



Gas disputes in the eastern Mediterranean

SUMMARY Discoveries of gas reserves in the eastern Mediterranean have brought both opportunities and challenges to the entire region.

Although political uncertainty has clouded the whole picture, energy is emerging as the dominant issue for the future of the region.

Mutually agreed criteria for the exploitation of these gas resources would foster stability in the region and attract investment. However, the tense political relations between neighbouring countries and security risks undermine the possible benefits of recent energy developments for the local economies.

This is the case not only for Cyprus and Turkey, but also for other countries such as – but not limited to – Lebanon and Israel.

The situation stems from the lack of agreement on certain maritime boundaries, since exclusive economic zones (EEZ) have been declared unilaterally and have not been mutually agreed between the parties. This is the cause of ambiguity over sovereign rights in the disputed gas basins.

Avoiding unilateral actions and jointly discussing energy issues would represent a first step towards political breakthrough. But this will require overcoming the current lack of communication between the parties.



© look_L67 / Fotolia

In this briefing:

- The region's gas reserves
- Legal context
- Positions of the countries involved
- EU position
- Future scenarios
- Main references

The region's gas reserves

The [Levant Basin](#) is a natural gas field located in the eastern Mediterranean, with the potential to provide resources to several countries in the region. The [US Geological Survey](#)¹ has estimated there are 1.7 billion barrels of recoverable oil and 122 trillion cubic feet of recoverable gas in the Levant Basin, almost equivalent to [annual global consumption](#).

The first discoveries of gas in the region were made in the 1980s, off the Egyptian coast, bringing the issue of this possible energy source onto the political agenda of several countries in the region. Relevant legislation was adopted in most of the countries as new fields were discovered, and as demand was rising due to increased global consumption.

International oil companies – attracted by oil licensing rounds – started investing in offshore infrastructure in order to export energy as liquefied natural gas (LNG) or piped gas. Concessions were therefore granted to drill within the territorial waters of a number of countries in the region, resulting in the discovery of several basins with reserves capable of entirely or partially meeting the fuel needs of the populations concerned. Moreover, these discoveries of major gas fields would reduce the dependence of the region on imported energy.

However, gas fields have always been linked with the [precarious security situation](#) and the uncertainty related to maritime boundaries.

This climate of political tension discourages investment from international oil companies in disputed areas. This is the case for both gas drilling installations and for the pipelines to transport gas, both of which have high financing costs.

The lack of agreement worsens the political scenario, and increases the expected costs of extraction and distribution². The situation favours certain options which are more expensive but more geopolitically viable, (e.g. Israel and Cyprus) while making it impossible for the people of certain territories to benefit from gas profits (e.g. Palestine, Turkish Cypriots). And it provokes renewed disputes on maritime boundaries.

Legal context

Disputes over maritime zones are not new to the region, since Greece and Turkey have been in active disagreement on their maritime boundaries in the [Aegean Sea](#) since 1974. Exploratory talks – as yet, unsuccessful – are seen as the only solution, since Turkey rejects a referral of the case to the International Court of Justice.

The 1982 [United Nations Convention on the Law of Sea](#) (UNCLOS) conferred states the right to declare their EEZ and continental shelf up to 200 nautical miles from the edge of its territorial waters. EEZ are delimited by bilateral agreements in cases where the distance between countries is less than 400 nautical miles. Such deals are concluded according to the 1958 [Geneva Convention on the Law of the Sea](#), using the criterion of the median line as the basis to divide the continental shelf, since no provisions on EEZ are included.

Turkey is not a signatory to UNCLOS, as Ankara fears [not having access to important resources](#) following ratification.

Neighbouring countries rely on the provisions of the Convention claiming it now has the status of "ius cogens"³. Turkey, however, would prefer to solve current disputes in the framework of bilateral talks.

If no bilateral agreement on the EEZ is reached, a state – as is the case with Cyprus *vis à vis* Turkey, and between Lebanon and Israel – can unilaterally declare an EEZ taking into account "equitable principles and all the relevant circumstances"⁴. Disputes on the unilateral declaration are to be solved bilaterally or judicially⁵.

Positions of the countries involved

Israel

Its first offshore gas fields were discovered in 1999. The Mari-B field (see map of gas fields in annex) is currently providing gas, although this is expected to be [depleted in early 2013](#).

The [recent discoveries](#), in 2009 and 2010, of the Tamar and Leviathan fields – close to Cyprus' EEZ – will deliver gas to Israel from 2013 on. This should meet its internal fuel needs for decades, favourably altering its energy balance. Drilling licenses have been granted to international oil companies and exports of gas are expected to start in 2017, making Israel a key energy player in the region.

Israel has delimited [its EEZ](#) in a July 2011 letter to the United Nations. These borders are disputed, putting at stake drilling of the Tamar and Leviathan fields.

