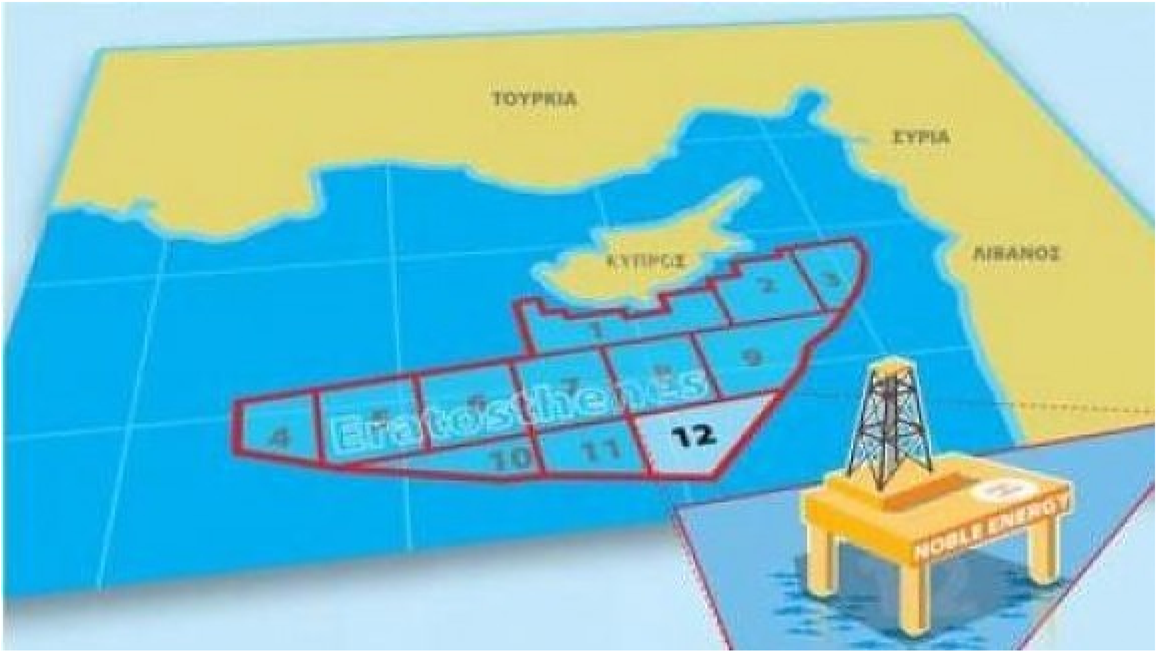
ENERGY: Cyprus close to resolving revenue sharing dispute for Aphrodite gas



Differences between Nicosia and the Noble-Shell-Delek consortium over a revenue sharing agreement for the exploitation of the "Aphrodite" field in Cyprus EEZ are soon to be overcome.

According to sources quoted by Politis newspaper, the two sides are closer to an agreement after a meeting held on 7 March, where the last remaining – mainly legal – obstacles where discussed.

Nicosia appears to be particularly optimistic as, according to Politis, Energy Minister George Lakkotrypis informed MPs during a closed meeting of the House's Energy Committee that the deal would be sealed within 2-3 weeks.

According to Politis, Noble is expected to submit to the government negotiating team a revised text of the proposed revenue sharing contract. If there are no serious objections from Nicosia, which would call for a new round of consultation, then the agreement will be signed.

The revised agreement involves the reduction in the anticipated revenues of the Republic of Cyprus and an increase for the consortium in the event that the price of crude oil is close to 60 dollars per barrel (a condition set by the consortium), if oil prices go up, then the Republic’s revenue will increase accordingly.

Responding to MPs’ questions in parliament, Lakkotrypis denied estimates of renowned expert Charles Ellinas that the new contract will see the Republic’s revenues from Aphrodite limited to around €100 mln per year for the 15-year exploitation period of the gas field.

In addition, provisions have been incorporated into the contract, which according to government sources, better ensure the implementation of the land development program within specific timeframes.

From the reaction of MPs, it is clear that only AKEL does not support revision of the contract. AKEL continues to argue that the government should focus on building a land-based liquefaction plant in Vassiliko, by including findings in the Aphrodite gas field (with an average estimate of 4 trillion cubic feet).

Governmental officials, including Lakkotrypis, have stated, that the construction of a terminal remains a strategic goal, but it is not related to Aphrodite, as this reserve is now ripe for exploitation and the only tangible option for selling the gas is Egypt.

Other parties seem to favour the deal which is to see gas transferred to an LNG plant in Egypt for economic as well as geopolitical reasons.

Once the new contract between the Republic of Cyprus and the companies is finalised and signed, the Noble-Shell-Delek consortium, along with representatives from the State Hydrocarbon Company are to restart negotiations with the operators of the terminal at Egypt's Idku this year for the sale and liquification of the reserves in the Aphrodite gas field.

It is estimated that it will then take 2-3 years to complete the studies for the Final Investment Decision and 3 more years for the construction of the mining infrastructure and a pipeline to transport the gas to the Egyptian coast.