

Roudi Baroudi's remarks on the sidelines of New York Times Athens Energy Forum NYT Conference 2017



February 2, 2017

My purpose here is to update you on progress at the eastern end of the Mediterranean – namely some new steps taken by the government of Lebanon to get its nascent energy sector off the ground.

As you may recall, Lebanon has wasted a lot of time in the past few years. Cyprus recently held its third licensing

round, and others have gone even further: Israel, for instance, is already drilling, and while internal legal and policy battles have slowed some aspects, Israeli negotiators have aggressively pursued export or transit deals with other countries – including both Jordan and Turkey.

In Lebanon, things have been very different. A long-running political struggle left the presidency vacant for more than two years, the Parliament granted itself two extensions totaling almost three years without new elections, and the Prime Minister and Cabinet served in a de facto caretaker capacity because of widespread perceptions that they lacked legitimacy.

Even before this breakdown of the constitutional order, rival political camps were so mistrustful of one another – and so evenly matched – that little headway could be made because each side blocked the other's initiatives.

Luckily, even with these paralyzing conditions in effect, some preparatory steps were taken. The Lebanese Petroleum Administration was established in 2012, and while dysfunctional politics delayed everything from the onset of its legal authority to the recruitment of qualified personnel, the LPA managed to lay much of the necessary groundwork. The idea was that once the politicians stopped bickering, all of the rules, regulations, and policies would already be in place, so the country would have the wherewithal to start playing catch-up.

I'm happy to report that there has been significant improvement. A new president has now been elected by Parliament, and his genuine support – both in the legislature and among the general population – is more broad-based than many of his predecessors. A new Prime Minister has also been installed, and since this was part of the same deal that allowed the presidency to be filled, he and his Cabinet enjoy relatively strong acceptance. Perhaps most importantly, the

long-delayed parliamentary elections are due to be held in June, and while the usual debate is taking place about the rules under which those polls should take place, there is general optimism that they will be held “on time”.

Best of all, the Lebanese Petroleum Administration has taken this momentum as a signal to start activating the energy sector. Last month it took a decisive step in this direction by initiating the country’s first licensing round, inviting bids for offshore exploration in five of the 10 blocks it has delineated in Lebanon’s Exclusive Economic Zone (EEZ). Nonetheless, the process will not be a simple matter of “plug and play”, but this time the obstacles are external.

Again, the LPA has done a lot to make sure all the necessary mechanisms are in place or ready for installation, including tender procedures and draft terms for the fiscal regime. And at least two of the five blocks being licensed should be relatively straightforward: Block 4 lies entirely within Lebanon’s EEZ, directly off the coast, and Block 1 lies in the northwest corner of Lebanon’s EEZ, where its demarcation has already been agreed with both Cyprus and Syria. Those interested in these blocks will know exactly what they’re bidding on, and the successful bidders and their partners free to get on with the business of modern exploration work without other distractions.

Blocks 8, 9, and 10, on the other hand, are a different matter altogether because all three are in the south, where Lebanon’s maritime claims overlap with those of Israel. At issue is a relatively small area of about 840 square kilometers, less than 5% of Lebanon’s EEZ and an even smaller slice of Israel’s. Under normal circumstances, the conflicting claims would likely have been negotiated away with relative ease, but Lebanon and Israel have no diplomatic relations and have remained in a legal state of war – with frequent outbreaks of actual hostilities – for almost 70 years despite the 1949 armistice.

The situation is not irrecoverable, however, and both the United States and the United Nations have worked hard to broker a consensus by holding separate talks with Israeli and Lebanese officials. What is more, whatever the intractability of their other differences, on this score at least both sides have a clear and compelling interest in avoiding any kind of conflict that interferes with the development of their energy reserves. All of the region's emerging producer countries stand to make substantial revenue gains, allowing game-changing investments in health, education, transport, and other areas whose impact will be felt for decades, even centuries.

It all comes down to mathematics: there is simply too much money at stake, meaning that in addition to the lives that would inevitably be lost, the direct financial and opportunity costs of another armed confrontation would be exponentially greater than the price-tags attached to bombs and missiles.

The numbers don't lie, so there is reason for optimism that the EEZ issue will be resolved before it impedes exploration activities. In addition, if and when cooler heads prevail and some kind of understanding on indirect cooperation (or even non-interference) is reached, the resulting dividends will go far beyond Dollars, Euros, Pounds or Shekels – and the effects will be felt far beyond the Mediterranean.

Cheap, clean, and reliable natural gas supplies from the Eastern Med would also significantly enhance energy security for Turkey, the European Union, and other countries. For Europe in particular, it would be a new lease on life, restoring the competitiveness of the Continent's economy and providing consumers with lower prices for energy and a long list of other goods and services. And for both the MENA region and other parts of the world haunted by conflict or the threat thereof, an East Mediterranean gas boom made possible by sober diplomacy would set an encouraging – and highly lucrative – precedent.