Several options for an LNG plant are under discussion. Israel faces problems in exporting its gas, since the tense political relations with its neighbours make it difficult to transport gas to its north and then on to Europe.

Lebanon

Lebanon is currently only indirectly affected by the gas disputes, since the petroleum policy for drilling oil and gas was only approved in 2010. While seismic studies

have been conducted, drilling has not started yet. Nonetheless, Lebanon is seriously concerned about contested maritime zones in which its neighbours are conducting drilling activities.

Lebanon has repeatedly sent [warnings to Noble Energy](#), an operator drilling in areas contested with Israel, claiming these activities violate its EEZ. Lebanon in 2010 sent a letter to the UN delimiting [its maritime waters](#) with Israel, with the southern border differing from that which Israel had previously claimed. An area of 850 square kilometres is therefore disputed.

Cyprus

Since 2007, Noble Energy is also exploring Cypriot waters, and in 2011 discovered the [Aphrodite gas field](#), a potential game-changer in relations with Turkey, as it has an *"estimated gross mean resource range of 3 to 9 trillion cubic feet of natural gas"*. That is enough to satisfy the energy needs of the Cypriots for decades or even, according to some commentators, centuries. Cyprus is now discussing the idea of building an LNG facility in the south of the island to convert gas into liquid form for transport, although the idea of building a pipeline has not been abandoned yet. However, sending gas to Israel – due to the recent energy agreement – is seen as risky due to the security situation, while the distance between Greece and Cyprus discourages a Greek-Cypriot pipeline and the cheapest option, a pipeline to Turkey, seems unlikely due to political considerations.

A [second round](#) of exploration licensing has resulted in four possible awards, with another five blocks still to be assigned.

Cyprus has entered into agreements with Israel on [energy cooperation](#), thus strengthening bilateral relations. Other deals were signed recently, further worsening Turkish-Israeli relations, which have been in trouble since the operation in which Israeli commandos boarded the *MV Mavi Marmara*.

Cyprus has agreed on delimitation of its EEZ with [Egypt](#) (2003) [Israel](#) (2007) and [Lebanon](#) (2010) along the median line.

The gas discovery could be the chance for resolving the island's partition. The Greek Cypriot government first declared its willingness to share the revenues with the Turkish Cypriots⁶, but then changed its mind, linking the revenue issue with that of the division of the island.⁷

Gas revenues stemming from the Aphrodite field would also be beneficial for the economy. [Negotiations](#) are underway with the International Monetary Fund, European Commission and European Central Bank, in order to refinance banks and address the country's fiscal deficit.

Turkey

Ankara does not recognise Cyprus⁸ as a state, and therefore questions its entitlement to drill in the aforementioned areas and to benefit from their natural resources. Turkey believes that the government is not competent to represent the Turkish Cypriots, and thereby the whole island.

Indeed drilling has always been the cause of [tensions](#) with the Republic of Cyprus, as Ankara has pointed out on several occasions that it was ready to adopt "whatever measures necessary"⁹ to stop it. Ankara has sent ships close to Noble installations, and Cyprus flagged them as "military provocations". International oil companies were also warned off conducting activities in areas overlapping with Turkey's continental shelf. These tensions also cast a shadow over Turkey's bid for [EU membership](#).

As a response to the drillings by the Greek Cypriots, the Turkish Cypriot administration has concluded an agreement assigning [exploration licences](#) to the Turkish state oil company for blocks off the Turkish Cypriot area of the island. A second exploration is about to start. They also signed – but have not registered¹⁰ – a [continental shelf agreement](#) with Turkey in September 2011.

Both acts were criticised by the Greek Cypriots as "unlawful" and over areas included in their continental shelf.

Occupied Palestinian Territory

The Gaza Marine field – discovered in 2001 – is the Palestinian prospect for meeting Gaza's fuel needs and boosting the local economy, still dependent on Israel's. As with the Noa field, there are [diplomatic problems](#) with the Israeli authorities as the two are – partly or entirely – within the Gaza Strip's economic zone and therefore the Palestinian Authority has asked Israel to refrain from drilling as this activity may spill over into areas subject to Palestinian jurisdiction.

Egypt

Egypt, gifted with the Nile Delta Basin in its territorial waters, is considering a new gas agreement with Israel. The 2005 deal has been criticised as a [symbol of corruption](#) of the regime, even though other commentators have supported it as a strengthening of bilateral relations. Attacks on the Sinai pipeline have resulted in shortages in delivery and the deal was therefore [suspended](#); officially this is due to payment problems.

Syria

Bids to explore offshore blocks were launched in Syria as well, but the ongoing security situation is not attracting international oil companies, and therefore bidding rounds have not produced any result so far.

EU position

The European Union could benefit from recent gas discoveries in the Eastern Mediterranean from several points of view. The gas revenues could help Cyprus in facing the financial crisis. Moreover, they could bring economic benefits to its neighbours (Israel and Lebanon), weakening the prospect of instability in the region.

