

ENERGY SECURITY IN THE EASTERN MEDITERRANEAN

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The geopolitical significance of the Mediterranean Sea region is the result of three factors: its location at the junction of Europe, Asia and Africa; its significant international sea routes and straits — Gibraltar, Bosphorus, Dardanelles, Suez Canal — and its potential as a source of oil and natural gas. Recent gas discoveries in the Eastern Mediterranean have only reaffirmed this potential. They have resulted in a set of significant geoeconomic decisions concerning the development of flows and exchanges in the form of traded gas. It is emphasized in the literature that the geoeconomy may connect geopolitical strategy and economic policy, but it is usually perceived as the use of economic policy instruments to implement geopolitical goals.¹ This means the primacy of geopolitical interests over geoeconomic ones and the subordination of economic policy to geopolitics.² Viewing energy relations through a geopolitical lens means analyzing them as state relations driven by national-security and foreign-policy interests, not economic ones. It also

means considering energy trade as a tool for achieving foreign-policy and security objectives.³ However, the geopolitics of natural gas is particularly complex. In contrast to oil, natural gas has physical characteristics that make transportation expensive, whether through pipeline or in liquefied form (LNG). This constitutes a significant fraction of the total delivered cost of the gas trade and is an important component of the sector's political economy.⁴ Normally, the infrastructure for gas transportation requires huge investments, a long-term perspective and political stability. Owing to these fixed infrastructural components, the gas sector is particularly sensitive to political relationships among countries; gas-development policies are strongly affected by the security context in which they are embedded.⁵

MONETIZATION OF RESOURCES

Since the end of the 1990s, the hydrocarbon resources of the Eastern Mediterranean Sea have greatly increased in importance. The major gas discoveries off the

coast of Israel and Cyprus between 2009 and 2011 (in the Leviathan and Aphrodite fields) and off the coast of Egypt in 2015 (in the Zohr field) can have a significant transformative impact on the politics of energy security in the entire region and beyond (Table 1).

Israel, the first country of the region to make major gas discoveries, was also the first mover in the economic and political game for its monetization, in terms of new export routes and infrastructure projects.⁶ In July 2010, after the important discovery in the Leviathan gas field, Prime Minister Netanyahu proposed to Greek Prime Minister Papandreou a pipeline connecting Israel and Greece via Cyprus.⁷ Both governments saw energy as the cornerstone of a strategic

rapprochement, especially after the collapse of the Turkish-Israeli alliance in the wake of the 2010 *Mavi Marmara* incident. In the following years, Israel and Greece attempted to upgrade and institutionalize their energy cooperation by including Cyprus, which, after the Aphrodite gas-field discovery in 2011, was ready to play an important role in regional energy security. The Israeli, Cypriot and Greek energy ministers created joint task forces to evaluate the feasibility of several options.⁸ For exportation, they considered a pipeline (East Med Gas Pipeline) to carry gas from Israel and Cyprus to European markets through Greece, and a joint Israeli-Cypriot LNG plant near Vasilikos on the southern coast of the island. However, other projects were simultaneous-

TABLE 1. The Major Gas Discoveries in the Eastern Mediterranean Sea (2000-15).

Field Name	Year of Discovery	Country	Estimated Reserves (bcm)	Main Shareholders (Countries of Origin)	First Gas Production/Planned (as of 2014)
Mari-B	2000	Israel	42	Noble Energy (U.S.) Delek Group (Israel)	2004
Tamar	2009	Israel	283	Delek Group (Israel) Noble Energy (U.S.)	2013
Leviathan	2010	Israel	510	Delek Group (Israel) Noble Energy (U.S.)	2017
Aphrodite	2011	Cyprus	200	Noble Energy (U.S.) Delek Group (Israel)	2017
Tannin	2012	Israel	34	Noble Energy (U.S.) Delek Group (Israel)	--
Karish	2013	Israel	50	Noble Energy (U.S.) Delek Group (Israel)	--
Zohr	2015	Egypt	850	ENI (Italy)	--

Sources: Authors' compilation from H. Darbouche, L. El-Katiri and B. Fattouh, *East Mediterranean Gas: What Kind of a Game-Changer?* (Oxford Institute for Energy Studies, 2012), <http://www.oxfordenergy.org/wp-content/uploads/2012/12/NG-71.pdf>; U.S. Energy Information Administration (EIA), "Eastern Mediterranean Region, Full Report," August 15, 2013; and ENI Press Release, "ENI Discovers a Supergiant Gas Field in the Egyptian Offshore, the Largest Ever Found in the Mediterranean Sea," August 30, 2015.

TABLE 2. Cooperative Projects for the Monetization of the Eastern Mediterranean Gas Resources (2011-14).

