



*The European Centre for Energy and Resource Security (EUCERS) cordially invites you to the first of a series of five roundtable discussions on "The Changing Political and Economic Dynamics of Global Energy Flows" co-hosted by the Institute for Strategic Dialogue and the Konrad Adenauer Foundation in London*

## **EUCERS/ISD/KAS Energy Talks: Turkey and Mediterranean Gas: What does it mean for Europe and the world?**

10 March 2014, 14.00 - 16.00, with a reception following ♦ River Room, second floor ♦  
King's College London ♦ Strand Campus ♦ London WC2R 2LS

### *Welcome Address and Introduction*

**Professor Dr Friedbert Pflüger**, Director, EUCERS King's College London  
**Hans-Hartwig Blomeier**, Director London Office, Konrad-Adenauer-Foundation (KAS)

### *Introductory Statements*

**HE Daniel Shek**, Former Israeli Ambassador to France  
**Androulla Kaminara**, Director/Special Adviser European Commission, currently Academic Visitor at St. Antony's College, Oxford  
**Gulmira Rzayeva**, Senior Research fellow, energy related issues at Center for Strategic Studies under the President of the Republic of Azerbaijan  
**Iulian Chifu**, Advisor for Strategic Affairs and International Security to the President of Romania  
**Mehmet Ögütçü**, Founding Chairman and CEO, Global Resource Cooperation  
**Anthony Livanios**, CEO Energy Stream CMG, Germany  
**Dr Amit Mor**, CEO, Eco Energy Ltd., Israel  
**John Roberts**, Energy Security Specialist, Platts  
**Aura Sabadus**, Editor, Turkish Energy Hub Daily, ICIS and Research Associate at EUCERS, King's College London

### *Discussion*

*The workshop is followed by a reception*

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<b>Aiello, Gabriele</b>	King's College London
<b>Professor Allan, Tony</b>	Professor, King's College London and SOAS
<b>Andreas, Jan-Justus</b>	KAS Fellow, EUCERS, King's College London
<b>Dr Ates, Aynur</b>	Managing Director, Conates
<b>Bakir, Siddik</b>	Energy Analyst, Middle East and South Asia, IHS Energy
<b>Batty, James</b>	News Editor, Interfax Global Energy
<b>Bland, Charles</b>	Former BG Group Executive Vice-President
<b>Blomeier, Hans-Hartwig</b>	Director London Office, Konrad Adenauer Foundation (KAS)
<b>Brunner, Tobias</b>	King's College London
<b>Dr Chadha, Rajan</b>	Director, IBN
<b>Chifu, Iulian</b>	Presidential Counselor, Department of Strategic Affairs, Security and Foreign Policy in Romania
<b>Constantinou, Gus</b>	King's College London
<b>Cook, Chris</b>	Senior Research Fellow, UCL Institute for Security & Resilience Studies
<b>Coym, Julia</b>	King's College London
<b>Damianova, Kalina</b>	King's College London
<b>Douglas, Humphrey</b>	Partner, SNR Denton UK LLP
<b>Duhan, Matthew</b>	Associate Adviser, Global Counsel
<b>Ekpolomo, Moses</b>	EUCERS Research Associate and PhD Candidate, King's College London
<b>Gechev, Kamen</b>	King's College London
<b>Grafham, Owen</b>	Europe in the World Programme, Institute for Strategic Dialogue
<b>Grünert, Michael</b>	Energy Expert with focus on renewable energy
<b>Haines, Christopher</b>	Business Monitor International
<b>Hannah, James</b>	Project Manager, Konrad Adenauer Foundation (KAS)
<b>Havlicek, Sasha</b>	CEO/Director, Institute for Strategic Dialogue
<b>Hoggarth, Jahan</b>	Newsletter editor, bne:Invest in Azerbaijan
<b>Hunter, Catherine</b>	Manager of the IHS Energy team, IHS
<b>Iplikci, Ahmet</b>	Senior Advisor to the Turkish Prime Minister's Office
<b>HE Dr Jinga, Ion</b>	Ambassador of Romania to the UK
<b>Kalafat, Ahmet</b>	Third Secretary and Political Officer,
<b>Dr Kaltsa, Lia</b>	Greek Ministry of Foreign Affairs
<b>Kaminara, Androulla</b>	Director/Special Adviser European Commission, Academic Visitor at Oxford
<b>Kaptan, Zeynep</b>	Coordinator of External Affairs, Caspian Strategy Institute Turkey
<b>Korteweg, Rem</b>	Senior Research Fellow, Centre for European Reform
<b>Kozlov, Pavel</b>	Economic Affairs (Energy), Embassy of the Russian Federation to the UK
<b>Livanios, Anthony</b>	CEO, Energy Stream CMG, Germany
<b>Sir Logan, David</b>	Former UK Ambassador to Turkey