These manifold and far-reaching benefits mean that numerous local and outside actors will want the same thing in the Eastern Med: stability. Cyprus, for instance, figures to be a linchpin for the entire regional gas economy, but it can only play that role to the fullest if it achieves reunification after more than 40 years of division. Each of the main external players on the island – Britain, Greece, and Turkey – also has good reason to want tensions reduced, and Russia's growing presence in the region (including investment offshore each of Cyprus, Syria, and Egypt) gives it a vested interest in a more predictable region. American companies are also present, and literally no one better understands what is at stake than the incoming US secretary of state, former ExxonMobil boss Rex Tillerson.

Of course, there is still much for Beirut to address, including the structure and management of an effective and transparent Sovereign Wealth Fund to safeguard future energy revenues. There is also the matter of determining the true size of its offshore treasure, but all signs from exploration under way off Cyprus and Israel – plus the discovery of Egypt's massive Al-Zohr gasfield – suggest that Lebanon is on the verge of a historic windfall. In fact, some 2-D and 3-D studies already indicate that the country's hydrocarbon potential outstrips those of its immediate neighbors.

At this point, all Lebanon needs to do is play its cards right: avoid unnecessary confrontations with Israel, follow international best practice for safe and environmentally responsible oil and gas development, and protect the ensuing revenues against nepotism, waste, and other forms of mismanagement. So long as it makes itself a stable platform, investment will come and a better future will almost certainly follow.

Lebanon poised for energy breakout, including in Cyprus



Lebanon is finally getting serious about developing its offshore oil and gas reserves thanks to a reduction in domestic political tensions, a senior industry veteran told a high-profile energy conference in Athens on Thursday.

“There has been significant improvement,” said Roudi Baroudi, CEO of Qatar-based Energy and Environment Holding (EEH), an independent consultancy.

Speaking at the Athens Energy Forum, which attracted a long list of political and industry leaders from Greece and other E.U and Middle East countries, Baroudi said major obstacles had been removed in recent months and that more progress was in the offing.

“A new president has now been elected by Parliament, and ... a new prime minister has also been installed,” he reminded the audience, adding that both officials enjoyed strong public

acceptance. "Perhaps most importantly, the long-delayed parliamentary elections are due to be held in June."

Many Lebanese institutions have been hamstrung by years of infighting among rival political camps, causing the country to fall behind neighbors like Cyprus and Israel in getting its nascent energy sector up to speed. Conditions for progress look much better now, Baroudi said, explaining that much of the credit was due to the Lebanese Petroleum Administration (LPA) established in 2012.

"Luckily, even with these paralyzing conditions in effect, some preparatory steps were taken," he explained. "The LPA managed to lay much of the necessary groundwork. The idea was that once the politicians stopped bickering, all of the rules, regulations, and policies would already be in place, so the country would have the wherewithal to start playing catch-up."

In fact, he said, both "2-D and 3-D seismic geology studies, as well as high-tech airborne acquisition surveys, already indicate that the country's hydrocarbon potential outstrips those of its immediate neighbors."

Now that the political log-jam is breaking up, Baroudi noted, the LPA has begun to act in other ways as well.

"Last month it took a decisive step ... by initiating the country's first licensing round, inviting bids for offshore exploration in five of the 10 blocks it has delineated in Lebanon's Exclusive Economic Zone," said Baroudi, who has worked in the energy industry for over 30 years.

Nonetheless, "the process will not be a simple matter of 'plug and play'" because apart from continuing fears about transparency, Lebanon also would need to sort out a maritime boundary dispute with Israel.

"Both the United States and the United Nations have worked hard to broker a consensus by holding separate talks with

Israeli and Lebanese officials,” he told the forum. “Whatever the intractability of their other differences ... [Lebanon and Israel] have a clear and compelling interest in avoiding any kind of conflict that interferes with the development of their energy reserves.”

“It all comes down to mathematics,” Baroudi argued. “There is simply too much money at stake, meaning that in addition to the lives that would inevitably be lost, the direct financial and opportunity costs of another armed confrontation would be exponentially greater than the price-tags attached to bombs and missiles.”

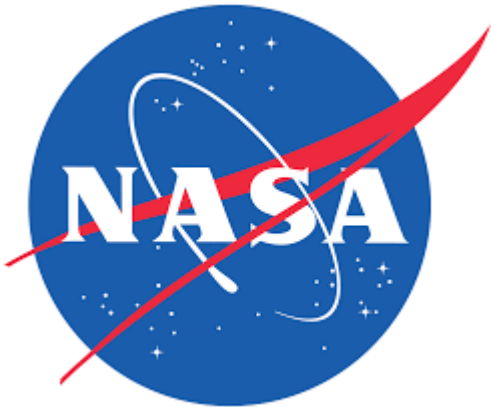
In addition, he said, the benefits of an East Mediterranean energy boom would serve the interests of Turkey, the European Union, and various extra-regional actors, increasing outside support for negotiated solutions on both the Libano-Israeli front and the issue of Cyprus reunification.