Diversification of gas sources would also be beneficial, as the EU sees gas in Cyprus as a

means to become less dependent on pipelines from third countries, in particular the Russian-supported North and South Stream gas pipeline projects. However, this seems unlikely due to the region's tensions.

The EP's Foreign Affairs Committee recently reaffirmed the [strategic importance](#) of the exploration of oil and gas fields in the Mediterranean, and called for an EU policy on oil and gas drilling. This should include the issue of delimitation of EEZs, which should follow the UNCLOS rules and avoid friction with third parties.

Following a parliamentary question on the gas dispute between Israel and Lebanon, the European Commission recalled the importance of [respecting international law](#), especially concerning the delimitation of EEZs. Then-Commissioner [Benita Ferrero-Waldner](#) noted back in 2006 that the EU is actively supporting the integration of the Mashrek – which includes Israel and Lebanon – gas market into the EU energy market.

As Cyprus is a Member State, the EU supports its right to enter into EEZ agreements. In December 2011, the [Council](#) criticised Turkey for its behaviour towards Cyprus. [MEPs](#) voiced concerns over tensions between Cyprus and Turkey over oil and gas exploration, asking Ankara to respect Cyprus as a Member State of the EU and as having rights to explore its EEZ for natural resources.

[Commissioner Stefan Füle](#) called for normalisation of relations, and called on both parties to exercise restraint.

Future scenarios

Solving the energy disputes in the eastern Mediterranean will require a more relaxed [political environment](#), but could serve as a catalyst for political settlement of several disputes in the region.

Gas should be seen as an opportunity to stop unilateral action and focus on joint

efforts to solve the deadlock. Several commentators point out that establishing [joint advisory committees](#) – under the supervision of the UN or other third parties – on energy issues could be the right choice for issuing licences and deciding on the management of revenues. Nevertheless, prospects for success are quite low since countries need to normalise their relations before strengthening their cooperation in this field.

Agreement on the respective EEZs needs to be sought from a judicial body, since bilateral relations are not capable of advancing on this issue, but this and other disputes will not be solved unless the parties commit to cooperation in good faith.

In the Turkey-Cyprus dispute, both parties are asked to [refrain from unilateral acts](#) while a fair share of revenues should be devoted to the Turkish Cypriots.

Main references

[East Mediterranean gas: Opportunities and challenges](#) / Walid Khadduri, in *Mediterranean Politics* 17:1, pp 111-117, 21 February 2012.

[Outlook for oil and gas in southern and eastern Mediterranean countries](#) / Manfred Hafner, Simone Tagliapietra, and El Habib El Elandalousi, in *Mediterranean Prospects*, 9 November 2012.

Disclaimer and Copyright

This briefing is a summary of published information and does not necessarily represent the views of the author or the European Parliament. The document is exclusively addressed to the Members and staff of the European Parliament for their parliamentary work. Links to information sources within this document may be inaccessible from locations outside the European Parliament network. © European Union, 2013. All rights reserved.



<http://www.library.ep.ec>

<http://libraryeuroparl.wordpress.com>

Endnotes

- ¹ Schenk, C.J., Kirschbaum, M.A., Charpentier, R.R., Klett, T.R., Brownfield, M.E., Pitman, J.K., Cook, T.A., and Tennyson, M.E., 2010, Assessment of undiscovered oil and gas resources of the Levant Basin Province, Eastern Mediterranean: US Geological Survey Fact Sheet 2010-3014, 4 p.
- ² In most cases, distribution will not start for at least five years time.
- ³ Accepted by the international community and therefore not allowing any derogation.
- ⁴ "North Sea Continental Shelf Judgement, Federal Republic of Germany v. Denmark and Netherlands, ICJ Reports, 1986.
- ⁵ Before the International Court of Justice or arbitration tribunals. The existing jurisprudence usually considers the geographical and political reality of the area, but involves a high degree of uncertainty on cases involving islands.
- ⁶ Speech of the President of the Republic of Cyprus, Demetris Christofias, at the 66th session of the UN General Assembly in New York, 22 September 2011.
- ⁷ "Don't speak about sharing," Neoklis Sylikiotis, the Cypriot commerce minister, said during a recent interview. Only after the division of the island is resolved can the revenue be shared, he said. "Race for gas by Cypriot rivals adds to tensions", James Kanter, New York Times, 31 August 2012.
- ⁸ Recognised by all UN Members except for Turkey.
- ⁹ Press Release no 181 regarding the Greek Cypriot Administration's gas exploration activities in the eastern Mediterranean, 5 August 2011.
- ¹⁰ The self-declared Turkish Republic of Northern Cyprus (TRNC) is not recognised and therefore the document cannot be officially registered.

Annex - Major gas fields in the eastern Mediterranean



Based on a map from Oxford Analytica