

# Roudi Baroudi Remarks to EU Arab World Summit Athens



Excellencies, ladies and gentlemen,

Let me start by saying that the amount of interest in this event is not just impressive, but also strongly encouraging. Large numbers of industry professionals, policy experts, and senior leaders from both the public and private sectors are in attendance or actively participating, and that should give us all cause for optimism.

I say this because like most sectors of the economy, the oil and gas business is constantly evolving in response to multiple influences, from new discoveries and technological breakthroughs to volatile markets and the ever-increasing impact of environmental concerns. In short, our industry is passing through a period of profound change on the global, regional, and even local levels, and change is a fickle phenomenon: it richly rewards those who are prepared to adapt, but it also tends to severely punish those who lack the necessary knowledge, vision, and determination.

When I see here in Athens, judging from both the quantity and

the quality of participation, tells me that the right people in Europe and the Arab region are right where they need to be.

Ladies and gentlemen,

The past few years have confirmed what many long suspected: the seabed beneath the Eastern Mediterranean contains multiple world-class deposits of natural gas, along with considerable amounts of crude for good measure. We don't yet know exactly how much is down there or how much of it can be recovered, only that the scale is nothing less than historic. The potential is so vast that the regional oil and gas play already has new horizons stretching from 2020 and 2030 to 2050 and even beyond.

If this resource is responsibly managed, the coming period will see several Arab and European countries become significant energy producers – including Greece, Cyprus, Palestine, Egypt and Lebanon, which just this week gained new hope with the election of a new president, breaking up a logjam that had lasted for two and half years. And let's not forget Egypt, where an existing gas sector has been re-energized by the discovery of Zohr, a massive new offshore field. This bounty has the capacity to transform entire economies and even entire societies by allowing unprecedented investments in education, healthcare, transportation, and other public services and infrastructure. Nearby consumer nations will also derive game-changing benefits, including lower costs, greater economic competitiveness, and vastly improved energy security.

Nowhere will this be more important than in the European Union, the world's largest energy market. The advent of a distinctively new flow trajectory – much of it from sources within the EU's own borders and/or subject to EU safety and environmental standards – would dramatically improve Europe's security of supply, put downward pressure on prices, reduce household energy costs, and breathe new life into energy-

intensive industries like electricity, manufacturing and transport. The precise timing of particular benefits will depend on developments in world markets and the maintenance of manageable geopolitical conditions, but the question is no longer one of "IF": all that remains to be seen is "WHEN". And that, my friends, depends largely on us – on how fully we recognize the opportunity, how swiftly we move to start the process, and how responsibly we carry it out.

According to the 2015 edition of BP's "Energy Outlook 2035", global energy consumption will increase by 37% over the next 19 years. With demand growing so much faster than production, prices will inevitably recover, so there is plenty of incentive for our region to make sure it's ready to take full advantage when the time comes.

It's important to note here that barring some highly unlikely circumstances, the Eastern Med will not replace Europe's current sources of natural gas. Russia has always honored its commitments to Europe, so there is every reason to expect that it will continue to be the Continent's number one supplier. Likewise, North African countries will continue to supplement that relationship with their own sizeable deliveries. Whether transported by pipelines or LNG carriers, East Mediterranean gas will also play a central supplementary role, but geography could make it a decisive one that serves the interests of all concerned, allowing both producer and consumer nations to rearrange existing flows in ways that offer more options at lower cost. In addition, routing some of the Eastern Med's gas through Turkey would only bolster that country's crucial role as the primary distribution and transit point for supplies entering Europe from as far away as Central Asia.

Perhaps most importantly, attaching appropriate priority to this project would allow plenty of cooperative development efforts, furthering the stability and integration that the EU has pursued since the Barcelona and Trieste declarations. It also would help to limit emissions associated with climate

change and other environmental concerns. This is essential to securing maximum long-term gains because these days, commercial viability is not enough: increasingly, consumers also demand social and political viability, and these can only be achieved through environmental sustainability.

