

# **‘2019 Should Be the Year of Change – and A Change We Deliver’: An Interview With Cypriot President Nicos Anastasiades**



**On the occasion of the 5th South EU Summit – taking place today in Nicosia – the President of Cyprus provided an exclusive interview,**

**highlighting the importance of 2019 for the future of the European Union, the role of Southern Europe in catalysing a reform agenda, while emphasizing the increasing relevance of Cyprus in the attainment of EU energy security and climate targets.**

*South EU Summit: You assumed your duties as President of Cyprus on the 1st of March, 2013 – only a few days before the climax of the financial crisis in the country. Now, in your second term, not only has the island-nation made a smooth exit from its bailout programme, Cyprus returned to investment grade in 2018, and is currently one of the fastest growing Member States in the eurozone (with a 4% GDP growth rate). What were the keys to achieving this feat, and what measures do you believe need to be prioritized to continue building confidence and credibility in the Cypriot economy?*

**President Anastasiades:** During the past few years, we have succeeded in turning an economy in distress into a story of strong economic recovery, that gained international praise.

The positive repercussions of an ambitious reform programme, and the careful management of state finances, are being reflected through, among others: successive budget surpluses, a dynamic growth rate of 4%, a drastic reduction in unemployment, consecutive upgrades of our economy by international rating agencies, as well as a significant reduction in taxation.

At the same time, despite the economic difficulties we have faced, our country's comparative advantages not only remain

intact, but have been further enhanced and expanded. These include one of the most competitive corporate tax rates, a significant network of Agreements for Avoidance of Double Taxation, a highly qualified and professional workforce, and a fully EU harmonised tax and legal system.

The combination of the above, in conjunction with the reforms in the public sector, and the enhancement of the tax and legal frameworks, resulted in renewed substantial investments in a wide range of sectors.

From the operation of oil and gas giants in our Exclusive Economic Zone, to the licensing of the first integrated casino resort (with an investment of more than half a billion euros), an impressive 18 per cent annual increase in the registration of investment funds, the record numbers of the tourism industry in both arrivals and revenue, and the commercialization of the Limassol port, it is evident that our efforts have borne fruit.

The challenge now is to keep up the momentum and ensure that Cyprus remains on a path of sustainable growth. Sound governance of public finances, complemented by a business-friendly investment environment, a comprehensive government strategy for investment facilitation, and continuing to invest in education, research and development, entrepreneurship, and the empowerment of our youth, are critical elements on this path.

To this end, maintaining the reform momentum is imperative. The entire planning for the years 2018-2023 is a continuation of everything we achieved during my first term in office. With this in mind, we will continue consultations with the parliamentary parties, with a view to gain their support for our reforms programme, in the fields of public service, education, health, the judiciary system, research and innovation, and e-governance.

We also aim to continue with the policy of tax reductions, and provide new incentives in order to further boost entrepreneurship and attract new investments, with emphasis placed on innovation and start-ups. The new Investment Law to fast-track licensing procedures for large investments, and the establishment of a new enhanced investment funds framework, are crucial steps in this direction.

At the same time, the newly-established Deputy Ministry of Shipping, offers substantial support and attention to the already thriving maritime sector of Cyprus, and we have no doubt that the Deputy Ministry of Tourism, operational since January 1<sup>st</sup> of 2019, will further enhance the growing tourism industry.

Most importantly, we will continue to invest in our people, and work with determination and passion to drive change, progress, and prosperity in our country.

***South EU Summit: Deepening the Economic and Monetary Union is a critical step towards greater integration at a eurozone level. What measures do you believe need to be prioritised at an EU policy level, leveraging on Cyprus' experience, to safeguard the country – and the eurozone – from future headwinds?***

**President Anastasiades:** Without a doubt, we, the Member States of the Economic and Monetary Union, have come a long way in further deepening and strengthening the architecture of this relatively young structure.

Actually, this year only marks the Eurozone's 20<sup>th</sup> year of existence.

Mediterranean states have significantly contributed to this effort; we have taken part in long, sometimes difficult

debates, on how to best promote the reform of the euro area. We have done so always in a constructive spirit.

As we all acknowledge, there are still a number of open issues that we need to discuss and decide upon, on which compromises have to be made, from all sides. At the end of the day, the further deepening of the Economic and Monetary Union shall, and will bring benefits to all its members, regardless of their geographic position.

Important issues ahead of us include the establishment of a central stabilisation function, in order to cushion Economic and Monetary Union countries from large and asymmetric macroeconomic shocks.

Advancing on the design and gradual implementation of a budgetary instrument, for convergence and competitiveness of the euro area, remains a priority. We stand ready to pursue the discussion within the eurozone towards a stabilisation function in the Euro area as well.

Concerning the Banking Union, significant progress has been achieved, in risk reducing measures for the banks. It is now time to move on with more concrete actions, and timelines, in regard to risk sharing measures, including the establishment of a European Deposit Insurance Scheme, so as to provide protection to depositors, regardless of the geographic location of deposits.

***South EU Summit: Cyprus is the host of the fifth South EU Summit since its launch in September 2016, bringing together 7 governments that jointly represent close to 40% of EU GDP and population. What is the purpose behind this gathering, and what results would you like to see come about?***

**President Anastasiades:** I am certain that we all agree that this year, 2019, will be a defining year for Europe; this year

the legislative programme of the last five years is coming to an end; starting in May, with the European elections, we are opening the cycle of institutional changes; in May, we, the EU leaders, are also called on to set out our strategic vision for the EU, and provide an answer to our citizens' legitimate concerns; in two months' time, we need to be ready to move forward as a Union of 27. Our actions this year will count more than ever.

Europe is facing all sorts of challenges – social, economic, environmental, political threats and security issues, challenges that touch upon the life of our citizens.

European citizens look to us, politicians, for answers to their daily problems; they demand the bettering of their living conditions; they ask for security, tighter control of our borders, and appropriate measures against migration; they seek a bold approach to a changing environment, the impacts of which, we in the Mediterranean feel the most. Our citizens have every reason to turn to their leaders, and the Institutions, expecting solutions to their problems, and the conditions for a more stable, safe and prosperous future.

So, 2019 should be a year of change, and a change we deliver, it should be our defining moment; that we, as the European Union, do more in answering our citizens through targeted and visible actions. We have a historic responsibility to do so, through a calibrated, ambitious, and result oriented strategy, that will put the European project back on track; make it relevant; adapt it to modernity.

We, the Mediterranean states, have common concerns, and we are determined to pursue fair and well-designed policies, for the benefit of Europe and our citizens. Change and progress are both possible if there is vision, determination, leadership, cooperation, and coordination. I have no doubt that all these elements exist, and we can take the Union one step further, for the benefit mostly of the Europeans. That is the reason

and purpose of our gathering.

**South EU Summit:** *It is widely accepted that Cyprus cannot reach its full potential without a reunification. Besides reducing the political risk of the country, there are estimates that suggest that the reunification of the island could triple the Cypriot economy's growth rate. You recently expressed your commitment to resume "a creative dialogue" to reach "a settlement that brings peace and stability" to Cyprus. Further to the stalemate in Crans-Montana, how do you propose to move forward on the Cyprus issue, and what type of solution do you envisage?*

**President Anastasiades:** I cannot stress enough, the significance, and the consequent multiple benefits, that the solution of the long-lasting Cyprus problem, and the normalisation of our relations with Turkey, would bring about.

In this regard, with a renewed mandate from the people, my top priority remains none other than addressing the unacceptable current state of affairs, with the continuing Turkish occupation of 37 per cent of the territory of the Republic of Cyprus, since there is no doubt, that lasting peace and stability can only be achieved through the comprehensive settlement of the Cyprus Problem.

To this end, on numerous occasions, I reiterated in the clearest terms to the UN Secretary-General, our partners in the EU, the Permanent and non-Permanent Members of the Security Council, and the international community in general, that I remain strongly committed to resuming the negotiating process.

What is of course required, is to create the necessary conditions, that will allow the dialogue to resume, on the basis of good will, and a constructive stance from all stakeholders, particularly from the Turkish side, in order to

safeguard the positive outcome of the negotiations.

The above-mentioned were repeatedly reiterated during my meetings with the UN Secretary-General, during which I also stressed, that I remain sincerely committed to negotiate a solution within the framework set out by the Secretary-General, as clarified on July 4, 2017, with the same determination and positive attitude we have demonstrated since the beginning of the dialogue.