“Numerous local and outside actors will want the same thing in the Eastern Med: stability. Cyprus ... figures to be a linchpin for the entire regional gas economy, but it can only play that role to the fullest if it achieves reunification,” said Baroudi.

“Each of the main external players on the island – Britain, Greece, and Turkey – also has good reason to want tensions reduced, and Russia’s growing presence in the region, including investment offshore each of Cyprus, Syria, and Egypt, gives it a vested interest in stability.

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Climate change: The economics of energy and water



Introduction

Sustainability of the global environment as an integral part of a sustainable economic development policy and strategy is gaining prominence and attention of world leaders and economic development policy advisers and strategists. The high and the more frequent incidents of the devastating impacts of natural disasters due to the changing climatic conditions has become the wake-up call that we should not expect the global environment to sustain us, as an independent world, if we continue the assault on the global environment. Access to adequate water for economic activity, as well as its desired quality for human consumption and to clean and affordable energy are vital to our survival in this interdependent world of ours, and should be an integral part of the economic development agenda.

The World population is projected to grow from the current level of 6.5 billion people to roughly 9 billion in 2035. The pursuit of improving living standards would come with the increasing population growth, which would inevitable place

more pressure on the natural environment and could lead to global climate crises, if the appropriate mitigating measures are not taken. The global demand for energy is expected to increase by roughly 50 percent by 2025-2030 and water demand will also be rising drastically. Energy production and use is intertwined with water usage. The interplay and relationship is as close "as daylight is unto darkness," to quote Shakespeare. As a result, and to maximize benefits to society of these three important resources (energy, water, and the environment) environmental requirements should be fully integrated into the production and uses of energy and water.

Water is utilized directly as a source of electricity production from hydroelectric plants, cooling of electromechanical machinery and equipment in thermal power plants, it is used in thermal boilers to raise steam into turbines for power generation and directly as heating energy, it is used in crude oil de-salters and directly in washing solid fuels for power generation, and watering of coal-beds to minimize potential of self-combustion. Unfortunately, in some other cases rivers and lakes are used as sinks for the by-products of energy production.

The construction of hydroelectric dams has significant impacts on both upstream and down stream uses of rivers and water ways, which, in some cases call for complex in inter-country and regional riparian rights agreements. There are examples of such "The Blue Gold" riparian rights issues with international, regional and inter-country in the Middle East, and several other regions world-wide. Energy production from oil fields and from fossil fuel power plants on climate change are known to be the contributing factors to rises in sea levels, the shrinking of lake waters, shrinking and drying of rivers, deforestation, extremities of dryness and water scarcity, and increasing and expanding desertification. We are witnessing the impacts of these changes on society and human well-being of inadequate supplies of drinking water and water

for sanitation. Lake Chad in West Africa is one such example, where the livelihood of millions of people is threatened as a result of climate change impacts on the lake.

Clean water is an incredible precious resource, but as a result of climate change impacts, it is becoming more and more scarce world wide. In the areas of the world where this precious resource is still available especially for the water intensive agriculture industry, it should be preserved by protecting it from pollution, and impacts of climate change. Conservation in its use through the application of combination of command and control measures, and economic instruments should be accorded the highest priority.

Balancing Energy and Water Usage

It is critical to attain the sustainability of these vital resources in the world, especially in the emerging countries, where portable water is becoming a rare commodity.

The main questions remain as to how the balancing act can best be done to achieve this important objective? There are a number of technically and economically feasible and proven options that could be applied. The constraining factor is the lack of the appropriate policy and advanced regulatory environment.

The Role of Renewable Energy – Alternative Sources and Energy Mix

While oil, gas, coal will remain in the foreseeable future the predominant resources to meet the worlds' energy demand, their continued expansion to meet the growing energy requirement would contribute to the further degradation of the global environment in addition to the overall increase in pollutants and their adverse impacts on human health. The development agenda should call for diversification from further increase in fossil fuel use. The Middle East and North African region, for example, is particular richly endowed with solar

radiation, which should enable large scale development of solar-based energy for household and commercial sector uses. Similarly, there is large potential for wind energy development in the region, due to existence of strong wind regimes, both off and on-shore. In this respect Great Britain has reached the 5th or 6th top wind farms position (after Denmark with 20 percent of its current electricity is from wind turbine) in the world and almost reaching 10 percent of the UK power needs, 140 wind projects are already operational. A contribution of renewable energy resources including nuclear of 15-20 percent to energy consumption could lead to same level of reduction in fossil fuel use for power generation, use of methane from landfills, enhancing the use of bio fuels as it has shown the commercial viability in different parts of the World. This will turn have positive impacts on combating acid rain, as well as global warming, water use for power generation, and reduce adverse impacts of climate change as discussed earlier. Iceland and Sweden for example are targeting for a carbon free economy by 2020, promoting hydrogen and fuel cells. On the other hand, in Africa, Kenya for example is exploiting massively its geothermal resources successfully. Research and development is in the final stages of solar energy storage to the extent of developing solar desalination. An introduction to a corporate, business or individual green culture should be spread among the polluters in order to achieve green goals.