Projects	States Involved (* Main Supporter)	Gas Capacity (bcm/year)	Estimated Cost (USD billion)	Estimated Year of Operation (as of 2014)
LNG Plant	Cyprus* and Israel	7-14	10-15	2020
Pipeline	Israel-Cyprus- Greece*	30-40	17-20	Post 2020
Pipeline	Israel-Cyprus- Turkey*	5-11	5-10	2023-2025
Pipeline	Israel-Turkey*	5-11	5-10	2023-2025

Sources: Authors' compilation from European Parliament, "The Prospect of Eastern Mediterranean Gas Production: An Alternative Energy Suppliers for the EU?" DG External Policies, Policy Department, April 2014.

ly evaluated by each government according to its own energy-security agenda and national interests. These projects included an LNG plant or a floating liquefied natural-gas (FLNG) plant in Israel, an Israel-Cyprus-Turkey pipeline and an Israel-Turkey pipeline. From 2011 to 2014, various competitive options were under consideration for the monetization of gas resources. They required varying levels of cooperation from two or more countries, had different price tags, and enjoyed different degrees of political support (see Table 2).

DEPA, the Greek state-owned natural-gas company, and the Greek Ministry of Energy strongly supported the East Med Gas Pipeline.⁹ For Greece, already involved in the development of the Southern Gas Corridor, the prospect of becoming a transit country for gas from the Eastern Mediterranean had both economic and political appeal. The project was perceived to have the potential to improve the country's position vis-à-vis the EU. However, for Cyprus, Israel, and the energy companies involved in the development of gas

resources, a pipeline to Greece presented many problems.¹⁰ The demand in Europe was far from certain, with growth expected to remain sluggish at best until 2020. The European gas market presented so many uncertainties in the medium to long term that committing new resources to it would have been a risky undertaking, especially when considered against the other available options, such as LNG facilities to reach the more profitable Asian markets. The expected cost of around \$17-20 billion was another weakness of the East Med Gas Pipeline project. From a political standpoint, Cyprus and Israel also appreciated the flexibility offered by the LNG solution. This was especially true for Israel; a pipeline would have linked the majority of its export gas to a single route that would have to cross parts of the Eastern Mediterranean Sea, where claims by Turkey overlapped with the Cypriot and Greek Exclusive Economic Zones (EEZs).

For these reasons, Israel was evaluating the possibility of building an LNG or a FLNG facility, while, at the end of 2012,

Cyprus had decided to build an LNG plant with an initial capacity of almost 7 billion cubic meters per year (bcm/year).¹¹ The terminal, which would be built in Vassilikos, would allow Cypriot gas to reach the European and Asian markets. For the LNG-plant project to remain economically viable, Cyprus needed both financial support from Israel (estimated at \$10-15 billion) and Israeli gas, since the Cypriot resources alone would not be sufficient to justify the cost of an LNG export facility.¹² For the energy companies involved, Noble Energy and the Delek Group, a joint Israeli-Cypriot LNG facility offered several economic advantages: the proximity of the Leviathan and Aphrodite fields to each other, and the fact that an LNG solution would not restrict exports to any particular market. A Memorandum of Understanding (MoU) between the Cypriot government and the companies involved in the Aphrodite field for the development of an LNG facility was signed on July 26, 2013, with a plan to start exporting by 2020. The European companies Total and ENI also expressed interest in the project. They had just won the second offshore bidding round launched in the Cypriot EEZ. However, the weaknesses in Cyprus's plan were exposed when Israel expressed strong opposition to the location of export facilities outside its territory and requested that any export infrastructure be considered a "strategic asset" and firmly placed under Israeli sovereignty.¹³

During the same period, a pipeline from Israel to Turkey also became a possibility in the wake of the tentative rapprochement between the two countries promoted by U.S. President Obama (in late March 2013, he persuaded Netanyahu to apologize to the Turkish government for the 2010 *Mavi Marmara* incident). From the Turkish point of view, the plan to build

a pipeline from the Leviathan field was a useful counterbalance to Cypriot-Israeli relations. The project would also have supplied additional gas for the growing Turkish domestic demand. For the energy companies involved in the development of the Israeli gas fields, a pipeline to Turkey could have proved more profitable than Cyprus's proposed LNG plant. A Turkish pipeline would have involved lower direct costs and served a lucrative market. Several Turkish firms showed an interest in financing this project at an estimated cost of \$5 billion, significantly lower than the estimated \$15 billion for the LNG plant.¹⁴ However, although the project would mean a rapprochement between Israel and Turkey, the political obstacles were numerous.¹⁵ There are two ways for a pipeline to reach Turkey: across the Cypriot EEZ or across the Lebanese and Syrian EEZs. In the first case, a rapprochement between Ankara and Nicosia would be a precondition. In the second, Turkey, Syria and Lebanon would have to demarcate their territorial waters and their EEZs. This is very unlikely, due to the conflict in Syria and the maritime border dispute between Israel and Lebanon. In any case, it would present high security risks.