Currently, we expect the arrival of the Special Envoy of the United Nations Secretary-General, who has already held two separate meetings with all parties involved, with the aim of agreeing on the “Terms of Reference”, as regards the methodology of a new negotiating process.

Within this context, I do hope that the meetings of the special envoy of the United Nations, which will soon take place with all other interested parties and stakeholders involved, will allow the Secretary-General to be in a position to resume negotiations.

Taking this opportunity, I wish to state that the failure of the Conference on Cyprus in July 2017 was precisely due to Turkey's insistence on its long-standing position, in maintaining the continuation of the anachronistic system of guarantees, the unilateral right of intervention, and the permanent presence of Turkish troops.

I also wish to state that our side submitted comprehensive written proposals for each and every one of Mr. Guterres six-point framework, including on a new security architecture that would replace anachronisms, and the strategic aspirations of third countries against Cyprus.

Having said the above, at the same time, we should also not ignore the remaining significant differences on the other chapters of the Cyprus Problem. Differences that can be easily resolved, by adopting and respecting what is considered

as our obligation: The European acquis.

It is only through adhering to these fundamental principles, which determine that a member-state of the United Nations, and the European Union, can only be considered as truly independent and sovereign, if it is free of any third country dependencies, that we can truly establish the conditions for prosperity, and peaceful co-existence between all the citizens of Cyprus, in an environment of safety and stability.

I truly wish that both our Turkish Cypriot compatriots, and Turkey, will respond positively to the new prospect that is unfolding again upon us, taking into account, in a comprehensive manner, and without being selective, the provisions set by the Secretary-General at the Conference in Crans-Montana.

On my own behalf, I wish to reassure, once again, my determination to work tirelessly to reach a comprehensive settlement, that will finally reunify our island after 44 years of division, ensuring conditions of safety for the future generations of Greek and Turkish Cypriots, without any third country military troops or guarantees.

A settlement that will satisfy the genuine desire of our people, especially of the younger generations, to live together and peacefully co-exist, collaborate and prosper, in a European country which fully respects their fundamental human rights and freedoms.

And, aside from the obvious fact that the solution of the Cyprus Problem, would be first and foremost to the benefit of all Cypriots, please allow me to bring to your attention some other merits that a settlement would bring:

- On a regional level, it would turn Cyprus into a model-country of stability and predictability, and would amplify Cyprus' role as a security provider, in one of the most turbulent areas of the world.

- At a European level, it would end the oxymoron of having one of its member-states being divided, while it would also positively reinforce EU-Turkey relations, and the overall security architecture of the EU.
- Last, but not least, the solution of the international problem, which has been on the agenda of the United Nations during the last decades, will offer a beacon of hope, that even the most intractable problems can be solved peacefully, through the United Nations.

***South EU Summit: Establishing a united strategy to manage migratory inflows currently constitutes one of the biggest challenges for the EU writ large. In fact, in 2018 Cyprus ranked 1st in asylum claims per capita, with close to 6,000 requests. What is your perspective in this regard, and how can the Union strike a balance between upholding EU founding values, such as solidarity, while safeguarding the interests of European citizens? What reforms to you believe should be made to the EU's Common Migration Policy?***

**President Anastasiades:** Last December, at the European Council, we discussed once more the implementation of the EU's comprehensive approach. We had a rather heated discussion, I would say, during which I intervened three times.

We have been striving for months to come to a satisfactory solution to the migratory pressures we are faced with. Since the beginning of the crisis, several measures have been adopted, producing positive results; we welcome these, but there is still work to be done, especially on fair burden sharing, and shared responsibility among Member States.

What do we actually need in the end, in order to come to a lasting solution?

First, solidarity: front line states cannot be left alone anymore, to bear the responsibility of hosting, and providing

adequate reception conditions, to the immense flows of asylum seekers, while other Member States provide only financial and technical assistance. Nor can the EU be dependent on the goodwill of certain third countries, to cooperate, and to carry out their obligations.

Second, measures concerning border control, or prevention of human trafficking and smuggling. The present crisis has an important humanitarian dimension that cannot be overlooked.

Third, effective cooperation with third countries, based on equal partnership, and mutual honouring of respective obligations.

Cyprus has been facing disproportionate pressures from asylum seekers during the last years. We are the first among Member States concerning the number of first time asylum applications in relation to the population. There is a 55 per cent increase for 2018, compared to the same period last year.

Since the beginning of 2018, we have registered the illegal entry of more than 1,840 persons into the areas that are under the effective control of the Republic. The main point of their departure remains Turkey and, recently, to a lesser extent, Lebanon (204 persons since the beginning of 2018).

Irregular migrants entering Cyprus are mostly Syrians, who are entitled to international protection, and cannot be returned. Hence, measures mainly focused on the management of flows of economic migrants, cannot help Cyprus.

There is also a high percentage of economic migrants whose return is not feasible, because Turkey does not apply the EU –Turkey Readmission Agreement towards Cyprus, (and does not apply the third country nationals clause towards any Member State).

Last but not least, the refusal of Turkey to properly implement the EU–Turkey Statement towards Cyprus, and prevent

new migratory routes from emerging, aggravates the situation, since a considerable number of irregular migrants arrive in the areas that are not under the effective control of the Republic of Cyprus.

***South EU Summit: Cyprus, Greece, Italy and Israel are at the forefront of re-designing new energy routes running through the Eastern Mediterranean. Besides the EuroAsia Interconnector, an EU decision regarding the EastMed pipeline is expected within the first months of 2019. Likewise, international attention is set on the results of the exploratory drilling being undertaken by ExxonMobil. What is your evaluation of the potential of Cyprus becoming a decisive player within the context of EU energy security, and how can these cross-border energy projects contribute to the strengthening of EU energy independence?***

**President Anastasiades:** Energy security is of strategic importance for the EU, as it underpins not only our economic growth, but also our ability to alleviate poverty and improve social welfare. Most importantly, of course, it safeguards our ability to make political decisions, based solely on our code of principles, free of undesirable interdependencies.

The European Union has faced challenges in the past, that have illustrated the need to ensure that it is not over-reliant on a limited number of sources of energy, or be vulnerable to external pressure. Diversification of energy resources, and routes, is thus of paramount importance in ensuring secure, sustainable, affordable, and safe energy supply to Europe.

In this respect, I welcome the special attention paid by all to the Eastern Mediterranean, as a region that can become a reliable energy supplier, thus contributing substantially to the EU's energy security.

Towards this end, we are actively working on the EastMed

Pipeline Project, an ambitious project of great geopolitical significance, that will transfer Israeli and Cypriot resources to the EU, via Greece and Italy. We hope that the Intergovernmental Agreement that has been negotiated between Cyprus, Greece, Israel, and Italy, will be signed as soon as possible.

In the same vein, the signing of the Intergovernmental Agreement between Cyprus and Egypt last September, concerning the construction of an underwater pipeline, to export Cypriot natural gas to Egypt, the first of this kind in the region, is an equally important development, since the natural gas, through the Idku LNG plant, will be exported to the EU. In this respect, it has to be clear that the Government of the Republic of Cyprus is acting in the interest of all its citizens, Greek-Cypriots as well as Turkish-Cypriots, who will benefit accordingly.

All these developments highlight our firm conviction, that the wealth of the region can bring the countries of the region together, creating common interests, and contributing to peace and stability. In fact, it can become what coal and steel was for the EU, this time in a new regional context.

Unfortunately, Turkey, almost on a daily basis, continues to issue warnings and threats if we insist on proceeding with our energy programme. It is clear that Turkey's actions in our maritime zones aim at advancing Turkey's interests in the Eastern Mediterranean: to place the region's hydrocarbon reserves under its control, and become the energy hub of Europe.

At the same time, Turkey's behaviour poses a broader security threat in the fragile Eastern Mediterranean, and needs to be addressed, not only as a severe infringement of the sovereign rights of a Member State, but also of the rights and interests of the European Union as a whole.

Unqualified, tangible solidarity, is what is called for by the Treaties, and dictated by Turkey's actions, and we need to send the message that Turkey needs to avoid any kind of friction, threat, or action, directed against a Member State, which damages good neighbourly relations and the peaceful settlement of disputes

***South EU Summit: Taking into consideration the need to shape domestic policies that comply with climate targets on the one hand (penetration of RES in electricity production equivalent to at least 32%, energy efficiency of 32.5% by 2030 and becoming the world's first climate-neutral economy by 2050), guarantee the competitiveness of individual economies on the other, while also catering to the social implications derived from this energy transition – what is your strategy in this regard?***

**President Anastasiades:** Let me start by underlining that the October 2018 report by the Intergovernmental Panel on Climate Change (IPCC), and the COP-24 deliberations are clear: climate change has emerged as the new major threat, especially for the Middle East and Northern Africa.

