern Mediterranean as a region in general and an energy region in particular is characterised by great volatility and extraordinary geopolitical instability. Conflict has traditionally been the norm, rather than the exception, and this greatly impacts its energy potential. Besides considerations of regional and global energy demand and prices, that are common to all extractive projects, the geopolitics of the Eastern Mediterranean means that this region faces further challenges with regard to the extraction, exploitation and export of hydrocarbons.

Additionally, new realities in the Eastern Mediterranean are characterised by radical current and emerging shifts in the international and regional landscape, and these of course also affect energy. The main parameters of these new realities are either directly or indirectly connected to the region, while others are independent of it but hold significant impact on the Eastern Mediterranean. Such realities have to do with issues in the EU and European states; transatlantic developments; changes in Turkey and Turkish foreign policy; and the Cyprus problem.

Political and energy developments in Europe impact Eastern Mediterranean gas projects in many ways. The abundance of gas in Europe and the challenging pricing terrain, combined with US supply and Russian reserves, mean that Europe may not for the time being be a realistic market destination for East Med hydrocarbons.

Harry Tzimitras is the Director of the Peace Research Institute Oslo (PRIO) Cyprus Centre. He is also Senior Fellow at the Dinu Patriciu Eurasia Center and the Global Energy Center of the Atlantic Council, Washington.

At the same time, domestic political challenges in a number of states, the EU's crisis in the eyes of many, the divergence of opinion between Brussels and some member states on energy – such as the Nord Stream affair¹ – and broader crises with far-reaching consequences (such as Brexit) make for a very difficult European reality as a destination, facilitator or driver of developments.

The US's absence or limited engagement in the Eastern Mediterranean as of late has created further challenges, bringing about a void of coordination. This is coupled with the fact that the US State Department has never, in its modern history, been more understaffed,² and that there hardly seems to be one US foreign policy at the moment – rather one could speak of various US foreign policies by agencies that seem to be lacking in structured coordinating.

This led to diminished leverage by the US on Turkey and the interruption of leadership to promote solutions to regional problems and cooperative regimes for the region's energy reserves.

At the same time, there is a clear Turkish power projection in the wider region. Turkish actions seem to be neither random, nor singular. Instead, Turkey

appears to be projecting power in an arch that spans from the Aegean, to the Eastern Mediterranean, including Cyprus, all the way to Syria.

Turkey seems to be re-negotiating its place in the West – if not actively seeking alternatives. To this end, it is projecting political and military power, sending a message to the broader West that no planning in and for the region can realistically take place without Turkey. Indeed, if Turkey is willing and able to place troops – likely long-term – on the territory of another state (Syria), it is less likely to withdraw forces where it already has them (Cyprus). The same power posture applies to and explains its position on hydrocarbons in the region and their exploration and exploitation prospects.

On the Cyprus issue, the solution of which is central to any realistic prospects for an inclusive exploitation of East Med gas resources, trends are characterised by the collapse of the talks in Switzerland's Crans Montana, in the summer of 2017 and their discontinuation to the day. Crises in, around or involving Cyprus in the post-Crans Montana era take place in the absence of the framework of UN talks and thus the absence of channels and means for their timely and effective resolution, creating potential for dangerous escalation or miscalculations.

At the same time, nothing should be taken for granted when it comes to the Eastern Mediterranean, including the continued interest and involvement of the international community – organisations and states – infinitely.

¹ Adam Vaughan, "Nord Stream 2 Russian Gas Pipeline Likely to Go Ahead After EU Deal", in *The Guardian*, 25 February 2019, <https://gu.com/p/azakh>.

² "Donald Trump's Administration Is Understaffed and under Attack", in *The Economist*, 15 December 2018, <https://www.economist.com/united-states/2018/12/15/donald-trumps-administration-is-understaffed-and-under-attack>.

None of the above developments should be approached, evaluated or treated individually. Everything is inextricably interconnected and need to be treated as such.

Energy prospects increased both cooperation and conflict between regional states and great powers and brought unprecedented attention to political, economic and security relations within this space. It is true that the gas findings and the prospects for more have prompted some cooperation between littoral states, in the form of tripartite and quadripartite cooperation agreements.³ This is a very positive development, in a problematic region. It is hoped that further cooperation will be agreed.

However, one needs to be pragmatic regarding these agreements. First, while they are usually presented as alliances, this is too optimistic. At best, they are alignments, as they lack the key elements of an alliance. Secondly, such agreements do not, for the time being, amount to much more than an expression by the respective governments' of a willingness to cooperate and facilitate exploration and exploitation of gas resources, if and when this is pursued by companies.

The public belief that every time there is a tripartite meeting, drilling or construction will immediately commence, creates unrealistic expectations that do not promote a spirit of sharing. Finally, if such agreements

are primarily designed to exclude certain countries, the likelihood of their full success is reduced. If they are designed to initiate cooperation, with a view to becoming more fully inclusive in the future, then prospects could hold more promise.