Finally, another option appeared. After the election of President Nikos Anastasiades in Cyprus — a moderate who had previously supported the UN's Annan Plan — peace talks between the island's two communities resumed in February 2014.¹⁶ It was hoped that the possibility of exploiting the new gas resources would provide a motivation for solving the longstanding Cyprus question.¹⁷ The Turkish government, in particular, supported the idea of a pipeline route from the island to its shores, a profitable, concrete solution for the monetization of the Cyprus gas.¹⁸

By the end of 2015, none of the projects discussed between 2011 and 2014 were at the point of materializing; different factors had contributed to further complications regarding monetization. In the wake of the war in eastern Ukraine, the appeal of the East Med Gas Pipeline as an alternative source for the EU seemed to be restored. Mainly due to the support of Cyprus and Greece, the project was confirmed in the revised EU Project of Common Interest (PCI) list issued by the European Commission in 2014. On the other hand, the prolonged economic and financial crisis in Greece, aggravated by the confrontation between the government of Alexis Tsipras and the EU institutions, added additional uncertainty to a project that was already technically, politically and financially challenged. And the prospect for the Cyprus Vassilikos LNG terminal would also soon be undermined (see below).

In Israel as well, after the withdrawal of the Australian company Woodside from the development of the Leviathan field in May 2014, the prospect for an LNG export facility was undermined.¹⁹ The LNG (or FLNG) solution involved security risks, owing to problems in fully protecting such infrastructure also in the Israeli EEZ.²⁰ Besides, in a market context characterized by declining gas prices, both the government and the energy companies were now viewing exports to immediate neighbors as more viable and convenient. In January 2014, Noble Energy and Delek signed the first Israeli natural-gas export deal with the Palestinian Authority's Power Generation Company (canceled in March 2015).²¹ In February 2014, an initial agreement was reached to supply modest quantities of gas from the Tamar field (0.12 bcm/y for a 15-year period) to two state-controlled Jordanian companies (the Arab Potash Company

and the Jordan Bromine Company).²² This agreement was followed, in September 2014, by a major deal in the form of a "non-binding letter of intent" for the supply of gas from the Leviathan field to the Jordan National Electric Power Company (NEPCO) involving a 15-year contract with an annual delivery of 3 bcm.²³

In 2015, the energy companies involved in the Israeli offshore development also signed various deals to export gas to Egypt. After the turmoil of previous years, the country had gone from an exporter of energy to an importer, but it also could use its existing LNG infrastructure to re-export the gas into other markets. British Gas signed an MoU with the Leviathan partner to send 7 bcm of LNG annually for 15 years to its plant in northern Egypt. The Tamar partners signed an MoU with the Spanish company Union Fenosa to provide 4.5 bcm/y for 15 years to its LNG plant at Damietta. The Tamar partners also started talks with private Egyptian companies (Dolphinus Holdings) to supply gas to Egypt using the pipeline owned by the East Mediterranean Gas Company, which formerly transported gas to Israel from Egypt.²⁴ However, this Israeli export strategy was complicated by the strong political opposition Netanyahu was encountering to the government's gas-monetization policy, the so-called natural-gas regulatory framework.²⁵ This regulatory scheme was also opposed by the Israeli Antitrust Authority and Israel's High Court of Justice. Only in May 2016 was the government eventually able to pass an amended version of the natural-gas framework and finally pave the way for Israel's gas-export policy.

The Cyprus situation was complex as well. In 2015, the companies developing the Aphrodite field declared it commercial (with estimated reserves of about 130 bcm)

and submitted a development and production plan to the government, with the intention to commence production by 2020.²⁶ However, the other companies drilling in the Cyprus EEZ (ENI, Kogas and Total) failed to find any recoverable gas. Without the discovery of other reserves in the Cyprus EEZ, many of the infrastructure projects discussed in previous years seemed financially unsustainable. In 2014, the estimated bcm requirement for viable investment in different export options was about 200 bcm for LNG to Asia, 250 bcm for LNG to Europe or a pipeline to Greece, and 113 bcm for a pipeline to Turkey.²⁷ This last option was still not realistic, due to the unresolved Cyprus issue.

Thus, the Cypriot government also turned to Egypt. In February 2015, Cyprus and Egypt signed an MoU for the use of Egypt's facilities, and for evaluating the possibility of building a pipeline to connect the Aphrodite gas resources to Egypt's LNG infrastructure.²⁸ In June 2015, the ROC president and minister of energy visited Israel to discuss the possibility of merging pipelines from Israel and Cyprus to deliver gas to Egypt, revitalizing Cypriot-Israeli energy cooperation after Israel's rejection of the joint LNG facilities at Vassilikos.²⁹ The joint plan to export gas to Egypt was eventually complicated when, at the end of August 2015, the Italian company ENI announced a huge discovery in the Egyptian offshore Zohr gas field. This may potentially undermine the Israeli-Cypriot plan, especially with regard to the Egyptian market. However, both experts and Egyptian authorities forecast an important role for gas imports in Egypt, at least until 2020 and possibly 2025, depending on how quickly Zohr is developed and how much domestic demand keeps growing.³⁰ Besides, since the discovery of

the Zohr field, interest in Eastern Mediterranean resources has again risen. In March 2016, when Cyprus launched its third licensing round for offshore exploration, offering three blocks (6, 8 and 10) in its EEZ, applications were submitted by oil majors such as ENI, Total, ExxonMobil, Qatar Petroleum and Statoil.³¹