Efficiency of Energy Use

As it has been continuously called upon by the IEA roadmaps, policies and regulations to increase energy efficiency, have to be accompanied by deep understanding of the potential role of renewable energy resources and implications for the climate change landscape, geopolitically and socially, in order to maximize benefits of energy use efficiency and conservation from both the local and global perspectives. Compared to the middle income and advanced countries, intensity of energy use

in the developing world is much too high. There is significant scope to reduce energy intensity without impacting negatively on economic growth and well-being of the population. To achieve this will require the formulation and implementation of policies and regulatory mechanisms to foster energy end-use efficiency and conservation. The policies and regulatory mechanisms should encompass the use of both command and control and market instruments. Under the command and control mechanisms, Governments would continue to develop and promote energy efficiency technologies and services and impose achievable energy use limits, which would be enforced for industry, transport sectors and households. For lighting purposes for household and commercial applications, energy savings up to about 30 percent can be achieved. The market instruments should have strong economical incentives through subsidies, tax rebates, finance and pricing to induce actions for efficiency and conservation in order to make a difference; we have to trim our individual carbon foot prints.

Advanced Clean Energy Technologies and Monitoring Systems

Advances in science and engineering capabilities in these areas and use world-wide have brought improvements in the manner in which energy is produced. Medium-speed diesel engines which can perform at nearly 46 percent efficiency, burn less fuel for same energy output as the technologically outdated ones that perform at efficiencies lower than 30 percent. Today, we are seeing super-critical boilers for coal-fired plants with efficiency levels in the range of 46 percent compared to the conventional ones performing at less than 30 percent efficiency. Whilst bio-fuel has become a global commodity, R&D need to go further with hybrid vehicles, wave and tidal power, solar concentrators, combined heat and power (CHP) technology in power plant that are 75 percent efficient v/s 45 percent, advance amine scrubbers for Power Stations and other technologies. The recommendation is that governments need to establish the appropriate legal and regulatory

framework to enable a robust carbon capture and sequestration to provide an effective framework for carbon management.

President Barack Obama's recent speech on energy and environment to the joint session of the US congress; the European commission for their massive dedicated work; and France's President Sarkozy for their continuous support for the climate challenge, are bringing great hope and greater awareness to the challenges we face as an inter-dependent world to avert the adverse impacts of climate change. It should be a joint public, private, and corporate effort to tackle the problems of climate change, and the critical role of the appropriate policy, legal and regulatory frame cannot be over-emphasized. These should serve to encourage and attract private capital into new technologies that will assist in adapting to climate change and setting guidelines and parameters for efficient energy and water uses, carbon pricing (despite the current carbon market plummeting due to the current financial crisis) and trade. The Emissions Trading Systems (E.T.S.) developed by the European Community and NASA's proposal to launch satellites into Orbit to track and measure CO₂ in the atmosphere are clear examples of policy and regulatory initiatives to help tackle the problem.

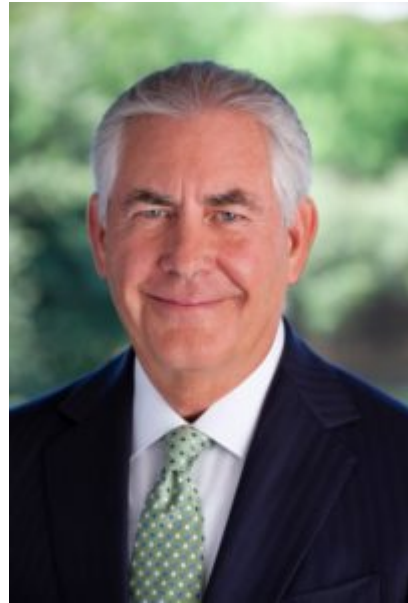
In deed, the need to achieve a sustained balance between protecting the environment and energy and water use cannot be over-emphasized in the world, especially in the MENA region, where we face significant challenges to conserve water because of its scarcity, especially in the face of an expanding population growth. Climate, Energy and Water have always played significant roles in preserving and supporting the World's environment we live in. They will continue to do so in the future. There is now empirical evidence that our environment is gradually changing because of people actions to water and air quality. Emissions from human economic activities have changed ocean cycles, contributed to warmer weather and altered global climate balance. Immediate