On the other hand, it is usually said for the Cyprus issue that this has been a history of lost opportunities. The same could, *grosso modo*, be said about hydrocarbon development in the Eastern Mediterranean. So much time has been lost and, arguably, with it, opportunities. This is chiefly due to the fact that it was always nearly exclusively political considerations that informed the stance of regional governments on energy issues, often with very little, if any, solid grounding on economic, technical or business considerations. Thus, hydrocarbon conflicts were allowed to become new episodes in the fundamental conflicts of principle or new links in existing conflict chains.

To take the example of Cyprus, energy could have become a platform of cooperation and possibly a key win-win collaboration effort, paving the way to cooperation in other areas as well. Energy could moreover become the catalyst for cooperation in the broader region and also render Cyprus an excellent hub and a connector itself.

To this effect, Cyprus has the distinct advantage of being a country in the region, but not *of the* region. As an EU member state, Cyprus offers all the assurances that come from this membership; yet, its location in the region and knowledge of regional particularities gives it the comparative

³ "Eastern Mediterranean Countries to Form Regional Gas Market", in *Reuters*, 14 January 2019, <https://reut.rs/2sqkeHP>.

advantage it boasts. Sadly, the unresolved Cyprus issue precludes the country from realising its full potential. Indeed, the finding of hydrocarbons and the potential for further findings have exacerbated tensions between the two communities on the island, as well as between other states that are active or wish to be included in natural resource exploration and exploitation.

For any realistic prospects of success, commitment from all sides must be displayed. Turkey, for its part, must show tangible proof that it is ready to cooperate, and refrain from merely blocking ongoing initiatives that it feels excluded from. It also needs to show credible commitment to the solution of the Cyprus problem, as far as its own involvement and responsibility is concerned.

On the other hand, the Republic of Cyprus must show genuine will and present tangible assurances that the rights in principle of the Turkish Cypriots to any hydrocarbon findings will be given full consideration. The EU and the international community fully support the Republic of Cyprus' right to explore and exploit hydrocarbon findings in its Exclusive Economic Zone (EEZ). Yet, neither would support the exploitation of such resources without due regard to the rights of all Cypriots.

These steps should convince the international community that their continued engagement in Cyprus is meaningful and could also establish a terrain conducive to international investment and engagement, through the minimisation of conflict and related risks.

For East Med gas to have any realistic prospects of being exploited, a number of economic, business, technical and geopolitical realities need to be in place. Adequate quantities need to be found; markets need to be secured; prices are required to be right; companies need to be interested; and (geo) political circumstances conducive to exploration and exploitation secured.

International market and price realities obviously change in ways that go beyond the regional realities and are thus both unpredictable and outside the reach and power of regional states. What these states can do, is to try to manage the political and geopolitical framework for energy-related activities, including serious attempts to resolve conflicts and bridge differences.

This will be essential for a swift exploitation capability when international market conditions allow. Even if this does not turn out to be the case, energy will have anyway indirectly enabled conflict resolution. In a sense, this could be the great value of gas beyond gas, in an unpredictable, challenged and uncertain environment like the Eastern Mediterranean.

4 March 2019

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), two book series (*Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via Angelo Brunetti, 9 - I-00186 Rome, Italy
T +39 06 3224360
F + 39 06 3224363
iai@iai.it
www.iai.it

Latest IAI COMMENTARIES

Director: Andrea Dessì (a.dessi@iai.it)

- 19 | 18 Harry Tzimitras, *Eastern Mediterranean Hydrocarbons Prospects: In Need of a Pragmatic Geopolitical Assessment*
- 19 | 17 Mustafa Ergün Olgun, *Can Hydrocarbons Catalyse New Out of the Box Thinking on Cyprus? A Turkish Cypriot Perspective*
- 19 | 16 Charles Ellinas, *East Med Gas: The Impact of Global Gas Markets and Prices*
- 19 | 15 Ferdinando Nelli Feroci, *Italy and the EU: On a Collision Course?*
- 19 | 14 Jean-Pierre Darnis, *The Political Rollercoaster of Italian-French Relations*
- 19 | 13 Silvia Ainio and Alessia Vittorangeli, *Enabling Energy: Access to Clean Energy Can Enhance Refugee Economic and Social Empowerment*
- 19 | 12 Carlo Trezza, *Italy's Lukewarm Approach to Arms Control*
- 19 | 11 Vincenzo Camporini, *Goals and Shortcomings of Italy's Peace Operations*
- 19 | 10 Tim Oliver, *Taking Back Control? The UK Parliament and the Brexit Withdrawal Negotiations*
- 19 | 09 Nicola Bilotta, *Venezuela's Crisis: Italy Clashes with the EU Common Approach*