All countries in the Eastern Mediterranean, and the Middle East, are particularly vulnerable. The forecasted impacts of a changing environment are dire for our region. They include social unrest, conflict, and mass migration, with serious ramifications for international peace, stability, and security.

We need to take immediate action at a national, regional, and an international level. There is no doubt about it.

The EU shall maintain its position as the global leader in the fight against climate change. Thus, we need to support the efforts of the European Commission in putting together the EU's long term strategy, the soonest possible. A strategy that

should be result oriented, and ambitious, with a vision for a climate neutral economy for the future.

Having in mind the worrisome outcome of the latest IPCC report, and other scientific studies, I convened a meeting last June, to evaluate and enhance Cyprus' action in combating the effects of climate change for Cyprus and the region.

Cyprus, due to its location, and its excellent relations with the countries of the region, can play an important regional role in tackling climate change and its impacts. Cyprus offers a particularly attractive institutional setting for a number of international organisations, looking for regional presence/headquarters.

Cyprus could promote coordination and cooperation, between the countries of the region, so that an Action Plan is developed; this will record and mitigate climate change impacts, on sectors like Environment, Agriculture, Tourism, Health, in Eastern Mediterranean and Middle Eastern countries. It will develop an inclusive "dialogue forum"- a platform where national and regional stakeholders, can discuss science-based practical solutions to challenges related to climate change.

The initiative could feed the Eastern Mediterranean and Middle-Eastern region, with environmental observations and predictions required to assess the extent of the rapid warming and drying conditions, as well as better support national policies to meet CO2 emission pledges to the Paris Agreement.

In collaboration with advanced regional and international partners, who are experts in the field, efforts are currently underway to establish a new regional Centre of Excellence on Climate Change in Cyprus, being a knowledge hub for environmental and climate change research, and sustainable solutions, addressing the societal challenges of Cyprus, the Eastern Mediterranean and the Middle Eastern region.

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# La fronde anti-éoliennes prend de l'ampleur



Par Marie-Estelle Pech

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**ENQUÊTE** – Le gouvernement souhaite doubler le nombre d'éoliennes sur le territoire dans les cinq prochaines années. Mais la contestation s'intensifie et réunit des opposants de tous bords.

Après les McDonald's et les champs d'OGM, la prochaine cible des écologistes ou des zadistes sera-t-elle l'éolien? En juin, un feu criminel détruisait une éolienne et en endommageait une autre à Marsanne, dans la Drôme. L'attaque a été revendiquée mi-juin par un site libertaire précisant «s'attaquer aux dominations». Du bourgeois au militant mélenchoniste en passant par l'anarchiste, le pêcheur et le châtelain, l'opposition à l'éolien est «de plus en plus composite», affirme Fabien Bouglé, porte-parole du collectif d'opposants Touche pas à nos îles! en guerre contre le projet de parc éolien au large de l'île de Noirmoutier, en Vendée.

Certes, cette opposition a historiquement débuté chez des pronucléaires situés bien à droite, «mais ça change», souligne cet élu versaillais, spécialiste du marché de l'art, qui témoigne avoir assisté à une lecture sur le sujet dans une «librairie anar de gauche» à Paris, et qui prophétise «une grande révolte populaire anti-éoliennes». D'autant que semble s'opérer une mutation: la contestation, jusque-là cantonnée aux citoyens et aux associations anti-éoliennes, trouve désormais des voix et des relais dans le monde politique pour porter le combat.

Ainsi Xavier Bertrand, ancien ministre du Travail et actuel président de la région des Hauts-de-France, qui a lancé fin juin un observatoire de l'éolien afin de mieux contrôler l'expansion des parcs dans sa région, qui «défigure complètement les paysages» et «coûte les yeux de la tête». Ou encore ces dix députés, tant de la majorité que de l'opposition, qui ont signé une tribune, «Stop aux nouvelles éoliennes!», dans nos éditions du 20 juin dernier.

## Projet «antidémocratique»?

La France constitue aujourd'hui le quatrième parc d'Europe derrière l'Allemagne, l'Espagne et la Grande-Bretagne. Sa proportion d'électricité éolienne représente moins de 5 % de sa consommation mais, d'ici à 2023, les éoliennes terrestres devraient doubler, passant de 7300 à quelque 15.000. «C'est le deuxième gisement de vent d'Europe et la deuxième façade maritime. Le potentiel est considérable», selon Pauline Le Berre, déléguée générale de France Énergie éolienne (FEE).

*On compte 70 % de recours contre les permis de construire devant les tribunaux administratifs, contre 50 % il y a cinq ans*

Si l'Allemagne a depuis longtemps compris «la nécessité impérative d'avoir une transition énergétique, en France, de

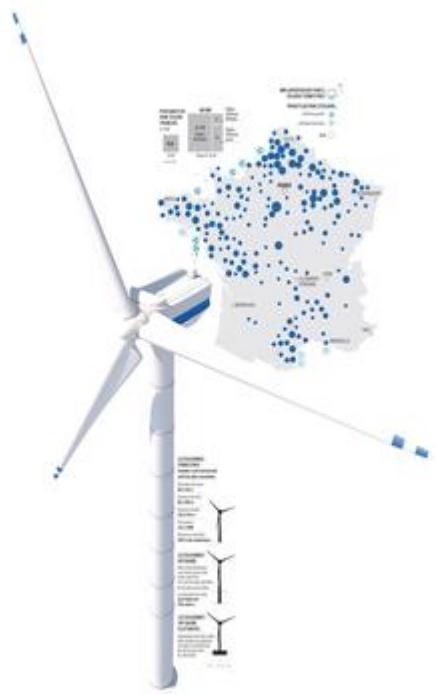
nombreuses associations jouent sur les angoisses des gens, propageant des idées reçues». Le degré d'opposition à l'éolien serait, selon elle, unique en Europe, lié à notre historique avec le nucléaire.

De fait, malgré le discours politique français très volontariste sur le sujet, malgré les sondages favorables à l'éolien menés auprès des Français, l'installation des éoliennes suscite de plus en plus d'opposition. On compte 70 % de recours contre les permis de construire devant les tribunaux administratifs, contre 50 % il y a cinq ans. Une perte de temps pour les promoteurs: la mise en route d'un parc est désormais d'environ neuf ans, contre quatre pour l'Allemagne.

Pour accélérer le processus, le gouvernement a décidé de supprimer le premier degré de juridiction, le tribunal administratif, pour passer directement à la cour administrative d'appel. Un projet de décret est actuellement en consultation devant le Conseil d'Etat. Cela se pratique déjà pour les projets éoliens en mer, les multiplexes de cinéma et les supermarchés. Un projet «antidémocratique» pour Fabien Bouglé, et qui, ces derniers mois, mobilise et durcit plus encore le front anti-éolien.

## Biodiversité

Les associations d'opposants s'offusquent aussi d'un décret paru le 11 juillet qui permet de moderniser les parcs existants sans reprendre de zéro toutes les études d'impact. Que reprochent ces opposants à l'éolien? Sa laideur, sa proximité avec des habitations et des monuments historiques, ses nuisances sonores, ses lumières «aveuglantes», des installations entachées de multiples prises illégales d'intérêt de la part des élus. Les arguments sont multiples. Et parfois écoutés.



Des éoliennes ne seront ainsi pas installées en arrière-plan du paysage du Mont-Saint-Michel, pas plus que du côté du pont du Gard. Pauline Le Bertre, elle, indique qu'en France «les restrictions d'installation sont les plus élevées d'Europe. On multiplie les études d'impact liées à la biodiversité, le patrimoine, les habitations.» À l'entendre, une éolienne implantée à 500 mètres d'une habitation, le minimum réglementaire, «fait un bruit semblable à celui d'un frigidaire». Elle vante la compétitivité du mégawatt éolien, 64 euros contre 110 pour le nucléaire dernière génération. Inversement, Karine Poujol, à la tête de l'association Gardez les caps, considère que les 64 éoliennes prévues en baie de Saint-Brieuc provoqueront la mort de la biodiversité sous-marine, alors même que la zone est protégée Natura 2000. Elle anticipe un bruit «semblable à celui d'un décollage d'avion».