<b>Manchi, Francesca</b>	European Commission Representation in the UK
<b>Matuska, Natalia</b>	MA student, University College London
<b>McNess, Anne</b>	Head/Europe Research Group, Foreign and Commonwealth Office
<b>Michel, Julian</b>	Economic Affairs, German Embassy in London
<b>Mojabi, Omid</b>	King's College London
<b>Dr Mor, Amit</b>	CEO, Eco Energy Ltd., Israel
<b>Newell, Clive</b>	Independent Political Risk Consultant
<b>Norton, Nick</b>	Senior Energy Advisor, Foreign and Commonwealth Office
<b>Öğütçü, Mehmet</b>	Founding Chairman and CEO, Global Resource Cooperation
<b>Öğütçü, Melis</b>	King's College London
<b>Oniga, Radu</b>	Second Secretary, Embassy of Romania in the UK
<b>Palma, Chiara</b>	MA student in International Relations, King's College London
<b>Petroleka, Marina</b>	Head of Energy and Infrastructure Analysis, Business Monitor International
<b>Prof Dr Pflüger, Friedbert</b>	Director, EUCERS, King's College London
<b>Pick, Hella</b>	Director, Arts and Culture Programme, Institute for Strategic Dialogue
<b>Posluchová, Barbora</b>	Public Diplomacy & Cultural Affairs Officer, Embassy of the Slovak Republic
<b>Rahman, Sheikh</b>	President and CEO, PETRA Global Energy Group
<b>Dr Raszewski, Slawomir</b>	Tutor in International Relations, Assistant Editor - Civil Wars Journal, School of Politics and International Studies (POLIS), The University of Leeds
<b>The Baroness Rawlings, Patricia</b>	MP, House of Lords
<b>Roberts, John</b>	Energy Security Specialist, Platts
<b>Rzayeva, Gulmira</b>	Senior Research Fellow, Center for Strategic Studies, Azerbaijan
<b>Sabadus, Aura</b>	Editor, Turkish Energy Hub Daily, ICIS and Research Associate at EUCERS
<b>Scallon, Robert</b>	HealthProm
<b>Scantlebury, Andrew</b>	Pathway Caribbean Ltd
<b>Sevil, Katie</b>	Trade and Investment Manager, Gov. of Western Australia - European Office
<b>HE Shek, Daniel</b>	Former Israeli Ambassador to France
<b>Speh, Charles R.</b>	Managing Director, Milestone Exploration Limited
<b>Targett, Edward</b>	Reporter, Gas Strategies
<b>Tatarzynski, Marcin</b>	First Secretary, Embassy of Poland in London
<b>Dr Vatansever, Adnan</b>	Senior Lecturer, Russia Institute, King's College London
<b>Weber, Bernd</b>	Doctoral Researcher and Lecturer in International Relations, Sciences Po
<b>Dr Winrow, Gareth</b>	Analyst based in Oxford
<b>Wright, Matthew</b>	Gatehouse
<b>Dr Yafimava, Katja</b>	Senior Research Fellow, Oxford Institute for Energy Studies
<b>Yavas, Haldun</b>	Secretary General, Caspian Strategy Institute Turkey

## Report

In this year's series of five roundtable discussions, 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) has chosen the pressing matter of "*Changing Political and Economic Dynamics of Global Energy Flows*" as an overall theme. The first of the workshops took place on March 10, 2014 at King's College London and discussed the topic of "*Turkey and Mediterranean Gas: What does it mean for Europe and the world?*". The event was attended by members of academia, relevant businesses, the media, as well as government officials, and commenced with introductory statements of a similarly versatile panel.



In their welcome address, both **Professor Dr Friedbert Pflueger**, director of EUCERS, and **Hans-Hartwig Blomeier**, director of the London Office of the KAS, referred to the relevance of the upcoming series of events. The complexity and scope of contemporary developments in the energy sphere can be depicted already by the variety of topics to be discussed in 2014, considering their nature as well as their geographical location. Following the workshop on Turkey and Mediterranean Gas – for which EUCERS in cooperation with the Atlantic Council of the US (ACUS) plans to organise another conference in September this year in Jerusalem, Israel – the series will be discussing matters regarding the Shale Revolution in the US, Kurdish

Oil in Northern Iraq, the implications of Iranian re-integration into the global energy market, and finally China's growing energy "hunger".