REMAKING REGIONAL ENERGY SECURITY

The gas discoveries in the Eastern Mediterranean have opened up entirely new possibilities for Israel and Cyprus. Israel, in transforming from a net energy consumer to a potential net exporter, could strengthen its energy security and gain political flexibility. This development was especially important in a period during which energy security was becoming a concern due to the fall of Mubarak, the interruption of the Egyptian gas supply and the region's increasing instability in the wake of the Arab Spring. Besides, Israel could use its resources to pursue wider foreign-policy objectives. Cyprus, which had just emerged from a serious financial crisis and was in the middle of an economic downturn, could also improve energy security and plan a medium-term strategy for exploiting its energy rent. But other countries of the region were also indirectly affected by the prospect of resource monetization in Israel and Cyprus. In particular, Jordan, Egypt and Turkey could benefit from the new discoveries by tapping their growing demand and improving their energy security. Egypt could also profit from the use of its LNG infrastructure to export Eastern Mediterranean resources to the international markets. Greece could benefit from the new discoveries too, in terms of energy security, economic gains and a higher international profile due to

its possible role as a transit state to the EU market.

As anticipated, the Israeli government regarded the political stability of its immediate neighbors as a major concern. In Jordan, where energy imports meet more than 90 percent of national energy demand, the possibility of accessing Israeli resources was an important security issue. After the disruption of the Egyptian gas flow, which stopped completely in mid-2013, the country was forced to import expensive fuels to sustain its growing domestic demand. In 2014, the cost of energy imports accounted for more than 40 percent of the Jordanian national budget.³² This problem was aggravated by the influx of refugees from Syria and Iraq — estimated at 657,000, about 8 percent of Jordan's population³³ — which was placing additional demands on supply.³⁴ During the long discussions about Israel's natural-gas framework, which had been taking place for nearly 18 months and led to an impasse in negotiations between the two countries, Jordan started to pursue other strategies. In summer 2015, it began to import LNG — mainly from Nigeria, Qatar, Trinidad and Tobago, and Australia — thanks to a Floating Storage and Regasification Unit (FSRU), the Golar Eskimo, contracted for 10 years and moored near the Red Sea port of Aqaba.³⁵ Besides, notwithstanding the still problematic situation in Syria and Iraq, Amman and Baghdad relaunched the plan for the construction of an oil pipeline from Basra in south Iraq to Aqaba. This plan also provides for a natural-gas pipeline to run along the same route, with up to 100 million cubic feet per day.³⁶ This project was originally proposed in 2012 but was put on hold due to security concerns, as the route passed through or close to ISIS-controlled areas. However, at the end of 2015, a new route was proposed

bordering Saudi Arabia before entering Jordan; construction is expected to start in 2017.³⁷

Iraqi oil production and exports have steadily grown, especially since 2010, despite political instability and the war against ISIS. However, the gas sector still presents many problems, and plans for export remain controversial, as natural gas is needed as feedstock for Iraq's electrical-power plants.³⁸ Indeed, notwithstanding this option, after the clarification of the regulatory framework in Israel, Jordan's talks with the Leviathan partners were relaunched. The gas deal signed in 2014 with NEPCO was economically worthwhile for both parties. The distance between the Israeli and Jordanian transportation networks is a few dozen kilometres, and the 15-year contract with annual deliveries of 3 bcm would be sufficient to meet the bulk of Jordan's current electricity needs.³⁹ Despite some political resistance, in May 2016 the Jordanian parliament passed a law authorizing Israeli companies to participate in national projects administrated by the Jordanian Investment Fund.⁴⁰ And in summer 2016, newly appointed Prime Minister Hani Al-Muki met a senior Israeli delegation to discuss common infrastructure projects, paving the way for the implementation of the gas deal.⁴¹

After the approval of the natural-gas framework, Israeli strategy was relaunched with regard to other regional targets: Egypt and Turkey. Egypt, in particular, after having become the world's tenth-largest LNG exporter in 2010, was then struggling to meet its domestic demand, which increased by an annual average of 7 percent between 2004 and 2013.⁴² In 2015, the company EGAS was forced to lease two FSRUs for five years (from Höegh LNG and BW Singapore) and to start importing

LNG to meet domestic demand (imports arrived mainly from Qatar and Algeria).⁴³ These imports, however, are creating problems for the national budget; in fiscal year 2015-16, Egyptian officials estimated that the country could spend \$2.5-3.5 billion on LNG.⁴⁴ And, as anticipated, despite the important Zohr discovery, Egyptian authorities are seeing a growing supply-demand imbalance, at least in the short and medium terms.⁴⁵