Loïk Le Floch-Prigent, ancien PDG d'Elf Aquitaine, défend les coquilles Saint-Jacques du cap Fréhel, qui pourraient être «très affectées» par ces installations fixées par 42 mètres de fonds. L'ancien industriel se défend de jouer pour le camp des pronucléaires, lui qui a «toujours défendu le fait qu'il fallait diversifier», rapporte-t-il au *Figaro*. Il met en doute cette politique qui «pénalise notre compétitivité en augmentant nos importations de matériel: 95 % des

investissements de l'éolien viennent d'Allemagne, du Danemark, d'Inde ou de Chine, tandis que deux tiers des exploitants viennent d'ailleurs». Ce printemps, la Cour des comptes affirmait que «le tissu industriel français a peu profité du développement des énergies renouvelables». Malgré des moyens considérables, qui se sont élevés en 2016 à 5,3 milliards d'euros. La prévision de dépense publique en 2023, elle, est de 7,5 milliards d'euros.

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## **Greece's Credit Rating Upgraded by Fitch on Debt Sustainability**



(Bloomberg) —Greece's credit rating was raised by Fitch

Ratings to the highest level since 2011 as the country approaches a successful exit from the ESM program and its sustained economic growth bodes well for debt sustainability. “Debt sustainability is also underpinned by a track record of general government primary surpluses, our expectation of sustained GDP growth; additional fiscal measures legislated to take effect through 2020 and somewhat reduced political risks,” the agency said.

Greece’s bailout program ends on Aug. 20, which is also the last day that the European Central Bank will still accept Greek bonds as collateral for providing cheap funding to Greek lenders, and the country is expected to take some time to secure an investment grade rating as it tries to convince investors that normality is back.

Without a program, Greece needs that rating from at least one agency to be eligible for the ECB’s funding facilities for its banks. Investment grade would also make the nation’s sovereign bonds attractive to more investors, helping the government to regain sustainable access to markets.

Fitch upgraded Greece’s long-term foreign currency debt to BB- from B, showing that the agency isn’t that worried about the International Monetary Fund’s glum assessment of the country’s prospects.

“We expect fiscal performance to remain sound over the post-program period”, Fitch said in the report, adding that public finances are improving. “GDP growth is gathering momentum,” the rating agency said, forecasting a growth of 2 percent in 2018 and 2.3 percent in 2019.

With Greece exiting an eight-year period of bailout programs in just over a week, Greek governments must continue to implement reforms and stick to the fiscal path that has already been agreed with creditors to reassure investors.

“The domestic political backdrop has become somewhat more

stable and the working relationship between Greece and European creditors has substantially improved, lowering the risk of a future government sharply reversing policy measures adopted under the ESM program," Fitch said.

Greek bonds are still vulnerable to external risks which makes sticking to the fiscal agenda and implementing reforms even more important for securing investor confidence. Greek 10-year note yields hit their highest level since June 22 this week amid uncertainty around Italy.

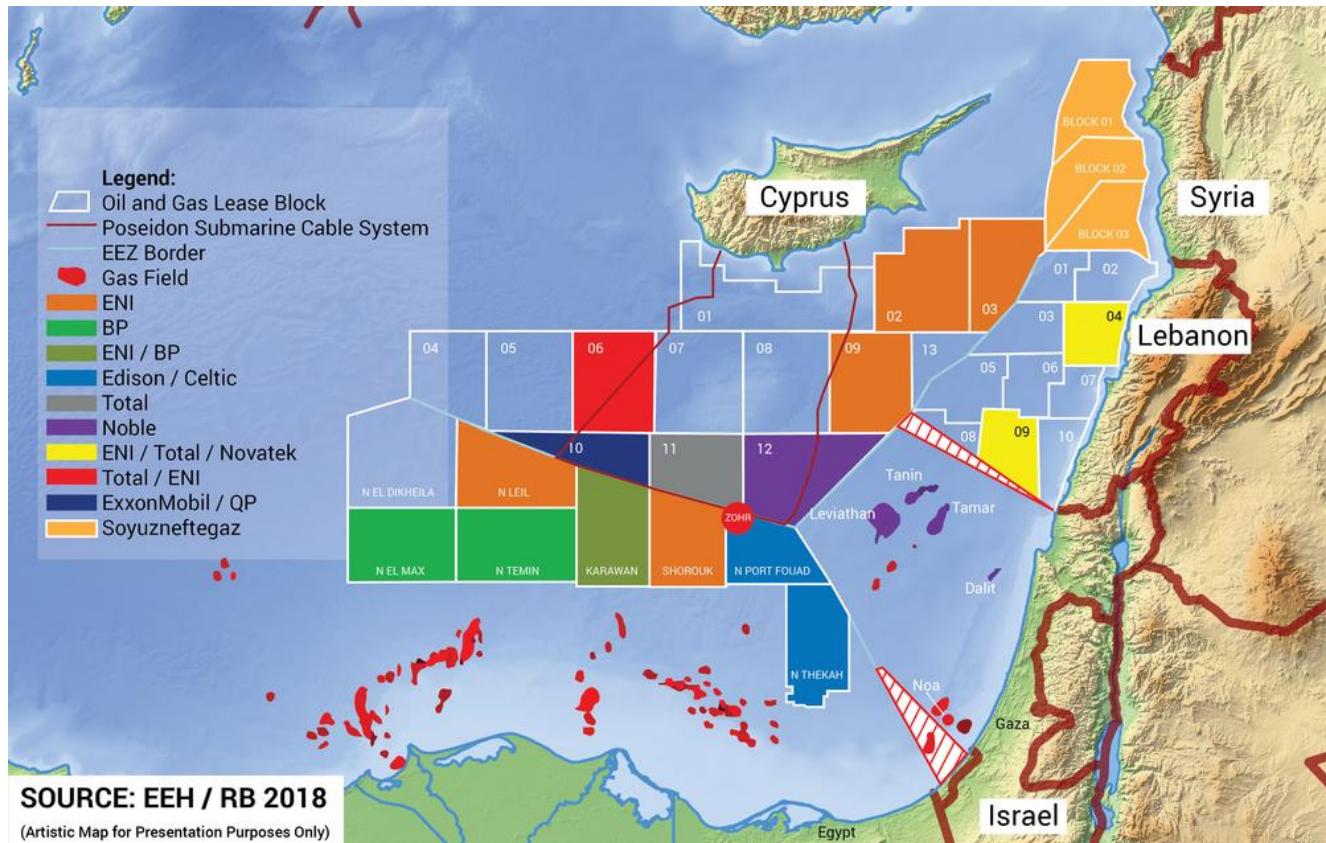
Among the major rating companies, Moody's Investors Service gives Greece the lowest grade and hasn't changed its rating since February, well before the conclusion of the last bailout review and the decision in June by euro-area finance ministers for further debt relief measures for Greece. S&P Global Ratings was the first to act after the Eurogroup decision and it raised its rating by one notch to B+.

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## بـارودـيـ: اـتفـاقـ تـفاـوضـيـ حـولـ الـبـلـوكـ 9ـ أوـ التـحـكـيمـ نـصـرـ أـكـبـرـ لـلـبـنـانـ







المركزية - اعتبر الخبير النفطي الدولي رودي بارودي أن "التوصل إلى اتفاق تفاوضي جيد من خلال وساطة أو تحكيم طرف ثالث، قد يعني نصراً أكبر بكثير للبنان في النزاع الحاصل مع إسرائيل حول النفط والغاز في البحر".

وأكد بارودي الذي شارك في مؤتمرات دولية عدّة آخرها في قبرص، أن هناك "عوامل أخرى تبشر بالخير بالنسبة إلى الآفاق القانونية اللبنانيّة القصيرة والطويلة الأمد، بما في ذلك حقيقة أن الجزء من البلوك 9 الذي يهتم به تحالف "توتال" و"آني" و"نوفاتيك"، يكمن بوضوح في المياه اللبنانيّة، ما يترك مجالاً واسعاً لحل وسط وقصير الأجل، على الأقل يسمح بالاستكشاف في المناطق غير الخاضعة للنزاع مع ترك أسئلة أكثر صعوبة في وقت لاحق".