This session on Turkey's role as a growing energy hub with a particular focus on Eastern Mediterranean Gas was hallmarked by the general agreement that Eastern Mediterranean Gas was not a game changer based on its economics, and *in situ* reserves, yet bears the potential to be one with regard to its geopolitical implications. Nonetheless, the first speaker of the panel, **HE Daniel Shek**, Former Israeli Ambassador to France and ISD Engaging Turkey Task Force Member, also pointed out the many political barriers that needed to be overcome to achieve such a new political environment of the region, referring to the Cyprus issue, as well as Syria and Lebanon, and Turkish-Israeli relations. **Iulian Chifu**, Advisor for Strategic Affairs and International Security to the President of Romania, added the Turkey-Greece case to the list of ambiguous relationships, which however had seemingly improved over the past years.

**Mehmet Ögütçü**, Founding Chairman and CEO of Global Resource Cooperation, who considered Eastern Mediterranean gas in the global context, urged for realistic estimations regarding the magnitude of the resources in the Eastern Mediterranean, but also stressed that it is not a below the ground issue but in fact the above the ground factors which will be determining the future of Eastern Mediterranean Gas. He continued to advise caution regarding the Cyprus question, which might experience a push, yet realism should prevail over unrealistic dreams. Referring to the perception of energy cooperation being a driver for reconciliation as a "peace pipeline", **Aura Sabadus**, Journalist and Research Associate at EUCERS, pointed out that for example the experience in the case of the Baku-Tiflis-Ceyhan-Pipeline has shown that peace pipelines may not be as peaceful as they sound. She pointed in this respect to the unhappiness



of Turkey about the transit fees they collect from the transit of oil. If it was however solely about political gains, the Arab-Gas-Pipeline would have an even greater effect on overcoming current issues in the Middle East, and could include flow-back possibilities for Israel and a pipeline to transport Israeli gas through Jordan to Lebanon, and Syria into Turkey, en route collecting Cypriot and Syrian gas as well.

In addition to the considerations on the opportunities that Eastern Mediterranean gas bears geopolitically for the region, the members of the panel also discussed the energy landscapes of the respective players as well as the

associated economics and required infrastructural upgrades. **Mehmet Ögütçü** pointed in this respect to the growing energy demand in Turkey, which he considered its “soft belly”, and which is the second most important export destination of Russian gas after the EU. **Androulla Kaminara**, Special Advisor to the European Commission and a current Academic Visitor at St. Antony’s College at Oxford University added that in combination with the recent agreement for two nuclear power plants to be run by Gazprom, Turkey stands in danger of allowing Russia great monopolistic powers over its energy sector for the next fifteen years to come. While the EU was increasingly attempting to distance



itself from Russian energy sources, it seemed Turkey was moving ever closer towards them. Furthermore, Turkey will need extensive upgrades of its energy infrastructure requiring \$6-8 billion in order to allow it to become the energy hub it aspires to be. Continuing with the Israeli energy landscape, **Dr Amit Mor**, CEO of Eco Energy Ltd., made clear what extensive implications the exploration of natural gas has already had for Israel. He outlined that the share of natural gas in Israel’s power generation was expected to amount for 70% within the next five years from virtually 0% just ten years ago. Furthermore, Israel was also planning to shift its vehicle fleet both towards natural gas and its derivatives, such as methanol, as well as electricity over the next years.

Moving towards the export possibilities and challenges, also with respect to the abovementioned difficult relationships among neighbouring countries in the region, **Dr Amit Mor** showed the various options with respect to their economic and political viability. He stressed the high security risks that impede the building of LNG terminals in Israel, and instead outlined the possibility to use two already existing LNG facilities in Egypt, of which one is currently idle and the other running at 30% of available capacity. However, also with Egypt there are political risks, which would support the options of for example floating LNG facilities, an LNG facility in Cyprus combining Israeli as well as Cypriot gas, or a pipeline to Turkey. In his overall assessment of the possibilities, Dr Mor concluded that in the case of Eastern Mediterranean gas, it is most likely that geopolitics will actually be more decisive than economics.



In contrast, both **Iulian Chifu** and **Gulmira Rzayeva**, Senior Research Fellow for energy related issues at the Center for Strategic Studies under the President of the Republic of Azerbaijan, concluded that the national interests of Turkey firstly regarding its own market and potential supply gaps that could arise as early as 2016, as well as its ambition to become an energy hub, will have the ability to overcome the political stand-offs – especially between Turkey and Israel, and Turkey and the Republic of Cyprus – in favour of the economic gains. This perspective was also supported by **Anthony Livanios**, CEO of Energy Stream CMG, who stressed that in order for Turkey to become a reliable energy transit country, and possibly even an energy hub in the future, it would have to prove exactly this reliability through its relationships with its neighbours. Hence, he considered that cooperation in the Eastern Mediterranean, while economically and in energy reserves terms a minor player, was of great interest for Turkey in



order to consolidate its position within the greater picture, regarding Caspian, Iraqi and Iranian gas, as well as its relationship to the EU.

