

EUCERS ENERGY TALKS: Turkey and Mediterranean Gas: A New European Gas Corridor?

Background information made available by our KAS/EUCERS Energy Security

Fellow Jan-Justus Andreas.

For the first session of the series of five roundtable discussions with the overall theme of *"Changing Political and Economic Dynamics of Global Energy Flows"* co-hosted by the Institute for Strategic Dialogue (ISD) and the Konrad Adenauer Foundation (KAS) in London, the European Centre for Energy and Resource Security (EUCERS) will discuss the topic of *"Turkey and Mediterranean Gas: What does it mean for Europe and the world?"*.

With the approval of the "Trans Adriatic Pipeline" by the Shah-Deniz Consortium last year, Turkey will officially play an essential role in opening up a "Southern Gas Corridor" for Europe. Its strategic geographic position, also in light of the significant new gas finds in the Eastern Mediterranean, may render Turkey a future energy hub for Europe.

In 2010, the U.S Geological Survey (USGS) estimated that the Levant Basin, situated off the coast of Israel, Lebanon and Syria in the Levantine Sea, held potential reserves of 1.7 billion barrels of recoverable oil, and a mean of 122 trillion cubic feet (tcf, approximately 3.45 trillion cubic meters) of recoverable natural gas. Important offshore hydrocarbon discoveries in recent years tend to have confirmed the estimates, potentially opening up a new gas corridor for Europe.¹

In May 2012, the Israeli Ministry of Energy and Water Resources estimated the nation's offshore natural gas reserves at 49.4 tcf (1400 billion cubic meters).² From the two largest gas plays, the Tamar gas field commenced first productions in March last year, and the Leviathan gas field expects to commence production within the next years.³ Together, the two plays constitute around 28tcf. Moving beyond the mere economics, they may also implicate decisive shifts in Israel's foreign relations, i.e. towards Cyprus, Turkey and Greece.

Other gas fields, such as the Gaza Marine, which contains about 1tcf of recoverable gas, may also have decisive political implications. The project had been revived last year as part of the strife to decrease the Palestinian Territories' reliance on foreign aid as well as Israeli energy imports. The plan was supported by the Israeli government, which expects the play to be exploited by investors led by BG Group on behalf of the Palestinian Authority. The field is estimated to require four years to develop with a needed capital investment of \$1bn. Further progress, however, remains completely dependent on diplomatic efforts between the two political parties.⁴

The discovery of gas, however, has also initiated various disputes. Lebanon, for exam-

¹ Schenk et. Al., 2010

² Pelaghias, 2012

³ Estimates range from 2015-2017.

⁴ Reed, 2013

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ple, has claimed both the Tamar and the Leviathan gas fields range into their Exclusive Economic Zones (EEZ) and claimed Israel was ignoring this. Similarly, a political standoff has also developed between the Republic of Cyprus and Turkey. This is based on Turkish and Turkish Cypriot objections to drillings in the EEZ that Cyprus has legally claimed under International Maritime Law. Turkey continues to be the only country in the UN refusing to recognise the sovereignty of the Republic of Cyprus.⁵

Following the decision of the Israeli government to export 40% of its natural gas production,⁶ exporting destinations may include Turkey, Greece, Jordan, Egypt, and even South Korea. Export could take place through a floating facility moored directly over the Leviathan field, or through onshore LNG production. However, due to environmental and physical security concerns, building a liquefaction plant on Israeli territory appears politically impossible.⁷ Other options include building a new terminal in Cyprus, where Delek and Noble – the two main investors in the Tamar and Leviathan fields – have rights to the Cypriot Aphrodite gas play, and could pool its gas with Israel's. Aphrodite's gas amounts are estimated at 3.6-7tcf. For Cyprus, building an LNG terminal at Vasilikos on the island's southern shore is considered a priority, providing revenue and jobs to mitigate the country's financial crisis. The most ambitious plan is to build an undersea pipeline to either Turkey, which would entail an investment of \$2bn to \$3bn, or Crete (Greece), linking the gas directly to the European grid.

Since Cypriot leaders begin to recognize the economic necessity of a pipeline to Turkey, combining a 292-mile Israel-Turkey pipeline with an LNG terminal in Cyprus might be commercially feasible, as well as economically and politically advantageous to all parties, including the EU. "Building an Israel-Turkey pipeline connected to a Cyprus LNG terminal offers strategic opportunities that

transcend economics, including a chance for Israel and Turkey to restore their strategic partnership. It would also push Turkey to reach an agreement on the Cyprus question, removing a 40-year irritant in relations with Europe and re-energizing Turkey's flagging efforts to join the EU."⁸

"Energy security lies in variety, and variety alone".⁹ These words by then First Lord of the Admiralty Winston Churchill at the outset of the 20th century have not lost their value for the European continent 100 years later. With Europe's natural gas production in decline for years, and its consequent dependence on imports increasing, diversification of energy sources remains an imperative. The role that Eastern Mediterranean gas and Turkey as a potential energy hub can play in this respect remains to be seen, but it certainly has not only great economic potential but could also improve the political environment of the region with extensive security implications.

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⁵ Kashi, 2013

⁶ Yaakov, 2013

⁷ Bryza, 2014

⁸ Offshore Technology, 2014

⁹ Yergin, 2006, p.69

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