

## **MARITIME DIFFERENCES AND POLITICAL PLAYERS IN THE EAST MEDITERRANEAN\***

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The discovery of natural gas in the East Mediterranean has generated considerable interest in the region's potential as a new source of energy for local and international markets. In just a few years a region that was considered to have no special hydrocarbon potential is now attracting the attention of international oil companies.

The discovery of significant gas resources offshore Israel in 2009 and 2010 sent something of a jolt through the countries in the region – those being Israel, Cyprus, Lebanon, Syria and Turkey – causing them to realize that there might possibly be sizeable resources in their offshore territories and that if discovered and developed those hydrocarbon resources could bring newfound wealth – as well as a source of indigenous energy supply.

The geological focus of attention in the East Mediterranean is the Levant Basin, which lies between Cyprus and the Levantine coast and stretches as far south as offshore Egypt. The US Geological Survey has estimated natural gas reserves in the Levant Basin at 122 trillion cubic feet (tcf) and crude oil resources at 1.7 billion barrels.

All of the discoveries that have occurred in the Levant Basin so far have been made by Noble Energy, a US company based in Houston. Most of these discoveries have been made in Israeli waters, but one discovery of 5-8 tcf was made in Cyprus' offshore Block 12 in December 2012. In total, according to Noble Energy, the discoveries add up to 35 tcf (991 billion cubic meters). This is enough to meet the domestic energy demand for Israel, and Cyprus, for decades.

Those discoveries served as the attraction for a number of international oil companies to participate in the second Cyprus licensing round, which concluded on 11 May. A total of 29 companies participated and submitted 15 bids for the 12 blocks that Cyprus had offered. Apart from Egypt, Cyprus is the only country in the East Mediterranean country to hold a successful licensing round. Offshore licenses in Israel were awarded to companies that applied to the government for specific plots. Lebanon has yet to organize its first licensing round, and a licensing round opened last

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year by Syria has disappeared due to the political violence that has erupted in the country since March 2011.

As a point of reference, we will use Cyprus as a means to explain the relationships between the East Mediterranean countries and their claims to offshore territory.

With the exception of Turkey, the Republic of Cyprus historically shares good relations with its neighbors in the East Mediterranean Sea, but since the entry of hydrocarbons on the scene, political relationships are shifting.

Cyprus' relations with Egypt remain solid despite the political upheaval brought about by the January 2011 revolution. In February 2003, Cyprus and Egypt signed a maritime delimitation agreement that demarcated each country's respective offshore exclusive economic zone (EEZ). The governments of both countries have ratified the accord. The agreement was signed in accordance with the 1982 UN Convention on the Law of the Sea (UNCLOS), which both countries have signed.

Cyprus and Israel in December 2010 signed a maritime delimitation agreement. It, too, was signed in accordance with the guidelines specified by UNCLOS, although Israel is not a signatory to that treaty. The two countries are currently in the process of finalizing a unitization agreement that will govern hydrocarbon exploitation in the event that an oil or gas discovery extends beyond one country's EEZ into the others. Relations between Cyprus and Israel have made great strides over the last 18 months. Country leaders have exchanged visits and there are ongoing discussions for cooperation on several levels, but especially with regard to energy. There is the possibility that cooperation could at some point in the future lead to the construction of a jointly-used LNG plant located on the southern coast of Cyprus that would be used to export gas from both countries.

Cyprus's relationship with Lebanon has always been good, but the gas discoveries in Israeli waters have made things a little tricky. Cyprus and Lebanon in January 2007 signed a delimitation agreement that has been ratified by Cyprus, but not by Lebanon. This is basically because Beirut disputes the maritime delimitation border that Israel is claiming as its offshore border with Lebanon. Lebanese politicians have claimed that the gas discoveries made in the Israeli offshore extend into Lebanon's offshore territory.

Lebanon is requesting that Cyprus adjust its maritime border agreement with Israel to reflect its territorial claim in the East Mediterranean, something that Cyprus has so far declined to do. Instead, Cyprus, the US and the UN are working to resolve the maritime delimitation dispute between Israel and Lebanon.

It appears that Lebanon's own internal political differences are preventing it from making advances in developing its hydrocarbon sector. The government has yet to finalize the appointment of the Petroleum Administration under the 2010 hydrocarbon law. The administration is to oversee the licensing round that Beirut has been proposing to hold for more than one year. A number of international oil companies are known to be interested in participating in a licensing round should one happen, but one issue that the Lebanese seem to be wrestling with is to first resolve the maritime border with Israel.

Regarding Syria, there is little chance of any development taking place offshore Syria as long as the internal fighting that now engulfs the country continues and it remains under international sanction. There is no official maritime delimitation of its offshore borders with Cyprus, Turkey or Lebanon.

Turkey has on numerous occasions voiced its opposition to hydrocarbon exploration work in the East Mediterranean. Most of this is directed at Cyprus, which Turkey does not recognize as a sovereign state. Ankara recognizes only the Turkish-Cypriot administered area, which it identifies as the Turkish Republic of Northern Cyprus. Turkey is the only country to recognize the Turkish-Cypriot area as a state, which has been occupied by Turkish troops since 1974.

Turkey has objected to Cyprus's exploration program on the grounds that the Cypriot government does not represent the Turkish-Cypriots and demands that exploration halt until there is a settlement to the island's political problem. Ankara has also objected to the exploration program offshore Israel, arguing that development of the region's resources should be decided by all the countries in the region.

Turkey has attempted to persuade Lebanon and Egypt to discard the bilateral maritime delimitation agreements that they have signed with Cyprus.

Based on its recognition of the Turkish-Cypriot administered area of northern Cyprus as a legitimate independent country, Turkey in September 2011 signed an offshore delimitation agreement with the Turkish-Cypriots. The administration later awarded to Turkish Petroleum (TPAO) licenses to explore for hydrocarbons onshore and in the offshore areas to the north, east and south of the island, a move that essentially gives Turkey exploration rights to practically all the waters surrounding Cyprus.

Turkey claims as its own a huge portion of the East Mediterranean, based on what it considers to be its continental shelf. Turkey's claims overlap the area that Cyprus has identified as its exclusive economic zone (EEZ) in accordance with UNCLOS. Turkey also claims areas that would go to

Greece under UNCLOS guidelines. While Turkey is not a signatory to UNCLOS, it has used those guideline to determine its offshore territory in the Black Sea, but bases its claims in the Mediterranean on its continental shelf and its refusal to recognize Cyprus.

Following the closure of the Cyprus licensing round in May, the Turkish Foreign Ministry issued a statement warning the companies that participated to withdraw their bids, stating that their activity there would increase tension in the area and reminding them that the areas to the south of the island had already been awarded to TPAO by the Turkish-Cypriot administration.

Cyprus has received full international support for its offshore exploration program, specifically from the EU – of which it has been a member since 2004 – the US, Russia, Greece and numerous other countries. Cyprus is expected to select companies/consortia that submitted bids for offshore licenses for further negotiation on production sharing agreements by the end of 2012.