

# The Cyprus solution

## [Executive]



by Roudi Baroudi

How European-Mediterranean energy collaboration can solve problems all around

More and more people are arriving at the same conclusion: a miracle cure for much of what ails the European Union is close at hand, and Cyprus is easily the best place to dispense it.

Apart from Germany and a few other exceptions, the EU economy is in a historic slump, while its appetite for energy makes it unnervingly dependent on Russia, which supplies a third of Europe's gas imports, and other suppliers outside its borders – thereby making the union dangerously vulnerable to factors beyond its control. The recent confrontation over Ukraine only underscored the potential precariousness of this arrangement: while Russia is not likely to damage its own interests by turning off the taps that supply its biggest customer, its pipelines cross the borders of multiple countries that might perceive an interest in disrupting the flow.

Luckily, however, all recent exploration work indicates that deposits beneath the Eastern Mediterranean seabed contain sufficient amounts of oil and (especially) natural gas to revitalize Europe's economy for decades to come.

Cyprus, Israel, Lebanon and Palestine share what has emerged as a collection of world-class formations; Israel is the only country that has already begun to exploit its reserves, but Cyprus should follow in a few short years. Palestine's potential can't be unlocked until some kind of deal is reached with Israel, and Lebanon has been delayed by domestic political infighting, but the latter's reserves now appear to be the most extensive of the four. And in the longer term, new studies show that Greece may be the real kingpin of the Eastern Mediterranean, further enlarging the region's capacity to fuel a European renaissance with cheap, safe and reliable energy supplies.

It is difficult to overstate the potential of this treasure trove. Going by the latest estimates, Cyprus will shortly be in position to provide clean, safe and reliable supplies that will meet 20 percent of Europe's gas needs. Throw in Lebanon and Israel, and that figure rises to 30 percent, while Greece could bring it to 40 percent by 2020. By increasing the number of competing producers, development of the Eastern Mediterranean will also lead to lower energy prices, driving growth across the EU.

For the producers, it means a new shared stake in peace and stability, massive revenues to fund socioeconomic development and permanent reductions in poverty and other needs. For the consumers, it means an economic revival on the scale of America's 'fracking revolution' – with far less controversy and environmental risk.

For the EU as a whole, it can mean even more: restoring both the momentum of the European project and public faith therein, and reducing tensions among member states, particularly along the traditional North–South axis, caused by economic hardship. It can also transform Europe's southeastern flank, turning a source of instability and refugees into one of opportunity and partnership. Nothing would more fully accomplish the goals of the Euro–Mediterranean ideal, as refined over the years at

Trieste, Barcelona and other venues.

## Passing the pipe

These and other gains will not be achieved without first surmounting a few obstacles. The primary political hurdles include Israel's dismal relations with its Arab neighbors, which make direct cooperation virtually impossible for the time being. Meanwhile, the main technical challenges center on getting the gas to thirsty markets on the European mainland, as well as other customers in East Africa and South Asia.

Cyprus can solve all of these problems – and more – by avoiding, simplifying or essentially erasing them. Its diplomatic position already gives it friendly ties with countries on both sides of the Arab–Israeli divide, and its geographical location makes it the only logical place to situate a new regional energy hub. If the necessary investments are forthcoming, that hub will gather the gas produced by all Eastern Mediterranean countries for distribution via pipeline, ideally via Greece's Ionian Sea. Why the Ionian? Because that's where Greece's potential deposits are situated, so running the pipe through there means turn-key access when those reserves are ready to enter the European energy mix.

In the past I've referred to this link as the 'Peace Pipe,' mainly because it would almost force the Arabs and the Israelis to regard one another as indirect business partners rather than as mortal enemies. From the EU's perspective, we could also call it the 'Prosperity Pipe,' since it would substantially decrease production and other costs, restoring much of Europe's competitiveness and opening the way for the revival of its economy.