On these scores, the EU is just what the doctor ordered. Europe enjoys some of the world's most stringent environmental protections, most demanding health and safety requirements, and most effective regulatory agencies. Passed through such a filter, Eastern Med gas would arrive in European and Arab homes and businesses as a safe, clean, and healthy fuel, helping to drive growth on both sides of the Mediterranean while demonstrating the power of cooperation to further shared goals and shared values. And once it starts tapping East Med gas, Europe will have more diverse supplies, fulfilling a key plank of its energy strategy by giving it the flexibility to cope with interruptions of any sort.

Ladies and gentlemen,

All of the ingredients are in place. The Eastern Med is endowed with enough natural wealth to improve the lives of hundreds of millions of people. After 21 years the Barcelona process still provides the docking mechanisms and other tools to develop this resource effectively and responsibly. And crucially, the recent bidding for Cyprus offshore blocks indicates that some of the world's leading IOCs and other major players are ready, willing, and able to invest in the necessary infrastructure.

All that's left is to get the job done in a timely fashion. For this we need the EU to continue its efforts, and those of the United States and the United Nations would also be helpful. Now is no time to be discouraged or distracted by the region's political divisions. On the contrary, these should only cause us to be more determined than ever to prove that people of good will can set aside their differences for the

sake of mutual advantage and capitalize on the East Med opportunity to become a central regional energy hub.

And what an advantage. Peace and stability in the field of energy would not only usher in a new era of prosperity, but also one of co-dependence that would deter aggression by radically increasing the costs. It would buy more time, too, to lay a foundation for a broader reconciliation among Euro-Med countries. For a very long time, some of these nations have been made enemies by history. Now, if we play our cards right, maybe they can be made friends by geology.

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## **Expert says Mediterranean gas can fuel both economic recovery and lasting peace**



ATHENS, Greece: Transforming the Mediterranean region into a major oil and gas hub is the surest route to a “new era of peace and prosperity”, an energy industry veteran told a high-profile conference in Athens on Thursday.

“We don’t yet know exactly how much is down there or how much of it can be recovered, only that the scale is nothing less than historic,” said Roudi Baroudi, CEO of Qatar-based Energy and Environment Holding (EEH), an independent consultancy. “The potential is so vast that the regional oil and gas play already has new horizons stretching from 2020 and 2030 to 2050

and even beyond.”

Baroudi made the remarks on the opening day of the European Union-Arab World Summit, a two-day gathering in the Greek capital that has attracted what one observer called a “star-studded cast” of leaders from the public and private sectors. Several of these officials addressed the opening ceremonies, including Greek Prime Minister Alexis Tsipras, European Commissioner for Migration Dimitris Avramopoulos, and cabinet ministers from each of Jordan, Palestine, and Qatar, Governor of the Central Bank of Greece, the Chairman of the E.U Military Committee and other officials.

Speaking on a panel titled “Building a new potential in Energy”, Baroudi noted that more and more studies were pointing to “multiple world-class deposits of natural gas, along with considerable amounts of crude”. This “bounty” could “transform entire economies and even entire societies by allowing unprecedented investments in education, healthcare, transportation, and other public services and infrastructure,” he said, predicting that “nearby consumer nations will also derive game-changing benefits, including lower costs, greater economic competitiveness, and vastly improved energy security.”

He also lauded the event for bringing together the right mix of experts and decision-makers, saying the level of participation “should give us all cause for optimism.”

“Change is a fickle phenomenon: it richly rewards those who are prepared to adapt, but it also tends to severely punish those who lack the necessary knowledge, vision, and determination,” said Baroudi, who has worked in the industry for more than 35 years, advising national governments, the European Commission, and the United Nations on energy policy. “When I see here in Athens, judging from both the quantity and the quality of participation, tells me that the right people in Europe and the Arab region are right where they need to

be.”

He also noted positive news in Lebanon, which this week ended a two-and-a-half-year political crisis by electing former Army Commander Michel Aoun as its new president, reviving hopes that the troubled country can now focus on developing its offshore and onshore energy resources.