ولفت إلى أن "نوعية المعلومات التي قدّمها لبنان إلى الأمم المتحدة والأطراف الأخرى المهمّة، تعطي أهميّة كبيرة لموقفها وبأكثـر من طرقة".

وأضاف: الجانب اللبناني استخدم الرسوم البيانية للهندسة البحريّة البريطانيّة الأصليّة كنقطة انطلاق للحدود الجنوبيّة لمنطقـتها الاقتصاديـة الخالصـة، ما يضفي صدقـيـةً أكبر على معارضـتها.

وأوضح أن "لبنان وقّع وصادق على الاتفاقيـة الدوليـة الأسـاسـية في شأن

ترسيم الحدود البحرية عام 82، إلا أن إسرائيل لم تفعل، وبناءً على ذلك لا توجد آلية ملزمة يمكن بموجبها لأي من لبنان وإسرائيل أن تحيل مسألة الحدود البحرية إليها لحلّها، من دون موافقة صريحة من الجانب الآخر".

وتابع: بما أن إسرائيل وقعت اتفاقية منطقة اقتصادية حصرية مع قبرص، فلدى لبنان خيارات على هذا المستوى.

وتحدث بارودي عن "الجهود الدبلوماسية المعقدة بسبب العديد من العوامل التي تعوق طرق حل النزاع، خصوصاً أن لا علاقات دبلوماسية بين لبنان وإسرائيل".

وشرح بارودي تحفظات لبنان حول ما يتعلق بتعيين محكمة العدل الدولية أو أي طرف ثالث لحل النزاع الحدودي البحري، مشيراً إلى شقين:

- أولاً: المخاوف من أن تسعى إسرائيل إلى تشرع أي اتفاق لإحالة النزاع البحري إلى محكمة العدل الدولية أو أي محكمة أخرى بعد موافقة لبنان على إخضاع كل القضايا الحدودية لحل هذه الهيئة.

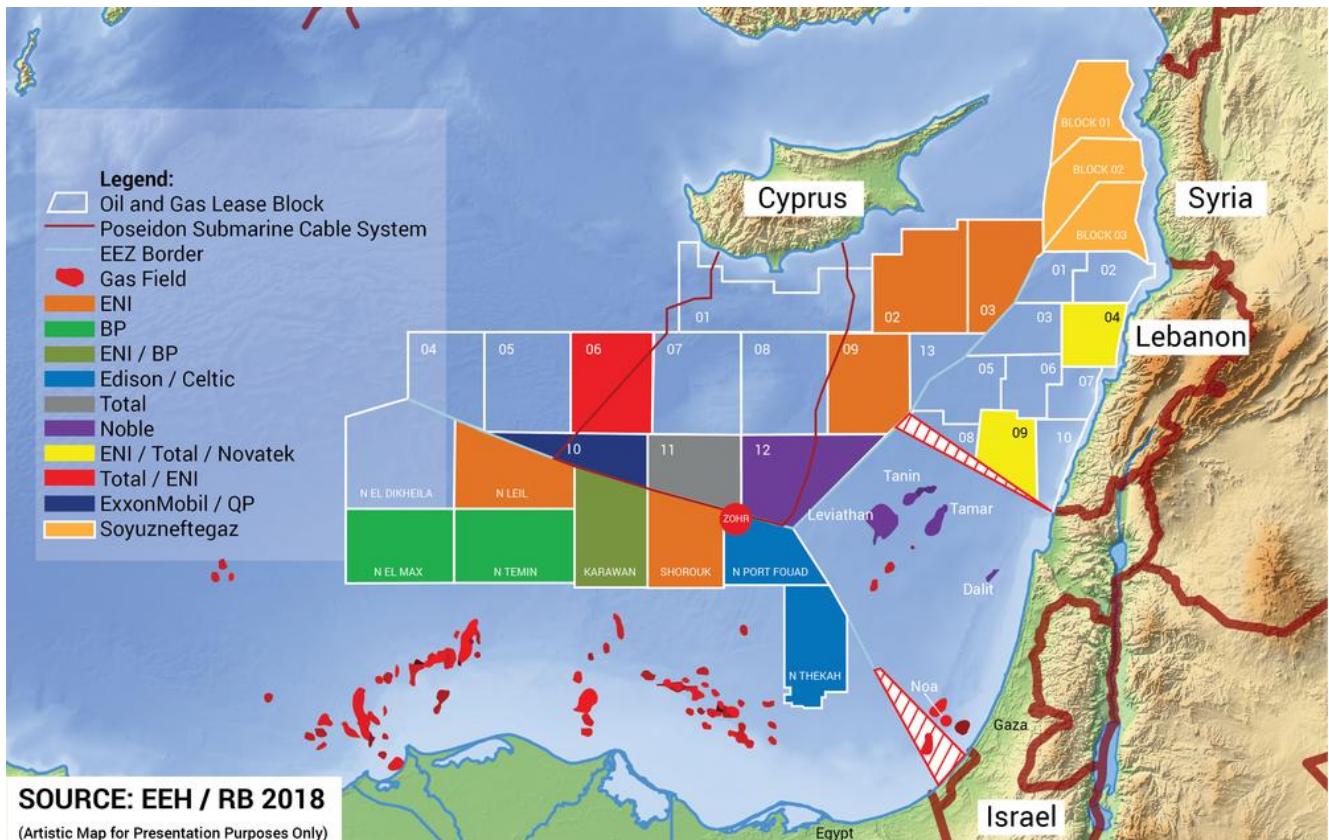
- ثانياً: القلق من أن أي اتفاق مباشر مع إسرائيل على طلب مشاركة طرف ثالث على النزاع، يمكن اعتباره اعترافاً بحكم الواقع وبحكم القانون لإسرائيل.

وأضاف "هناك عناصر معيّنة تجعل النزاع اللبناني - الإسرائيلي مزيداً من بعض التواهي، لكن الظروف العامة في هذه الحالة ليست عادية"، شارحاً أن "كل ولاية ساحلية في العالم لديها منطقة بحرية واحدة على الأقل تتدخل مع منطقة أخرى، ولا يزال العديد من هذه النزاعات من دون حل".

وأشار إلى أن "العديد من المعاهدات البحرية الثنائية التي تم التوصل إليها، تعارضها البلدان المجاورة ذات المناطق المتداخلة، كما هو الحال في معارضة لبنان لاتفاق الإسرائيلي- القبرصي".

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# رودي بارودي: اتفاق تفاوضي جيد من خلال وساطة أو تحكيم طرف ثالث قد يعني نصراً أكبر بكثير للبنان



شدد الخبير النفطي الدولي رودي بارودي على أن التوصل إلى اتفاق تفاوضي جيد من خلال وساطة أو تحكيم طرف ثالث ، قد يعني نصراً أكبر بكثير للبنان بدل إسرائيل في النزاع الحاصل حول النفط والغاز في البحر.

واكد بارودي الذي شارك في مؤتمرات دولية عدّة آخرها في قبرص ، أن هناك عوامل أخرى تبشر بالخير بالنسبة إلى الآفاق القانونية اللبنانيّة القميّرة والطويلة المدى، بما في ذلك حقيقة أن الجزء من البلوك 9 الذي تهتم به توتال وآني ونوفاتيك ، يكمن بوضوح في المياه اللبنانيّة ، وهذا يترك مجالاً واسعاً لحل وسط وقصير الاجل، على الأقل يسمح بالاستكشاف في المناطق غير الخاضعة للنزاع مع ترك أسئلة أكثر صعوبة في وقت لاحق.

ولفت بارودي إلى أن نوعية المعلومات التي قدّمها لبنان إلى الأمم المتحدة والأطراف الأخرى المهتمة تعطي أهمية كبيرة لموقفها وبأكثر من طريقة وأضاف بارودي إن الجانب اللبناني استخدم الرسوم البيانية للهندسة البحريّة البريطانيّة الأصلية كنقطة انطلاق للحدود الجنوبيّة لمنطقتها الاقتصاديّة الحالمة، ما يضفي صدقيةً أكبر على معارضتها .

واوضح الخبير النفطي أن لبنان وقع وصادق على الاتفاقية الدوليّة الاساسية في شأن ترسيم الحدود البحريّة عام 82 ، إلا أن إسرائيل لم تفعل ذلك ، وبناء على ذلك فإنه لا توجد آلية ملزمة يمكن بموجبها لأيٍ من لبنان وإسرائيل ان تحيل الحدود البحريّة إليها من أجل حلّها ، من دون موافقة صريحة من الجانب الآخر.