Other potential markets are far removed from pipeline routes, so the hub should also include a liquefied natural gas (LNG) plant, the output of which would be carried by ship to power

stations and other customers along the African and Asian littorals, places where energy is badly needed to achieve development goals. Dubbing this the 'Peace Plant' sounds about right, but it's what the facility will achieve, not what anyone will call it, that will be important. Opening access to more customers will further expand the shared stake of Arabs and Israelis, lessening the likelihood of future conflict.

Once again, the placement of these prospective LNG markets docks perfectly with Cyprus' geographical and diplomatic qualities, further reinforcing its status as the most commercially viable site to serve as host for the region's emerging energy economy.

But there's more – much more. As an EU member state, Cyprus is party to its stringent environmental and competition laws, rules by which other current and potential suppliers (notably Russia and even more distant producers in Central Asia) are not bound. This means no more worries about transit rights, after-the-fact price disputes or violations of sulphur standards: gas processed, piped or shipped through the island would be bound to comply with EU standards on these and other issues.

## **Europe's choice**

Rarely has any undertaking, let alone one with such far-reaching ramifications, been more eminently qualified to receive official EU recognition as a Project of Common Interest, or key energy infrastructure. The EU's uppermost governing body, the European Commission, is the rightful catalyst to bring all of these considerations together, not only by providing its own funds, but also by recruiting and coordinating other sources of financing, including the World Bank, major international oil companies (IOCs) and other public, private and multilateral actors.

There is reason for optimism. The European Commission of late

has demonstrated increasing interest in the potential of the Eastern Mediterranean in general and Cyprus in particular – and greater awareness of the urgency involved. Vice President and Energy Commissioner Günther Oettinger made all the right signals at an energy conference in Malta, and his voice will be heard, not just because he hails from Germany and is therefore seen as representing the ‘North European’ perspective, but also because his personal reputation is for sober analysis rather than over-enthusiastic boosterism.

In fact, Cyprus will almost certainly become some sort of gas hub regardless of European stewardship: Halliburton and Schlumberger, the world’s biggest oil and gas services providers, have already selected the island as their respective regional headquarters, which tells us all we need to know about what industry insiders think.

The difference is that if the private sector takes the lead, the hub will be designed, developed and oriented to serve the interests of the IOCs; benefits will certainly accrue to Cyprus and the rest of the EU, but mostly as side effects. By contrast, if Brussels plays its rightful role, the entire process will be shaped in such a way as to maximize its advantages for EU citizens. More than ever, the choice is clear.

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## **Gaz : Chypre et la région peuvent-ils rivaliser avec la**

# Russie ?

## L'Orient LE JOUR



« Toute personne ou entité se sentant concernée par l'avenir économique de l'Union européenne (UE) devrait œuvrer à faire de Chypre une plate-forme énergétique régionale. » Ces propos ont été tenus lors de la conférence euro-méditerranéenne sur l'énergie qui a eu lieu du 10 au 12 juillet courant, par l'expert libanais en matière pétrolière et gazière et ancien secrétaire général du Conseil énergétique mondial, Rudi Baroudi. Pour illustrer ses dires, M. Baroudi est revenu sur le conflit entre l'Ukraine et la Russie, « qui a montré au grand jour la vulnérabilité de l'Europe, qui dépend de la Russie pour plus d'un tiers de ses importations de gaz ». « S'il y a un projet qui mérite que les membres de l'UE planchent dessus en commun, pour éviter une dépendance énergétique accrue, c'est bien celui-là », a assuré l'expert international.

Pour le vice-président de la Commission européenne et commissaire chargé de l'Énergie, Günter Oettinger, « une plus grande diversité dans l'approvisionnement de gaz est un des objectifs-clés de notre politique ». « Si l'idée de faire de Chypre un hub énergétique se concrétisait, le pays pourrait devenir une source importante d'approvisionnement pour l'Europe, qui est aujourd'hui le plus important importateur de gaz au monde », a rappelé de son côté M. Baroudi. Selon lui, « avec les réserves en gaz présentes en Méditerranée orientale, Chypre pourrait fournir environ 20 % des besoins européens ». « Si on ajoute à cela les récentes découvertes en Israël et au Liban et les possibles découvertes offshore en Grèce, ce chiffre pourrait atteindre 40 % d'ici à 2020 », a-t-il prédit. Rappelons ici qu'Israël exploite déjà ses réserves gazières offshore, alors que, parallèlement, le processus d'appel d'offres pour l'attribution des licences d'exploration au Liban est bloqué depuis plusieurs mois, faute d'accord en Conseil des ministres.