innovative regulatory policies have to be drawn and deployed by governments within the framework of the UNFCCC and many other protocols to tackle the adverse impacts of pollution, devise mechanisms for abatement of carbon emissions or discharge limits, including carbon capture and storage technology (including mapping and assessing potential sites for site storage, promote in several continents and global monitoring systems to audit greenhouse gas emissions and provide environmental and economical incentives. The actions to be taken in Copenhagen at end of 2009 and the ones we take collectively on as countries, or as continent, or as a hemisphere or globally and even as individual persons will go a long way to catalyze the energy and water future efforts. Fortunately, the world is not going to run out of energy and water resources soon. However, the threats facing our atmosphere, especially climate change, can be minimized only by concerted efforts at mitigation through international cooperation.

Climate is valuable, if not more, as energy and water, to our survival in an interdependent world in which we live.

***Roudi Baroudi** is the secretary general of the Lebanon Member Committee of the World Energy Council. His email is: wec@lebanonworldenergy.org*

Così Cipro unita aiuterebbe tutto il Mediterraneo





il Giornale.it **mondo**

Uno dei fattori chiave che hanno permesso a Donald Trump di vincere a novembre è stata l'enorme voglia di cambiare la politica interna.

Eppure la sua presidenza può offrire enormi opportunità anche per quanto riguarda la politica estera e Cipro, insieme al resto dei Paesi dell'Est Mediterraneo, potrebbero così essere tra i primi beneficiari della politica estera di Trump.

L'isola è divisa dal 1974, nonostante i vari tentativi di riunificazione. Trump non è il primo presidente a seminare speranze per Cipro unita, ma questa volta, dopo molti anni, ci sono seri motivi di credere che un accordo totale ed equo è possibile.

Prima di tutto la figura di Trump. È la prima volta che nella storia americana sale alla Casa Bianca qualcuno di così fondamentalmente diverso rispetto ai suoi predecessori. Molti studiosi si sono focalizzati sulle ripercussioni negative che la politica di Trump porterebbe, ma allo stesso modo sono in vista cambiamenti positivi.

Inoltre, a pesare in senso positivo, c'è la nomina del segretario di Stato. Benché Rex Tillerson abbia una scarsa

esperienza nel governo, ha lavorato per dieci anni alla ExxonMobil, una compagnia con 75mila dipendenti, che opera in duecento Paesi. Prima ancora ha personalmente seguito e guidato il processo attraverso cui ExxonMobil ha raggiunto la sua invidiabile posizione in Russia, il più grande produttore di energia del mondo. Insomma, un curriculum che la dice lunga sulle sue capacità.

E non da ultimo c'è la tempistica. Cipro sta costruendo molto rapidamente il suo polo energetico regionale per l'est Mediterraneo. Dalle recenti attività di esplorazioni è stata confermata la presenza di depositi di gas naturale.

Questo sviluppo energetico di Cipro potrebbe essere un perno di vitale importanza, primo per la sua posizione geografica, insieme alla sua posizione geostrategica, e per il fatto di essere membro dell'Unione Europea e, non da ultimo, per lo sviluppo industriale della regione.

Molti protagonisti si sono già messi in gioco, incluso la ExxonMobil che, insieme al Qatar Petroleum, il più grande produttore di gas naturale, si è assicurata i diritti di esplorazione del Blocco 10 del Cyprus Exclusive Economic Zone. In campo c'è anche Rosneft, una delle compagnie di energia più importanti della Russia, e Soyuzneftegaz, un'altra compagnia russa.

In questo delicato momento storico, Cipro trarrebbe ovviamente grandi vantaggi da una riunificazione. Prima di tutto, evidentemente, attrarrebbe più investitori. Se il riavvicinamento tra il presidente russo, Vladimir Putin, e il turco, Recep Tayyip Erdogan, continua così come sostengono molti osservatori, sarà più facile portare avanti una negoziazione positiva. E questo ci fa tornare alla nuova amministrazione americana. Sia l'Unione Europea che l'Onu si sono impegnate a cercare un'intesa su Cipro ma per superare l'ostacolo «dell'ultimo miglio» potrebbe venir richiesto un impegno americano più intenso.

Cipro unificata, che diventa un polo regionale dell'energia sarebbe così un vantaggio non solo per se stessa ma ridurrebbe le tensioni tra Ankara e Atene, e tutti i Paesi vicini del Mediterraneo avrebbero vantaggi dalla stabilità ritrovata, incluso più turismo e più investimenti.