ولفت بارودي إلى انه بما ان اسرائيل وقعت اتفاقية منطقة اقتصاديّة حصرية مع قبرص فإن لدى لبنان خيارات على هذا المستوى. وتحدث بارودي عن الجهود الدبلوماسيّة المعقدة بسبب العديد من العوامل التي تعيق طرق حل النزاع، خصوصاً أن لا علاقات دبلوماسيّة بين لبنان وإسرائيل.

وشّح الخبير النفطي الدولي أن تحفظات لبنان في ما يتعلق بتعيين محكمة العدل الدوليّة أو اي طرف ثالث لحل النزاع الحدودي البحري ذات شقين:

أولاً: المخاوف من أن تسعى إسرائيل لتشريع اي اتفاق لإحالة النزاع البحري إلى محكمة العدل الدوليّة او اي محكمة اخرى بعد موافقة

لبنان على إخضاع كل القضايا الحدودية لحل هذه الهيئة .  
ثانياً: القلق من أن أي اتفاق مباشر مع إسرائيل على طلب مشاركة طرف ثالث على النزاع ، يمكن اعتباره اعترافاً بحكم الواقع وبحكم القانون الإسرائيلي .

وأضاف بارودي: إن هناك عناصر معينة تجعل النزاع اللبناني الإسرائيلي مزيداً من بعض النواحي ، لكن الظروف العامة في هذه الحالة ليست عادية ، وشرح أن كل ولاية ساحلية على كوكب الأرض لديها منطقة بحرية واحدة على الأقل تتدخل مع منطقة أخرى ، ولا يزال العديد من هذه النزاعات من دون حل .

وأشار إلى أن العديد من المعاهدات البحرية الثنائية التي تم التوصل إليها ، تعارضها البلدان المجاورة ذات المناطق المتداخلة ، كما هو الحال مع معارضة لبنان للاتفاق الإسرائيلي-القبرصي .

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**ExxonMobil's Ocean  
Investigator sails for block  
10 of EEZ**



ExxonMobil's Ocean Investigator research vessel sailed on Tuesday night from Limassol port into block 10 of Cyprus' Exclusive Economic Zone (EEZ) to carry out hydrocarbon explorations for the US oil giant.

The Ocean Investigator had docked at the port of Limassol on March 14.

A second research vessel of ExxonMobil's, Med Surveyor also departed from Limassol on Tuesday and headed towards Piraeus, Greece, after having completed its environmental research in block 10.

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## Energy programme proceeding

# as planned, president tells oil and gas forum



Cyprus is promoting three projects that were selected by the European Commission as projects of common interest, because of their benefits to the European energy market, President Nicos Anastasiades said on Tuesday.

The president was addressing the 9th Mediterranean Forum on Oil and Gas in Nicosia, telling delegates that recently, two of the projects had secured EU funding. Specifically, €101 million will be allocated to the CyprusGas2EU project, while the EastMed Pipeline had been awarded €34.5m for technical studies.

The CyprusGas2EU" project aims at allowing the transport of gas from the Eastern Mediterranean to Europe. By 2020, Cyprus will construct a Floating Storage and Regasification Unit (FSRU) in order to import gas in the form of LNG from international markets, Anastasiades said. The EastMed Pipeline aims to transport gas from Cyprus and the Eastern Mediterranean to Europe via Crete and mainland Greece.

A third project, the EuroAsia Interconnector, is an electricity connection between Israel, Cyprus and Greece that is supported by all three governments.

"We intend to continue exercising Cyprus' rights as an independent and fully integrated Member State of the European Union, proceeding with our exploration programme as planned," said Anastasiades.

He said this was also part of a broader policy in that the discoveries of significant quantities of natural gas in the Eastern Mediterranean, as well as potential future discoveries, could be a driver for stabilization in the region.

"After all, together with the respect by all parties of international law and national sovereign rights, this is the kind of stable and predictable environment that we are obliged to jointly create, in order to bring in the multibillion investments needed for developing the East Med's hydrocarbons wealth," he said.

Anastasiades also addressed Turkey's provocations in the island's exclusive economic zone recently.

The president said Cyprus' policy has traditionally been based on regional cooperation and the establishment of long-lasting relationships with all neighbouring countries.

"As we have always maintained, collaboration and synergies achieved in the hydrocarbons sector of the Eastern Mediterranean can feed into the political relations between countries, building the foundations for regional stability and peace," he said.

Initiatives undertaken by Cyprus had been "highly successful" at the bilateral and multilateral levels, with countries such as Lebanon, Israel, Egypt, Jordan and Greece.

At the same time, he added, the recent deal struck between Israel and Egypt was concrete proof that collaborations between countries in the region were already taking place, "and Cyprus, I can assure you, will be an active participant in future developments".

The developments were aligned with the EU's recent Energy Union strategy, which has confirmed the Mediterranean as a strategic priority for reducing EU's dependency on existing energy suppliers and routes, Anastasiades said.

"Our aim remains to support the EU in its diversification efforts, with Cyprus, as an EU member state, having a stable legal and political environment and constituting a reliable partner for both neighbouring countries and oil and gas companies." It was also necessary to lift the island's energy isolation, he said.

Next on the agenda would be the drilling activities of the ExxonMobil/Qatar Petroleum consortium in block 10, which included two back-to-back exploration wells during the second half of this year, Anastasiades said "Over the past few years we have, in fact, made some remarkable steps towards the realization of our exploration program, which we aspire will soon establish Cyprus as a natural gas producer and a transit country," he added.

He referred to ongoing projects in the field. At present, the ministry of energy and the Aphrodite consortium were engaged in advanced discussions to establish, “the soonest possible”, the development and production plan for Aphrodite.

Following the third licensing round and the decision to grant hydrocarbon exploration licences for blocks 6, 8 and 10, to ENI/Total, ENI and ExxonMobil/Qatar Petroleum respectively, “we anticipate with eagerness” the completion of the exploration programme of all licensed companies. The second wave of exploration in Cyprus’ EEZ was initiated by the Total/ENI consortium, he said.

After the renewal of its exploration license for block 11, in February 2016, the consortium went ahead with its exploration programme, drilling their first well between June and September 2017. The “Onesiphoros West 1” well resulted in a technical discovery that confirmed the existence of a petroleum system and the presence of a “Zohr”-like, reservoir, the president said.

“A mere two months ago, in January, we also had the completion of the first exploration well in Block 6 by the consortium of ENI and Total. The “Calypso” well encountered an extended gas column with excellent characteristics. This discovery also confirms the presence of the “Zohr”-like play in the Cypriot EEZ,” he added.

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**New Energy era for Europe  
“there for the taking”**



ATHENS: Offshore gas from the Eastern Mediterranean could usher in a new era of energy independence and economic renaissance for Europe, a regional energy expert told a high-profile industry conference in Athens on Friday.

“Almost instantly, the flow of East Med gas into Europe would mean additional diversification and flexibility of supply, closely followed by enhanced competitiveness for European industry, accelerated economic growth, and dramatic long-term improvements for public finances,” Roudi Baroudi, a veteran of more than 36 years in the oil and gas business, told the Athens Energy Conference.

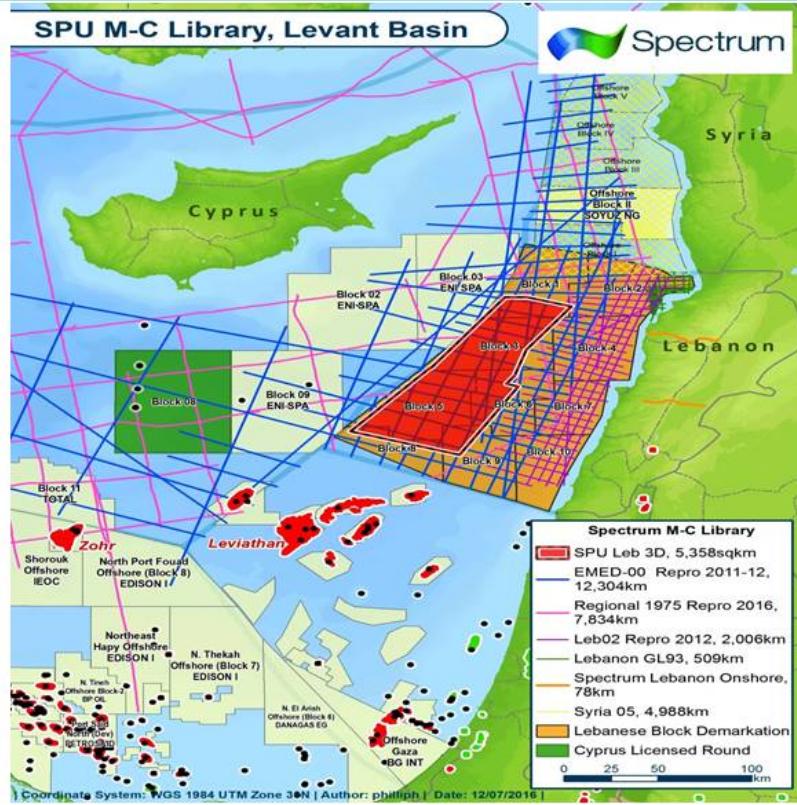
While “East Med gas would be more of a complement than a competitor to supplies already flowing ... from Russia” and other countries, he explained, other factors were also likely to help Europe diversify its energy supply, putting downward pressure on prices and “reducing the potential impact of possible interruptions elsewhere”.