Egypt is also interested in exploiting its LNG facilities to allow the export of Israeli and Cypriot gas. After the Zohr discoveries, Egypt reassured both Israel and Cyprus about its intention to go on with the energy talks.⁴⁶ Diplomatic ties and cooperation, particularly with Israel, have increased amid the convergence of interests between El-Sisi and Netanyahu on different issues, from support for the Saudi-initiated regional plan, to brokering an Arab-Israeli peace, to the security of the Sinai Peninsula and the strengthening of energy relations.⁴⁷ On the other hand, it is worth noting that the commercial viability of gas sales to the Egyptian market will depend not only on the supply-demand balance and the status of diplomatic relations with Israel and Cyprus, but also on the future price regime in the country, an issue that in the past has often discouraged foreign companies from investing in the Egyptian market.⁴⁸

Negotiations for the Israel-Turkey pipeline were relaunched at the beginning of 2016 in parallel with the ongoing process of normalizing Tel Aviv-Ankara relations. However, for the Israel-Turkey pipeline to be possible, Tel Aviv also needed approval from Cyprus. In January 2016, a trilateral summit was held in Nicosia for Netanyahu, Greek Prime Minister Tsipras and Cypriot President Anastasiades to discuss the strengthening of political and

economic cooperation. A trilateral committee was established to relaunch the possibility of the East Med Gas Pipeline. On this occasion, however, Netanyahu stressed that Israel's "gas capabilities" at that moment were able to handle pipelines going to both Egypt and Turkey, while a possible pipeline to Europe through Cyprus and Greece would be dependent on the development of additional gas fields.⁴⁹ A similar option continues to be strongly supported, especially by Cyprus and Greece. Athens, in particular, although it cannot directly influence monetization decisions, hopes to use energy-related projects to strengthen its regional role, increase its influence and, in the medium to long term, support its economy.⁵⁰

Israel-Cyprus energy and political dialogue continued hand in hand with the Israel-Turkey rapprochement, eventually announced June 27, 2016. Afterward, Israel resumed energy talks with Cyprus for a unitization agreement to delimit the Aphrodite gas field and hasten the development of Leviathan in conjunction with Aphrodite.⁵¹

The Israeli position towards a rapprochement with Ankara did not change after the failed July 15 coup in Turkey. Turkey also reaffirmed its commitment to a rapprochement with Israel and to continue with its energy-diversification agenda, including the possibility of the Israel-Turkey pipeline. From the Turkish perspective, Israeli gas would be important for diversifying its energy imports and meeting growing demand, which is expected to more than double by 2020.⁵² Natural gas, in particular, plays a crucial role in the country's economy; electricity generation and industry represent a large portion of the country's gas consumption. But Turkey imports nearly 99 percent of its natural gas,

mainly through pipelines from Russia (55.3 percent), Iran (16.2 percent), and Azerbaijan (12.7 percent), with minor LNG quantities supplied by Algeria (8.1 percent) and Nigeria (2.6 percent).⁵³ In 2018, the Trans-Anatolian Natural Gas Pipeline is expected to deliver an additional 6 bcm/y of Azerbaijani gas to Turkey (another 10 bcm/y are destined for the EU market). Besides, after a tense period, in July 2016, President Erdogan apologized for the downing of a Russian bomber on the Syrian-Turkish border in November 2015, while President Putin expressed his support for Erdogan in the wake of the failed coup of July 15. As a result, talks between Moscow and Ankara on the so-called Turkish Stream pipeline have been relaunched.⁵⁴ However, Ankara is strongly committed to improving its energy diversification. This goal was clearly spelled out in the 2010-14 Strategic Plan issued by the Ministry of Energy and Natural Resources, and it has recently been reaffirmed in the 2015-19 Strategic Plan, which names the diversification of import countries and routes as a major priority (the new strategic plan also aims to reduce the share of natural gas in electricity generation from 44 percent to 38 percent by the end of 2019).⁵⁵

It is worth noting that, since the end of the 2000s, Turkey has made various efforts to diversify its gas imports and transform the country into an “energy hub,” also with the goal of strengthening its regional and international role.⁵⁶ Turkey envisioned building pipelines from fields in northern Iraq, the territory controlled by the Kurdistan Regional Government (KRG) in Erbil. A pipeline project was discussed in negotiations among Turkey, the KRG and the Baghdad government at the beginning of the 2010s. In November 2013, Turkey and the KRG also signed an agreement that

envisioned exports of 4 bcm of natural gas annually by 2017, 10 bcm/y by 2020 and 20 bcm/y thereafter.⁵⁷ A similar project was also supported by the economic and political relations the Turkish government was strengthening with the KRG.⁵⁸

Other projects supported by Turkey and discussed in the same period were the possible extension of the Arab Gas Pipeline transporting Egyptian gas from Syria to Turkey and the construction of a gas pipeline from the Akkas fields in Iraq to Syria (Akkas, with potential reserves of over 178 bcm, is located in a non-Kurdish region in Anbar Province close to the Iraqi-Syrian border) — and then connecting to the Arab Gas Pipeline.⁵⁹ However, these projects were halted with the turmoil in Egypt, the beginning of the war in Syria and the rise of ISIS. Spillovers from the Syrian war — the outbreak in July 2015 of the conflict between Turkey and the PKK after two-and-a-half years of ceasefire — have also complicated Turkey’s energy-diversification plan with regard to the KRG. Instability and insecurity in southeast Turkey and on the Iraqi-Turkish border have dramatically increased since summer 2015.⁶⁰ Existing pipelines exporting oil from the Kurdistan region to Ceyhan have been interrupted following attacks and sabotage.⁶¹ And at the beginning of 2016, PKK-affiliated armed groups have directly opposed the Turkey-KRG gas deal.⁶² In a similar context, the prospect that a new pipeline can be built in this region and operated safely is increasingly complicated.