With respect to the economic viability, **Gulmira Rzayeva** further noted that the most viable solution would be a pipeline linking Israel and the South Western part of Turkey, where already existing infrastructures of the Botas Petroleum Pipeline Corporation could handle about 2-3bcm without great additional investments needed. Overall, the greater viability of a pipeline instead of LNG terminals was rooted in both the security risks, as well as the capital cost factors and market prices. A pipeline from Cyprus to Turkey would only require about \$2-3 billion,

compared to \$4-6 for LNG. **John Roberts**, Energy Security Specialist, also remarked that a pipeline would not necessarily mean that there could be no additional LNG terminals. Similarly, **Aura Sabadus** outlined that combining Israeli and Cypriot gas at an LNG hub in Vasilikos (Cyprus) could in the long-term ramp up exports of over 50bcm of gas. According to her, this option was bearing even greater potential since security issues with regard to LNG facilities in Israel and Egypt are similarly present with respect to floating LNG facilities that are the size of several aircraft-carriers, and hence would constitute easy targets. The special advantage of LNG lies also with the potential to sell gas to Asia. However, generally, both Cypriot as well as Israeli gas could very likely enter first and foremost the growing Turkish market, which is currently at similar price levels as the average European ones, according to **Gulmira Rzayeva**.

An issue for the economics of also with the growing positive impacts on overall respect to diversification, for Europe, according to Nonetheless, due to the Turkey, already **Mehmet** increasing Turkish interest in and from Iran. **John Roberts** evolving competitors to the possibilities of the to-be which could enter the market



the evolving East African players according to Roberts will most likely prevent Israel from exporting its gas to Asian-Pacific consumers. All these factors together put pressure on the commerciality of the Eastern Mediterranean. However, despite growing competition in some areas, there are also question marks regarding the reliability of existing players. Mr Roberts mentioned the rapidly declining Algerian gas exports in this respect, and further pointed to the difficult partnership between Europe and a Russian state that was increasingly regressing to a zero-sum attitude in international relations. The potential fallout to Turkey of this relationship will depend on the EU's response to the current crisis but might very well include a tougher approach on onshore pipelines with reference to the South Stream project, which is subject to European Commission assessment and approval. This point had already been raised earlier by **Julian Chifu**, who feared a denial of access for the Black Sea Corridor. For **Roberts**, however, the biggest issue is the failure to understand that "cheap gas" does simply not exist for any low prices for natural gas come at a political cost as well, which could be observed in the contemporary case of Ukraine.

such export plans lies however competition, which of course has European energy security with which continues to be key policy **Androulla Kaminara**. growing demand levels in **Öğütçü** had hinted at the the gas fields of Northern Iraq added several other newly picture, and reiterated the reintegrated Iranian supplies, as early as 2015. Furthermore,

Overall, **Aura Sabadus** stressed that Turkey must be considered the only viable potential challenger as an energy hub to Russia's contemporary power over European gas. However to explore its potential, Turkey requires a strong liberalisation of its markets and for the EU to finally open the energy chapter with Turkey. Generally, it would be in

everyone's interest to diversify, particularly since Russian gas is not just any gas but attached to a multitude of strings. As **HE Daniel Shek** had noted in his initial remarks, for the near future, economic interests may not be able to resolve political conflicts but could and should act as a catalyst to at least overlook them.

Following the extremely insightful discussion among the nine panel participants, **Professor Pflueger** again took the floor stressing that all these bright options of diversification and future competition for the European gas market remain unfortunately unavailable for the near and long term future, while Europe's dependence on Russia continues to be a reality of today. This needed to be acknowledged by European states when flexing muscles in light of the current Crimean Crisis as the reality in fact would leave little leeway for Europe to actually do so. Considering the case of Eastern Mediterranean Gas, however, **Professor Pflueger** reiterated the extraordinary long-term political potential of energy cooperation between Israel and Turkey and remarked that Turkey has the ability to become a great player as an energy hub if it manages to not get entangled in traditional regional conflicts.

The general discussion was as always followed by a Q&A session that gave the audience the possibility to further debate the complex issues at hand, as well as a follow-up reception to provide networking opportunities, and a forum for further discussion. Overall, the event had been a great success with a large audience and an almost equally extensive panel providing a comprehensive and instructive debate, whetting the appetite for this year's series and the upcoming workshops.



*Report by Jan-Justus Andreas, KAS Fellow at EUCERS 2013/14.*