Baroudi, who currently serves as CEO of Energy and Environment Holding, a Doha-based independent consultancy, has advised governments, companies, and multilateral institutions on energy matters, even helping to craft policy for agencies of the European Union and the United Nations. Speaking on the sidelines of the conference, which drew a broad audience including senior figures from both the public and private sectors, he said the timing “could not be better” for Europe.

“Shale gas has made America another energy superpower alongside Russia and OPEC, and liquefied natural gas is now a fully fledged global commodity,” he said. “Plus, the East Med producers will be sitting on Europe’s doorstep, and several countries are already gearing up to start taking massive LNG shipments. Decades of benefits for hundreds of millions of people, all there for the taking.”

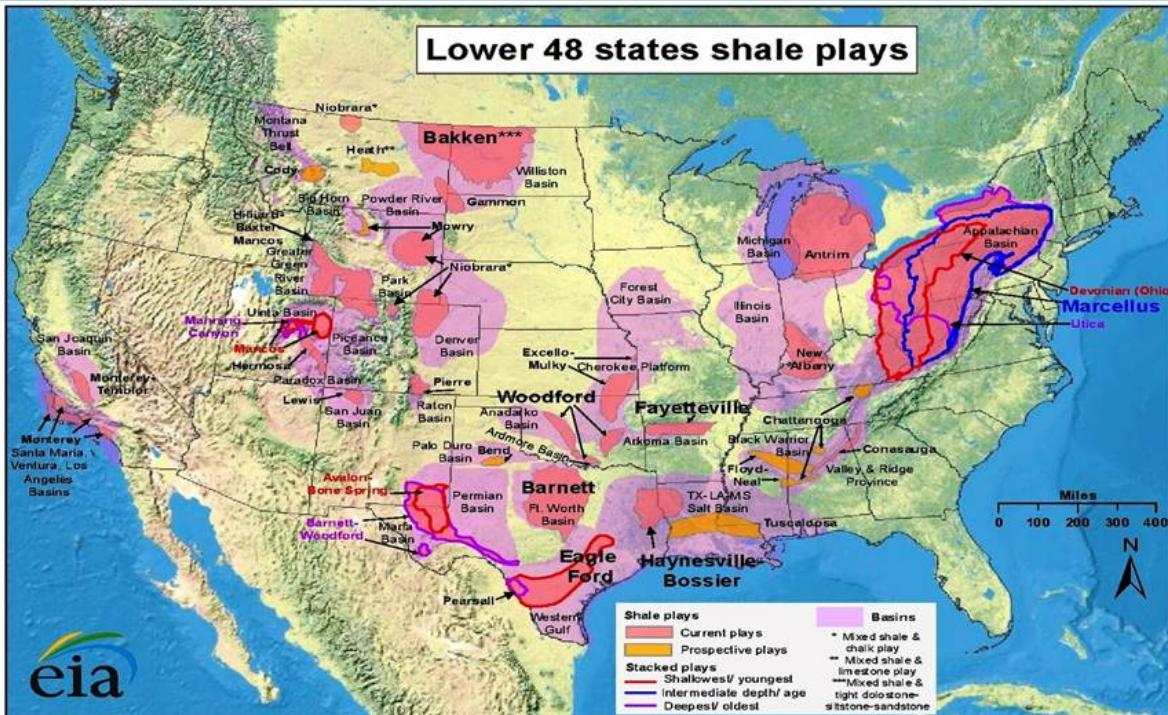
# Athens Energy Forum 2018

## Energy Security and Strategic Investments: The Way Forward



# Athens Energy Forum 2018

## Energy Security and Strategic Investments: The Way Forward



Game-changer: "Shale O&G puts America on global energy stage"

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And expected producer countries like Cyprus, Greece, and Lebanon, Baroudi added, stand to gain even more. "For a variety of historical reasons, most of these countries have not yet achieved the levels of development enjoyed in most of the European Union," he told the conference. "Given the potential rewards for their peoples, the governments involved have nothing less than a moral responsibility to take advantage of propitious circumstances by tapping the oil and gas wealth within their respective social, economic, and geopolitical reaches." Baroudi also has emphasized some of East Med countries are not party to UNCLOS but all countries are signatories to the UN Charter. Therefore, Baroudi reminded that all these countries are under an obligation to "settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered."

He also sounded notes of caution, however. For one thing, he

stressed the need for producer countries to ensure proper management of the proceeds from gas sales to pay social justice. For another, he reinstated on the same countries to avoid international tensions that might impede development of the sector.

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## **Roudi Baroudi Remarks at the 8th Mediterranean Oil and Gas Forum 2017 in Nicosia, Cyprus.**





These are truly historic times for the Eastern Mediterranean. The region still has more than its share of problems, but we could be on the verge of a new era – and the energy industry is well-positioned to show the way.

Energy is the lifeblood of modern economies, and all of the science points to massive reserves of oil and (especially) natural gas off the coasts of several Eastern Med countries, including Cyprus, Egypt, Israel, and Lebanon. If responsibly managed, this resource will contribute both directly and indirectly to significant GDP growth, giving these countries the capacity to make long-overdue investments in education, healthcare, infrastructure, transport, and other sectors. In turn, these investments will improve overall competitiveness, raise standards of living, reduce poverty, and set the stage for self-sustaining growth over the long term.

For our region, though, “responsibly managed” means more than just following international business, governance, environmental, and safety standards: it also means finding a way to build and maintain economic and political trust, both between nation-states and within individual societies. Whether we like it or not, we are all partners in this endeavor, so we share an interest in achieving the kind of stability that encourages private investment, reduces trade barriers, and accelerates economic activity across the board. If long-time rivals provide sufficient political and/or diplomatic space for our emerging energy industry to take root, the resulting economic benefits will flow to all concerned, alleviating many of the symptoms – and even some of the causes – of the region’s various problems.

No discussion of this topic is complete without emphasizing the central role to be played by Cyprus. Although every country involved will retain some of its gas production for domestic use, for most of us the real game-changer will be a massive boost in export revenues. There are two ways to get gas to markets in Europe and elsewhere – pipelines and liquid natural gas (LNG) carriers – and Cyprus is clearly the best gateway for both.

Its geographical location, ample coastline, and unique geostrategic position make it: 1) the perfect collection and distribution point for the output of neighbors like Lebanon and Israel; 2) an ideal terminus for one or more pipelines to Turkey and the European mainland; 3) the only viable location for a regional LNG plant; and 4) a natural middleman between regional governments whose relationships are troubled or non-existent. Because of these and other qualities, including its membership in the European Union, Cyprus should be the cornerstone on which the entire edifice of regional energy growth is built.

**What is more, the Republic of Cyprus (ROC), has taken serious steps to make the most of these circumstances by establishing**

a presence at several steps along the region's energy value chain. It has moved quickly and effectively to make the island an indispensable regional energy hub by passing suitable legislation, setting up a national energy company, and drawing up a world-class regulatory regime. It also has **already signed EEZ delimitation agreements with Egypt, Lebanon and Israel**, attracted oilfield support, communications, and other service firms, and has now held three successful licensing rounds for exploration and production rights, securing the participation of major IOCs from around the globe.

The only significant **hurdle** still standing is the decades-old division of the island, where the internationally recognized ROC controls only the southern two-thirds, while the rest is under the **Turkish control through the** "Turkish Republic of Northern Cyprus" ("TRNC"). Here too, however, both sides have demonstrated strong commitment to a negotiated reunification, and while the latest round of talks has been delayed by an uptick in tensions, there is **still reason to expect a resumption**.