Un discorso non certo facile da realizzare: il processo di unificazione non è facile da raggiungere. Ecco perché una volontà solida dei protagonisti è così fondamentale; le potenziali ricadute positive derivanti dal settore energetico di Cipro potrebbero essere così più forti delle rimanenti obiezioni. È quindi tempo di dare un'opportunità costruttiva e dare un regalo di pace prima a Cipro poi ai paesi del Mediterraneo.

Roudi Baroudi

Ceo della Energy & Environment Holding, basata in Qatar

GECF sees oil price to range from \$70 to \$95 in long-term

GULF TIMES – Doha

Doha-based Gas Exporting Countries Forum (GECF) expects long-term global oil price to range from \$70 to \$95 a barrel, while short-term prices are expected to remain “weak”.

“Our projection of 2040 oil prices show that over the medium-to-long term, prices will likely range from \$70 to \$95 per barrel in constant (2015) dollars,” GECF said in its maiden report ‘Global Gas Outlook’. These price levels will support the most expensive sources of production such as Canadian oil sands, Venezuelan heavy crude and off shore deep-water African projects, it said.

The expected oil price range (\$70 to \$95) would mean that an expected pick-up in the global economy would sustain the new levels. Global gross domestic product growth is expected to be stronger between 2015 and 2020, at 3.1% per year, but would start to slow down to 2.9% after 2020 as non-OECD (Organisation for Economic Cooperation and Development) Asia, including China and some other major emerging but maturing economies, slow to a more sustainable long-term rate.

In the medium term, the cost of producing the most expensive (marginal) barrel is an important component for oil price projection although the cost of production varies significantly depending on the geology of the production basin, the technology employed and the fiscal terms applied to producers by host governments. GECF said oil price forecasts are predicated on the same determining factor that shape today's oil prices including economic growth, the interplay between global oil supply and demand, industry production costs, geopolitical events and the behaviour of the Organisation of the Petroleum Exporting Countries (Opec). In the short term, GECF said it expects oil prices to remain "weak" due to a more "pessimistic" economic perspective than previously anticipated and to the absence of a strong decline in non-Opec output.

Forecasting that oil demand growth to grow moderately, it said global demand for oil and other liquids would increase to over 98mn barrels per day (mbpd) in 2020 from 93mbpd. "Oil demand continue to rise until it peaks at 106.5mbpd in 2035 and then stabilises around 106mbpd through 2040," it said, adding the largest decline in demand for oil and other liquids is expected to occur in the power sector, where it faces strong competition from other fuels including natural gas, renewables and nuclear.

Roudi Baroudi on MTV Lebanon – Economic News

Arab Gas Pipeline



In Italy, a Sleeper Crisis for the E.U.



It is a strange development that the greatest alliance of democratic states in modern history, the European Union, has come to fear democratic votes and elections. Yet the plebiscite on a set of constitutional changes in Italy on Sunday may be a momentous day for Europe and the European Union.

Italy was a founding member of the European Economic Community and of the common currency, the euro. If Italy votes no in the referendum and then turns against Brussels and the euro, it might well spell the end of the European Union. It would also be a serious and lasting defeat for a reformist and internationalist social democracy.

Formally, the plebiscite puts to voters a set of constitutional changes that make a lot of sense. Matteo Renzi, Italy's prime minister, proposes to reduce the power of the Senate, the upper house of Parliament. Unlike its American counterpart, the Italian Senate has not just representatives

from various regions but also “lifelong” appointees and stakeholders from various lobbies.

The senators have blocked many decisions made by the Parliament in the past; because they tend to be older (minimum age of 40), they are often seen as a symbol of Italy’s “gerontocrazia.” Reducing the powers of the Senate is a key step to modernizing Italy’s political system and meeting economic challenges. In fact, a majority of the senators agreed with Mr. Renzi’s reforms, and they seemed likely to be approved in the plebiscite.

But in polls after September (before a blackout was imposed leading up to the vote), public opinion turned against Mr. Renzi and his proposals. That is largely because he has failed to deliver on his main promise to improve the economy. Italy has not yet fully recovered from the 2008 global crisis: For example, unemployment is higher than in most of the European Union, with youth unemployment hovering around 40 percent.

By these economic indicators, “la crisi,” as the Italians call it, is as deep as the depression that hit Poland and other Eastern European countries after 1989. Southern Italy now even has a lower gross domestic product per capita than Poland, adjusted for purchasing power.

Mr. Renzi made efforts to change things. He introduced job-market reforms that made it easier to hire young workers and eased some of the protections enjoyed by employees with older contracts. He has raised the retirement age modestly, a necessary step because of rising life expectancy (Italy has one of the highest life expectancies in the Western world) and to relieve the welfare state.

Mr. Renzi has also hired many young ministers instead of the old power brokers like Massimo D’Alema, the former leader of Mr. Renzi’s Democratic Party who now recommends a no vote. All in all, Mr. Renzi’s policies are reminiscent of Tony Blair’s

New Labour in the 1990s or Germany's labor-market and pension reforms under Gerhard Schröder after the turn of the millennium.