More broadly, he said, developing the Eastern Med’s energy resources would go a long way toward realizing the dream of greater integration between Europe and its Arab neighbors, opening the way for lasting stability and a durable peace supported by “co-dependence”. He also stressed that Mediterranean gas would supplement – not compete with – gas from Russia, which is currently Europe’s top supplier, providing flexibility that would help producer and consumer nations alike.

“Nowhere will this be more important than in the European Union, the world’s largest energy market,” Baroudi told his audience. “The advent of a distinctively new flow trajectory – much of it from sources within the EU’s own borders and/or subject to EU safety and environmental standards – would dramatically improve Europe’s security of supply, put downward pressure on prices, reduce household energy costs, and breathe new life into energy-intensive industries like electricity, manufacturing and transport.”

“All the ingredients are in place” for an energy-based peace that leads to full resolution of conflicts among the countries of the Mediterranean, he added.

“The question is no longer one of ‘IF’: all that remains to be seen is ‘WHEN,” Baroudi asserted. “And that, my friends, depends largely on us – on how fully we recognize the opportunity, how swiftly we move to start the process, and how responsibly we carry it out.”

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# The EU today: imperfect, in crisis – and indispensable



The European Union receives considerable abuse these days, with member-states and their citizens blaming Brussels for all manner of domestic and international problems.

Greeks are still furious that the EU helped impose draconian austerity measures on them in exchange for the ongoing bailout of their national economy, Hungary rejects the EU's right to set continent-wide immigration quotas, and Britain has just set a date for the beginning of its withdrawal from the bloc altogether.

Some of the criticism – Brussels is out of touch, too many decisions are made by unelected bureaucrats, some regulations needlessly penalize small business, etc. – might well be partly true, although the bloc's involvements in so many aspects of modern life make it an exceedingly convenient scapegoat. Instead of focusing solely on the EU's few and relatively minor failings, though, we would do well to keep the positives very much in mind.

After all, the period since the Treaty of Rome took effect in 1958 has brought levels of peace and prosperity that would have been unrecognizable during any earlier period of European history. Even today, as the EU and its member-states grapple with moribund growth, high unemployment, and resurgent nationalism fueled by the worst global economic crisis since



the Great Depression, Brussels remains a very essential participant – and often a prime mover – in worthy and necessary processes across and even beyond the continent, including the shaping and reinforcement of a modern regional architecture for increased cooperation both within and outside the bloc.

Nowhere is this truer than on the EU's Mediterranean periphery, where its support for member-states and interactions with its neighbors present numerous challenges but also offer multiple opportunities to keep changing the course of history for the better. The Barcelona Declaration of 1995 still resonates today, because although the Union for the Mediterranean it spawned is still evolving, the EU is already providing platforms for bi- and multilateral cooperation, mechanisms for joint action, and resources for implementation. These contributions are – and will remain – of incalculable importance to our shared futures if we are to maximize the positive geopolitical potential of the energy sector, particularly in the Eastern Med.

The Declaration envisaged a new era for 28 EU members and 15 non-member states from the Mediterranean region, a time of partnership built around three “Baskets” – Political and Security, Economic and Financial, and Social, Cultural and Human. The Barcelona Process it touched off carried an ambitious agenda, including greater regional stability; agreeing on shared values as a starting point for cooperation; promoting democracy, the rule of law, good governance and human rights; and expanding mutually beneficial trading relationships. Officially, it also sought to “complement” the influence of the United States in the Mediterranean, although in practical terms the Euro-Med project has often played a balancing role, and/or provided alternative leadership in instances where an American presence might prove too divisive.

These efforts have dramatically improved the interfaces between the EU and its neighbors, and the future promises even

more, including a reduction of long-term tensions among neighboring non-EU states and the eventual construction of a more acceptable regional order, one that is safer, sounder, and more liberal. And without these improved interfaces, the plight of refugees fleeing war-torn Syria would have been even worse: untold thousands more would have drowned at sea, and the migration of survivors across the European mainland would have been even more uncontrolled, uneven, and unfair.