Finally, another possible source to meet Turkey’s growing energy demand is obviously Iran. It has the world’s second-largest natural-gas reserves after Russia and is already Turkey’s second-largest gas supplier. Between 2007 and 2009, Turkey and Iran signed three MoUs to allow

the participation of the Turkish company TPAO in the development of Iran's giant South Pars gas field, to increase exports to Turkey and, if possible, to Europe.⁶³ However, further negotiations failed as a result of both disagreements between Ankara and Tehran, and the financial sanctions imposed on Iran for its nuclear program. In theory, the recent accord reached between the P5+1 countries and Tehran in July 2015 might be a first step towards an enhanced role for Iran in international energy markets. However, many obstacles need to be overcome before Turkey's natural-gas imports from Iran could be significantly increased from the current level (about 10 bcm/y). These obstacles involve commercial and infrastructural problems, as well as political and geopolitical considerations in Tehran and Ankara.⁶⁴

First of all, Iranian-Turkish gas relations have been punctuated by disputes over price and disruptions in the flow. Second, the commercial and regulatory frameworks in Iran have to improve if the country wants to attract new investments in the post-sanctions regime and to export part of its vast energy resources. Investments are needed to improve gas production, upgrade energy infrastructure and plan new export strategies. Internal reforms in the area of energy policy, especially with regard to subsidies and efficiency, are also generally considered important in reducing domestic over-consumption, which has contributed to Iran's difficulties in exporting its gas.⁶⁵ Finally, although in recent years Turkish-Iranian trade volume has increased — from \$13.7 billion in 2014 to \$30 billion at the end of 2015 — the war in Syria has exposed the different regional agendas of Ankara and Tehran on regional politics and security.⁶⁶ This development could increase Turkey's worries about strength-

ening its energy ties with Iran, especially considering that its other major supplier is Russia, which has a convergent agenda with Iran on Syria. On the other hand, Iran could be more cautious in formulating a long-term export strategy towards Turkey and possibly Europe. This would give Ankara important leverage for its access to Western energy markets, especially with the eastbound export option (towards the Asian markets), which is almost equally feasible.⁶⁷ All in all, Turkey's strategy for energy diversification is encountering constraints, making the Israeli option an attractive opportunity.

EXTERNAL COMPETITION

The recent discoveries in the Eastern Mediterranean have triggered a complex political and economic game: how to rapidly monetize the new gas resources. While it is still not entirely clear which projects will be effectively carried out in the next decade, these discoveries have already had an impact on regional energy security. However, by broadening the point of view to the extra-regional level, and including the wider confrontation among the major international actors with interests in the Eastern Mediterranean, it is possible to identify further key geopolitical issues. This analysis also offers a new perspective for better framing the projects and regional dynamics.

First of all, it seems clear that the discovery of deposits of natural gas has provided Tel Aviv with new opportunities to achieve its foreign-policy goals and improve its geopolitical position in the region. The different scenarios for natural-gas export from Israel have one common denominator. Under conditions of political instability, Tel Aviv has the political and military potential to begin gas production

and export to neighboring markets. This is influenced to a great extent by collaboration with the United States and the involvement of the U.S. company Noble Energy. The Israeli strategy is also supported by the convergence of interests with Cyprus and Greece, which provide Tel Aviv with strategic depth in the Eastern Mediterranean. It is worth noting that, during the period marked by energy talks and the evaluation of different monetization projects (2011-15), political and military cooperation among Israel, Cyprus and Greece was strengthened, including joint naval exercises and defense projects.

Along with the common interest in developing energy resources — especially for Israel and Cyprus — and providing a security guarantee for offshore operations and drilling activities, an important factor in driving this trilateral cooperation was the perception of a “Turkish threat.”⁶⁸ This was reinforced by the deterioration in Israeli-Turkish relations after 2010, a more assertive Turkish foreign policy under the Justice and Development Party (AKP), and declarations and actions Turkey engaged in to interfere in Cyprus’s offshore development plans.⁶⁹ Different labels have been used for this emerging pattern, in which energy serves as a catalyst for wider political and security cooperation: “energy triangle,”⁷⁰ “geopolitical triangle,”⁷¹ “axis”⁷² or “new security formation.”⁷³ However, the military footprint of the Israel-Cyprus-Greece cooperation should not be exaggerated. As Zenonas Tziarras has correctly pointed out, this trilateral cooperation can be defined as a “comfortable quasi-alliance.”⁷⁴ The more formal military-oriented character found in a formal alliance has been lacking. Moreover, it is not mutually exclusive with regard to the bilateral relations among Greece, Cy-

prus, Israel and Turkey. The nature of this cooperation allows the three countries to maneuver politically so as not to exclude future parallel relations with Turkey. At the same time, the partnership can give the three states leverage vis-à-vis Ankara.