Mr. Renzi, however, is operating in a much worse global economic context. Italy cannot build on an export-driven growth model like Germany under Mr. Schröder, and it is suffering under a heavy debt burden left by Silvio Berlusconi.

And the tide has turned against reformist social democracy in Italy and elsewhere. The populists on the left and right build on the disenchantment, ire and despair of large parts of the electorate. They promise a real rupture, which Mr. Renzi's party, part of the political establishment, cannot credibly offer.

If he loses the plebiscite and steps down, as he has vowed to do, the European Union would be badly damaged as well. Mr. Renzi is staunchly pro-European, while the populists rally against Brussels and the austerity policies of the Union. Jean-Claude Juncker, the president of the European Commission, understood this and unveiled a 315 billion euro investment plan in 2015. But it is probably too little, too late to help Mr. Renzi, even as Italy could benefit from investments in solar power and urgently needs investment in internet communication.

The union has also become increasingly unpopular because it largely left Italy alone to manage the tide of refugees and migrants from North Africa (more than 170,000 people have arrived in Italy so far in 2016). Hence, even many of Mr. Renzi's adherents feel abandoned by the European Union.

Mr. Renzi's foes – the left-wing populists of the Five Star Movement of Beppe Grillo, and the right-wing populists of the Northern League – fiercely attack the prime minister and the European Union. Mr. Grillo has indicated that if the plebiscite fails, he wants to hold a referendum on dropping

the euro.

Brexit has set an example that a nation can vote against the advice offered by economic and political experts. Even without a plebiscite about the euro, Italy might become almost impossible to govern.

That will certainly frighten the financial markets. If the interest rates for Italy's public debt, which at the moment stands at about 132 percent of gross domestic product, continue to rise (speculation against Italian government bonds has already started in recent weeks), it might be difficult to keep Italy in the eurozone.

If Italy, the fourth-largest economy of the European Union, rejects the euro, the common currency would be finished, and probably the Union as well. But how would the populists, once in power, act? If they have the choice between state bankruptcy and keeping the euro, they might still opt for the common currency.

The founding members of the European Economic Community reacted to the fall of the Berlin Wall and the breakdown of state socialism by establishing the more deeply integrated European Union and the euro. That worked well until the crisis of 2008.

It might be, however, that the union and the common currency were made for good times, not for bad ones.

Cyprus matters: An open

letter to the new U.N. secretary-general



Your Excellency, Antonio Guterres:

The news out of Geneva is encouraging, offering hope that Cypriots might soon wake up from their decadeslong nightmare of division and hostility.

The potential of such a development – i.e. of a full and fair settlement that reunites the island nation's ethnic Greek and Turkish communities for the first time since 1974 – reaches far beyond its own borders. As you yourself were quoted as saying Thursday, “We are facing so many situations of disasters. We badly need a symbol of hope. I strongly believe Cyprus be the symbol of hope at the beginning of 2017.”

Indeed, Cyprus matters – a lot, to many peoples, and for several reasons. The actual extent of symbolic value is notoriously difficult to determine, but the very demonstration that such a protracted conflict can be resolved through negotiations will buy credibility for diplomatic solutions wherever they are needed.

And that is not all, not by a long shot.

As you know, it has been determined beyond the shadow of a doubt that the Eastern Mediterranean contains world-class

deposits of natural gas within the exclusive economic zones (EEZs) of several countries. This precious resource will not only generate revenues that allow regional governments to invest in education, health care and other social goods for their populations, but also provide Europe with greater energy security and lower costs that help restore its economic competitiveness.

Regardless of who ends up owning more or less of the deposits in question, Cyprus is destined to play a pivotal role that both accelerates the process by which benefits begin to flow and multiplies the positive impacts for producer and consumer nations alike.

Because of its physical location and geostrategic position, along with the often difficult relations among its neighbors, the island already qualifies as a powerful catalyst in several processes: as the most viable point of origin for a “Peace Pipe” that would carry the gas of several East Med countries to the European mainland and or to Turkey; as the most logical spot for a liquefied natural gas (LNG) plant whose output would reach customers in Europe and Asia by ship; and as the most convenient operational headquarters for everything from exploration and production to maintenance and telecommunications.

Of course, exploitation of this resource is inevitable to some extent. The gas is there, there is demand for it (especially from Europe, the world’s largest energy market), and there are no insurmountable obstacles to its extraction. Without a united Cyprus, however, the pace and scope of development will be substantially diminished. Cooperation with Turkey would remain difficult if not impossible, other regional players might judge it more prudent to build their own pipelines, and foreign investors would be less willing to invest in LNG and other capital-intensive facilities.