Europe's response to the refugee crisis is very much a work in progress, and much remains to be done. What it has already demonstrated, though, is that even amid heated internal disagreements about how to proceed, the EU's influence has helped to secure the assets required to intensify naval and coast guard patrols in the Med, and to engender relatively effective cooperation between Greece and Turkey. Now is no time to question the value of such achievements. Rather, the situation calls for even more reliance on the EU and the Euro-Med project to get past the zero-sum games of yesterday and start looking to the win-win arrangements of tomorrow.

Nowhere is this truer than in Cyprus, a small country made crucial by its strategic location, its tantalizing natural resources, and its ability to both fuel a renaissance of Europe's economy and demonstrate the power of dialogue and reconciliation.

Despite all this potential, the Cypriot people could definitely need outside assistance to reach their new future, not least because outside interference has done so much to divide them. Recently, the United Nations has resurrected the island's peace process, and close observers express optimism that a deal can be done in the coming months, but two requirements stand out.

One is full development of the region's energy wealth. Ongoing studies indicate that the Eastern Mediterranean seabed contains far more natural gas than previously believed. Both

Egypt and Israel, which are already extracting significant amounts of offshore gas, have made massive new discoveries in recent years, and the latest surveys indicate that similar riches are locked away beneath the Exclusive Economic Zones of several other countries in the region, including Lebanon and Cyprus itself. The Cypriot role could well be decisive for the development of this resource because apart from the potential of its own reserves, the island is perfectly situated – both diplomatically and geographically – to serve as the primary hub for the Eastern Med's emerging gas industry.

Nicosia maintains friendly ties with several regional capitals that are either frequently at odds with one another or have no relations at all, making it an ideal go-between for multilateral coordination and even indirect cooperation. Cyprus's location is also the ideal starting point for a pipeline to mainland Europe that would offer its neighbors the surest, cheapest and quickest access to the world's biggest energy market. For the same reasons, the island offers unmatched convenience as a regional headquarters for companies engaged in everything from exploration and maritime communications to production, marketing, and maintenance.

In addition, in order to reach markets further afield that cannot be reached by pipelines, regional producers will need to sell liquefied natural gas (LNG) for delivery by ship. There is at present little interest, however, in building an LNG plant in countries like Israel or Lebanon, largely due to concerns over cost, the environment, safety and security, and/or political risk. Once again, enter Cyprus with its affordable land prices, EU industrial and environmental standards, and arm's-length distance from the Arab-Israeli conflict.

Conversely, the emergence of a thriving energy sector, fuller resource development, and more dynamic commerce also will be decisive for the successful implementation of a Cypriot reunification agreement. New investment and new jobs will

substantially increase economic activity, generating significant revenues that can be brought to bear on challenges like reconstruction, reconciliation, and reintegration. The promise of such advantages is already providing momentum for the peace process, and that promise will have to be kept if a reunification deal is to succeed.

The other requirement is continuous EU participation to advance political and security environments that are favorable to all stakeholders. The details still have to be hammered out, but it stands to reason that European support will be essential on several fronts, not least the re-establishment of trust between Greek Cypriots and Turkish Cypriots. The new Cyprus will not come into being overnight, so EU resources can help with everything from dispute resolution and inter-communal cooperation to training and capacity-building.

Resolving the Cyprus issue would also help enable a series of rapprochements that would benefit the entire region and all those interested in its stability. The United States, for instance, has long been closely involved with previous efforts to promote stability between Turkey and Cyprus, and a successful outcome would substantially reduce its own security burdens in the Eastern Med. It also would clear the way for Turkey to become a fuller partner in regional affairs, playing the more decisive role indicated by its impressive combination of economic and military power. Among other benefits, a lasting settlement would remove one of the last significant obstacles to having Cyprus join NATO, squaring one part of the circle and strengthening Istanbul's hand in its long-time effort for closer integration with the rest of Europe.

In the final analysis, just as Europe needs a prosperous and united Cyprus to help satisfy its energy needs and improve stability on its southeastern flank, so do all Cypriots need an active EU to help them navigate the heady but challenging course ahead. Neither entity has ever been more relevant to more people in more places, a fact that interested parties can

ignore only at their peril.

Roudi Baroudi is CEO of Energy and Environment Holding, an independent consultancy based on Doha, Qatar.