In this context, the scenario of developing the East Med Gas Pipeline — complicated by the high costs, the uncertainties about possible future discoveries in the Levantine Sea and the fact that Israel should give up a certain degree of flexibility — can also be interpreted as elements of a political game. Political negotiations between Israel and Greece might significantly soften Turkey’s political stance towards the plans for cooperation between Israel and Cyprus concerning the common pipeline leading to Egyptian LNG facilities. Similarly, the agreements signed with the Palestinian National Authority, Egypt and Jordan, and the recent relaunch of the Israeli-Turkey pipeline, mean that Israel can use its close political relations and energy negotiations with Cyprus and Greece to exert political pressure on the other countries to reach energy deals. In the years to come, the effectiveness of Tel Aviv’s energy diplomacy may lead to an increase in U.S. influence in the Eastern Mediterranean and a weakening of the position of Moscow, traditionally close to Cyprus and Greece and a main gas supplier to Turkey.⁷⁵

The recent Tel Aviv-Ankara rapprochement and the relaunch of the Israel-Turkey pipeline seems to further demonstrate the flexibility attached to the Israel-Cyprus-Greece “comfortable quasi-alliance.” Obviously, energy is only one component in the broader Eastern Mediterranean strategic architecture: there is also the need to restore a balance of power in the face of the expanding influence of Iran.⁷⁶ However, in this case, the realization of a similar

energy project can strengthen relations between the main U.S. allies in the region.

Since the first discoveries in Israel and Cyprus, Washington has supported Israeli and Cypriot plans to develop the resources in their EEZs and defended U.S. economic interests in the region, represented by Noble Energy. On the other hand, Washington has advocated including revenue sharing from energy resources in Cyprus talks, and has quietly urged Cyprus and Israel to remain open to Turkey's involvement in future projects when political circumstances permit.⁷⁷ The deterioration of Israeli-Turkish relations created serious concerns in Washington; the Obama administration was keen to shift responsibilities for maintaining stability to regional powers. The war in Syria has further complicated U.S.-Turkey relations, which have recently been under additional strain by the failed coup and Ankara's request for the extradition of Fethullah Gülen. Besides, with the growing Russian involvement in Syria, the prospect of Israeli-Turkish rapprochement cemented by a pipeline deal would be particularly welcome in Washington. This cooperation might also relaunch the prospect of a settlement of the Cyprus question. The new Israel-Cyprus-Greece "quasi-alliance" can offer Greek Cypriots (and Greece) an enhanced security guarantee and thus greater flexibility toward Turkey and in negotiations with the Turkish Cypriots. All in all, a similar scenario would provide the United States with many political benefits, including reduced Turkish dependence on Russian gas and possibly — if other resources are discovered in the Eastern Mediterranean — support for the EU energy-diversification strategy, another ongoing concern in Washington.

The EU position with regard to East-

ern Mediterranean gas developments is peculiar. On the one hand, the discoveries in Cyprus, a member state, have directly affected the balance of its internal energy reserves. The resources in the Eastern Mediterranean could improve economic recovery in Cyprus and Greece, two of the most vulnerable Eurozone members. Finally, Levantine energy resources could, in theory, if additional gas fields are found, become an important means of diversifying gas supplies and reducing EU dependence on Russia. Under the 2015 PCI scheme, the EU granted to the East Med Gas Pipeline promoters a financial contribution of 2 million euros, covering 50 percent of the feasibility study of the pipeline. On the other hand, the EU has proved to have scarce leverage to back up its policy preferences in this region, especially where national imperatives dominate the decision-making process in non-EU member states such as Israel.

Despite these evident limits in the EU's energy-security strategy, the EU also has a wider direct political interest in solving the Cyprus question and promoting regional stability. The refugee crisis triggered by the Syrian civil war, and the complex relations with Erdogan, are becoming contentious issues capable of destabilizing the EU and fueling euro-sceptic movements. For these reasons, a scenario characterized by a possible Israel-Cyprus-Turkey energy agreement with U.S. support would also be welcomed in Brussels — even if this development could mean that additional gas reserves discovered in the Levantine Sea would pass through Turkey before going to the EU market, thus reinforcing Ankara's role as a crucial transit state for EU energy diversification from Russia.