Excellency,

Just as a reunified Cyprus is a prerequisite for full and timely development of the region's gas reserves, its rapid emergence as a regional energy hub can be the lifeblood of a new shared future for the island's Greek and Turkish communities. The day-to-day work of reunification will continue long after the pageantry of any peace ceremony as homes and other properties are restored to original owners, displaced populations return to their towns and villages, and compensation is paid to qualified parties. The devil will remain very much in the details, patience will run short among people who have been waiting more than 40 years, and tempers will flare. With a lucrative gas sector growing up alongside this process, however, there will be both solid opportunities for intra-Cypriot cooperation and more financial resources available to smooth over the rough spots.

As you and others have recently stated, Cyprus is closer than ever to putting itself back together. Both President Nicos Anastasiades, who heads the internationally recognized Republic of Cyprus, and President Mustafa Akinci, leader of the breakaway Turkish Republic of Northern Cyprus, have expressed keen interest in – and even guarded optimism about – getting deal done sooner rather than later. What is more, a confluence of third-party interests, personalities and geopolitical developments is leading in the same direction. Turkish President Recep Tayyip Erdogan insists that he is committed to a settlement, Greek Prime Minister Alexis Tsipras has made Cyprus a top priority, and both Russian and American energy companies are invested in the Eastern Med, giving them a shared interest in regional stability that figures to extend to their respective governments. In addition, the incoming U.S. secretary of state, former ExxonMobil chief Rex Tillerson, is a veteran oilman who not only understands energy economics but also has cultivated good relations with Moscow.

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Many key players already have entered the mix, including

ExxonMobil, whose consortium with Qatar Petroleum, the world's largest LNG producer, has secured exploration rights to the most attractive morsel in Cyprus' recent third licensing round, Block 10 of its EEZ. Rosneft, one of Russia's top three energy companies and half-owned by the Russian government, just acquired a stake in Egypt's massive Zohr field, directly adjacent to the Cypriot zone. Then there is another Russian giant, Soyuzneftegaz, which has been granted extensive exploration rights just to the east of Cyprus in Syrian waters.

Given Moscow's decisive role in helping the Syrian government to battle insurgents, and the fact that its only overseas naval base lies on Syria's coast, never has it been closer to securing the position of strength in the Eastern Med that Russian statesmen have sought for centuries. American power has long stood in the way, but now the two countries have a shared interest in the region's stability, and Tillerson's boss, President-elect Donald Trump, has articulated a less confrontational vision of the relationship.

The diplomatic tea leaves are hopeful too. Anastasiades recently credited the Turks with pushing for an early resumption of talks, describing the prospect of access to Cypriot gas as a key consideration in Erdogan's calculations. Akinci has voiced his belief that 2017 "can be made a year of peace and resolution." And the U.N.'s own envoy, former Norwegian Foreign Minister Espen Barth Eide, said both sides "recognize that the status quo is unacceptable and unsustainable, and that the current talks offer the best opportunity for a solution."

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The benefits of Cyprus' returning to the world stage as a nascent energy hub would flow to peoples across the Euro-Mediterranean region and beyond. Once other countries in the Eastern Med start producing gas in quantities sufficient for

export, a stable and unified Cyprus will make it easier for them to reach customers in Europe and Asia, providing enough revenues for a veritable renaissance of the regional economy; Turkey and its European neighbors would be surer of meeting their energy needs, and therefore of rejuvenating their own economies; the removal of an ever-present disagreement also would provide space for a rapprochement between Turkey and Greece; and the whole neighborhood would gain from a return to normality, helping it to attract more tourists and investors, expand trade relationships and increase cooperation on everything from academic and cultural exchanges to civil aviation and maritime search and rescue.

And on the aforementioned symbolic level, what could be more conducive to remedying the problems of the Middle East than to teach Arabs and Israelis that peace and coexistence are not zero-sum games? That peace is both its own dividend and the source of many more to come? That this formula can be applied to just about any case of ethnic, national and/or religious dispute? That the futures of individuals, families and communities can be radically improved by sharing a land you love with someone you used to hate?

A lot depends on the principals, Akinci and Anastasiades, to make this happen. Many members of their respective constituencies subscribe to rival narratives, but most are tired of division, and while cobbling together a workable deal and selling it in two separate referenda will be demanding work, the payoff figures to be almost incalculable. But ultimately it is up to Turkey to allow the Cypriots to find a solution that suits them.

Add all of this up, and the momentum for peace has never been greater. The people of Cyprus need and deserve all the help they can get to make good on this potential, as do those of other countries and societies in need of reconciliation, as well as still others who desperately need affordable and reliable energy supplies. In short, whoever we are, we help

ourselves by assisting the Cypriots. That's why Cyprus matters.

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

Cyprus matters: An open letter to the new U.N. secretary-general



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