### **Les nombreux avantages de Chypre**

Rudi Baroudi a convenu que la Russie resterait un pilier principal sur le marché européen de l'approvisionnement énergétique, mais il a cependant tenu à mettre en avant les nombreux avantages qu'apporterait la participation de Chypre. « Du fait de sa situation géographique, l'île permettrait de passer outre les différends dus aux axes de transit et rééquilibrerait le nouveau paysage énergétique en contribuant à une baisse des prix », a-t-il indiqué. « Par ailleurs, ce nouveau partenaire renforcerait la position internationale de l'Europe car il ne représente aucune menace puisqu'il fait partie intégrante de l'UE », a poursuivi M. Baroudi. Enfin, selon l'expert, cette nouvelle donne, si elle a lieu, « servirait les intérêts géopolitiques de la région ». « En devenant la plate-forme de distribution du gaz des pays est-méditerranéens comme le Liban, Israël et éventuellement la Palestine, Chypre leur donne également un intérêt commun à la préservation de la paix et de la stabilité dans la région », a

ajouté M. Baroudi.

Ce dernier argument a particulièrement convaincu M. Oettinger, qui a insisté sur « l'importance de la stabilité des pays fournisseurs de gaz ». « L'UE a tout intérêt à ce que la région ne s'enflamme pas car les risques de contagion sont une menace constante », a-t-il affirmé.

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## Cyprus: EU energy hub of the future?

**THE DAILY STAR**  
LEBANON



ST. JULIAN'S, MALTA: EU officials and experts voiced support over the weekend for proposals to turn Cyprus into an energy hub for Europe in order to reduce the continent's dependence on Russian gas.

The European Commission Vice President Gunther Oettinger, one of the key speakers at an energy conference in Malta, strongly



advocated a long-term alternative to Russian gas.

"Stability in the region is important for our own security, as volatility, rivalry and unrest could spill over into the EU," Oettinger said. "Security of gas supply is of particular mutual interest, and reinforcing the regional trade in gas would be of significant benefit to gas producers and consumers in the EU, North Africa and the Middle East."

Oettinger also outlined a need in Europe for liquefied natural gas, which Cyprus hopes to make part of its emerging status as an energy hub with the eventual opening of a massive LNG plant.

"LNG will be an important flexibility element and we need to better use our existing and future regasification capacities," he said. "We also need a reinforced partnership with Norway, the acceleration of the Southern Gas Corridor and the promotion of a new gas hub in Southern Europe."

Echoing similar views, energy expert Roudi Baroudi said the recent confrontations between Ukraine and Russia underlined Europe's vulnerability, because it depends on Russia for about a third of its gas imports.

"If you want to shield the EU from energy dependence, establishing a new regional energy hub in Cyprus is the only game in town. If anything merits official EU recognition as a Project of Common Interest, this is it," Baroudi argued.

He added that the island nation offers several advantages over other options for Europe's energy security.

"It would bypass disagreements over transit routes, avoiding internal bottlenecks and price disputes," he explained. "And for good measure, the new energy landscape would lead to lower prices by contributing to healthy competition among several suppliers."

The event, which also addressed Malta's potential as a gateway for the emerging eastern Mediterranean energy economy, drew a variety of senior figures from the public and private sectors. It was co-hosted by Maltese Energy Minister Konrad Mizzi, his Cypriot counterpart George Lakkotrypis, and Oettinger, who also serves as energy commissioner.

The event was attended by several European and Mediterranean ministers, including President of the European Energy Council Claudio De Vincenti and the Greek Energy and Environment Minister Yiannis Maniatis.