As anticipated by its involvement in the Syrian war, Russia has forcefully

reasserted itself in the Eastern Mediterranean and the entire Middle East region, as witnessed by the Russian-Iranian alignment on Syria. This includes the use of some Iranian bases to launch attacks in Syria, the Russian-U.S. deal for a Syrian ceasefire and talks to pave the way for a political transition. The involvement in Syria, in particular, might reverse the poor results Moscow obtained in trying to enter the Eastern Mediterranean gas monetization game through the front door. Indeed, between 2012 and 2013, Russian companies made efforts to be involved in the Tamar and Leviathan Israeli gas fields, but without success. In 2013, Russian companies signed a long-term deal with the Assad regime to develop the Syrian offshore sector (Syria launched its first offshore attempt in 2007). But with the outbreak of war and the rise of ISIS, no further development was possible. Finally, Russian companies also took part in the Cyprus offshore bidding round, and Russia has supported Nicosia's offshore plan, condemning Turkey's interference. But in this case, too, Russia was not able to enter the Levantine energy game. Cyprus preferred to include European companies and international oil majors. This situation was partially reversed only at the end of 2016, when the Russian company Rosneft reached a deal with the Italian ENI to buy a 30 percent participating interest in the Shourouk Concession, offshore Egypt, where the gas field Zohr is located (see below).⁷⁸

The emerging Israel-Cyprus-Greece trilateral cooperation can additionally reduce Russian influence in Nicosia. On the one hand, Russia continues to have an interest in avoiding a possible route connecting the Eastern Mediterranean resources with the EU market, the major outlet for

its pipeline gas. On the other hand, Russia also has an interest in avoiding an Israel-Turkey rapprochement cemented by a long-term pipeline deal, from both a wider geopolitical point of view and an energy perspective. In the first case, as mentioned, this would increase U.S. influence in the region. With regard to the energy dimension, Russia is committed to maintaining a strong presence in the Turkish gas market, on which rests an important outlet to expand Gazprom exports, especially owing to the problem the Russian company is having in the EU with the proposed Nord Stream 2 pipeline (and has previously had with the South Stream project). After the Putin-Erdogan rapprochement in the wake of the failed coup in Turkey, Moscow has relaunched the Turkish Stream pipeline project. Moreover, Russia recently tried to relaunch energy talks with Israel, asking for Russian participation in the Tel Aviv gas sector and offering a possible contribution to guarantee the security of Israel's energy infrastructures.⁷⁹ This security "cover" is especially important in a region in which armed groups have several times targeted energy installations, including the Arish-Ashkelon pipeline, which until 2012 supplied Egyptian gas to Israel. In addition, Israel's own energy infrastructure has been explicitly threatened by Hezbollah⁸⁰ (an organization that can be sensitive to possible Russian influence).⁸¹

A similar Russian involvement would be especially compatible with a scenario characterized by Israel's autonomous development of its gas resources — for example, by revitalizing the LNG export option, which, however, has already been abandoned because of commercial concerns, or by strengthening Israel-Egypt cooperation as an alternative to the Israeli-Turkish route. Both these scenarios would

minimize the negative impact of the energy discoveries on Russia's geopolitical position in the Eastern Mediterranean. However, Russian leverage on Israel's gas-export policy seems to be constrained by the direct involvement of U.S. companies and U.S. strategic support for an Ankara-Tel Aviv rapprochement, which, as we have seen, is also driven by Israel's and Turkey's willingness to counterbalance Iran. Overall, since Russia's possible role seems to be especially connected to the security and political architecture that will eventually emerge after the stabilization of Syria, it is not yet clear what practical influence Moscow can assert on regional energy dynamics. The recent acquisition of a stake in the Egyptian Zohr field by the Russian Rosneft could be, however, another important ingredient for Moscow's growing involvement in the Eastern Mediterranean. But in this case as well, it is too soon to fully understand its possible impact on the political and economic game for the monetization of the recent gas discoveries.

CONCLUSION

As the analysis at the project, regional and extra-regional levels has illustrated, the current situation of Eastern Mediterranean gas development is still very fluid, and the instability produced by the war in Syria is adding additional sources of complexity that can undermine the projects discussed by governments and energy companies. However, the study of the interaction between markets and political and security dynamics offers a starting point for understanding strategies in the gas sector. In particular, the analysis confirms that the geopolitical interests of the Eastern Mediterranean countries are bound to affect geoeconomic decisions

concerning flows and exchanges in traded gas. But the findings have also shown that government capacities to realize their preferred political options and use natural gas as a tool of foreign-policy objectives are constrained by economic, technical and security concerns.

Although it is not yet clear which of the various projects will eventually materialize, the new gas resources have already had an impact on regional politics and energy security. The new gas resources have contributed to the emerging cooperation among Tel Aviv, Nicosia and Athens. Moreover, especially in the case of Israel, the recent discoveries have enlarged the country's foreign-policy "toolbox" and increased its possible influence on its close neighbors. Israel's gas-export policy has also affected the energy-diversification strategies of Eastern Mediterranean consumers, such as Jordan and Turkey. This, in turn, has affected regional energy-security dynamics involving major producers such as Iraq and Iran. No gas exports have taken place, yet the new resources are already included in the calculations of regional actors. Finally, the new gas resources and the political and economic competition for their monetization have also already involved major external players. The scenarios discussed in the previous section have served to illustrate the possible implications of the different export strategies and to better frame the preferences and interests of the United States, the EU and Russia. The scenario analysis has highlighted the support that different energy projects enjoy, the connections among extra-regional, regional and project-level dynamics, and has provided some additional indications about their feasibility and wider geopolitical implications.

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