Among these reasons is the fact that the new US Secretary of State, Rex Tillerson – whose previous career as head of ExxonMobil makes him singularly well-equipped to understand the importance of Cyprus – has already taken a direct interest in the peace process. We can only hope that the US, the UN, and the EU will exert even more positive pressure to help the talks succeed, including the powerful inducement of having at least some of the region's gas exports pass through Turkey, which is already one of the world's most important energy corridors.

TRNC. The governments of Greece and the United Kingdom also have critical parts to play in helping the Cypriot people to achieve reconciliation and start reaping the rewards thereof.

The other question mark in the Eastern Med is my homeland, Lebanon, and while a lot of time has been wasted in the past

few years, efforts to get its house in order are finally back on track.

Until recently, political infighting had blocked Parliament's election of a new president for more than two years, the Parliament extended its own mandate for nearly three years, and the prime minister and Cabinet were basically caretakers because of widespread perceptions that they lacked legitimacy. Even before this multi-sided impasse, rival political camps were so mutually suspicious that cooperation was impossible.

Despite these headwinds, some crucial preparatory steps were taken. The Lebanese Petroleum Administration was created in 2012, and while political squabbles delayed its work, the LPA still found a way to lay the foundation for the country's nascent energy sector: all the necessary mechanisms are in place or ready to be rolled out, including tender procedures and draft terms for the fiscal regime.

It is my pleasure to report that other pieces are now falling into place as well. The former commander of the Lebanese Armed Forces, General Michel Aoun, has been elected president, and he enjoys more broadly based support than any of his recent predecessors. He also has made a welcome habit of insisting that Lebanon can only regain its former glory by ensuring and enforcing the rule of law, something that will be essential if the Lebanese are to keep the proceeds of gas exports from being squandered by incompetence or pilfered by malfeasance.

There is a new prime minister too, and he and his Cabinet likewise enjoy relatively strong acceptance. Last but not least, most political factions have gotten serious about holding new parliamentary elections. The usual debate over constituency size and other rules may cause a delay, but most signs point in the right direction.

As many had hoped, the LPA has moved quickly to take advantage of improving political conditions. Most tellingly, it has

initiated 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). At least two of the five blocks are pretty straightforward: Block 4 lies entirely within Lebanon's EEZ, directly off the coast, while Block 1 lies in the northwest corner, where demarcation has already been agreed with Cyprus. (As far as I know there is no delimitation agreement between Lebanon and Syria. Actually there is a maritime dispute stemming from the tabling by Lebanon of coordinates for its northern EEZ boundary to the UN to which Syria objected in writing).

Blocks 8, 9, and 10 are more complicated because all three are in the south, where Lebanon's maritime claims overlap with Israel's. The area in question is less than 5% of Lebanon's EEZ and an even smaller slice of Israel's **claimed EEZ**, which would have been negotiated away under normal circumstances, but the two countries have technically been at war for almost 70 years, punctuated by repeated outbreaks of actual hostilities and even more numerous threats thereof.

The situation is difficult but not impossible. The **US and the UN, as well as Cyprus have rendered their good offices in order to find ways to solve the dispute** by holding separate talks with Israeli and Lebanese officials, and whatever their other disputes, both sides now have a shared interest in avoiding anything that might hinder energy development. With so much at stake in terms of attracting foreign investment, securing export revenues, and accelerating GDP growth, the cost of another shooting war would simply be too high.

Conversely, the benefits – not just for Lebanon and Israel, but also for their neighbors and their would-be customers – of getting down to business are too attractive to pass up. Reliable supplies of cheap, clean natural gas from the Eastern Med would improve energy security for Turkey, the EU, and other consumer nations. Europe in particular would benefit from lower energy costs, reducing a major burden on households

and restoring economic competitiveness. Perhaps most importantly, an East Mediterranean gas boom touched off by diplomacy would set an inspiring example for other regions haunted by longstanding disputes.

Beirut is not out of the woods yet. It still needs to settle several issues, including the establishment of a transparent and accountable Sovereign Wealth Fund to make sure that the benefits of future energy revenues flow to the general population rather than to small groups of economic and political elites. But at least the guiding principles are clear: steer clear of unnecessary frictions with Israel, follow international best practice, and protect the ensuing revenues. Other obstacles may well emerge, but none will be insurmountable if these three rules are followed. REB remarks for Nicosia 2 March 2017

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Energy is the lifeblood of modern economies, and all of the science points to massive reserves of oil and (especially) natural gas off the coasts of several Eastern Med countries, including Cyprus, Egypt, Israel, and Lebanon. If responsibly managed, this resource will contribute both directly and indirectly to significant GDP growth, giving these countries the capacity to make long-overdue investments in education, healthcare, infrastructure, transport, and other sectors. In turn, these investments will improve overall competitiveness, raise standards of living, reduce poverty, and set the stage for self-sustaining growth over the long term.

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between nation-states and within individual societies. Whether we like it or not, we are all partners in this endeavor, so we share an interest in achieving the kind of stability that encourages private investment, reduces trade barriers, and accelerates economic activity across the board. If long-time rivals provide sufficient political and/or diplomatic space for our emerging energy industry to take root, the resulting economic benefits will flow to all concerned, alleviating many of the symptoms – and even some of the causes – of the region's various problems.

No discussion of this topic is complete without emphasizing the central role to be played by Cyprus. Although every country involved will retain some of its gas production for domestic use, for most of us the real game-changer will be a massive boost in export revenues. There are two ways to get gas to markets in Europe and elsewhere – pipelines and liquid natural gas (LNG) carriers – and Cyprus is clearly the best gateway for both.

Its geographical location, ample coastline, and unique geostrategic position make it: 1) the perfect collection and distribution point for the output of neighbors like Lebanon and Israel; 2) an ideal terminus for one or more pipelines to Turkey and the European mainland; 3) the only viable location for a regional LNG plant; and 4) a natural middleman between regional governments whose relationships are troubled or non-existent. Because of these and other qualities, including its membership in the European Union, Cyprus should be the cornerstone on which the entire edifice of regional energy growth is built.

**What is more, the Republic of Cyprus (ROC), has taken serious steps to make the most of these circumstances by establishing a presence at several steps along the region's energy value chain. It has moved quickly and effectively to make the island an indispensable regional energy hub by passing suitable legislation, setting up a national energy company, and drawing**

up a world-class regulatory regime. It also has **already signed EEZ delimitation agreements with Egypt, Lebanon and Israel**, attracted oilfield support, communications, and other service firms, and has now held three successful licensing rounds for exploration and production rights, securing the participation of major IOCs from around the globe.

The only significant **hurdle** still standing is the decades-old division of the island, where the internationally recognized ROC controls only the southern two-thirds, while the rest is under the **Turkish control through the** “Turkish Republic of Northern Cyprus” (“TRNC”). Here too, however, both sides have demonstrated strong commitment to a negotiated reunification, and while the latest round of talks has been delayed by an uptick in tensions, there is **still reason to expect a resumption**.

Among these reasons is the fact that the new US Secretary of State, Rex Tillerson – whose previous career as head of ExxonMobil makes him singularly well-equipped to understand the importance of Cyprus – has already taken a direct interest in the peace process. We can only hope that the US, the UN, and the EU will exert even more positive pressure to help the talks succeed, including the powerful inducement of having at least some of the region’s gas exports pass through Turkey, which is already one of the world’s most important energy corridors.

TRNC. The governments of Greece and the United Kingdom also have critical parts to play in helping the Cypriot people to achieve reconciliation and start reaping the rewards thereof.

The other question mark in the Eastern Med is my homeland, Lebanon, and while a lot of time has been wasted in the past few years, efforts to get its house in order are finally back on track.

Until recently, political infighting had blocked Parliament’s

election of a new president for more than two years, the Parliament extended its own mandate for nearly three years, and the prime minister and Cabinet were basically caretakers because of widespread perceptions that they lacked legitimacy. Even before this multi-sided impasse, rival political camps were so mutually suspicious that cooperation was impossible.

Despite these headwinds, some crucial preparatory steps were taken. The Lebanese Petroleum Administration was created in 2012, and while political squabbles delayed its work, the LPA still found a way to lay the foundation for the country's nascent energy sector: all the necessary mechanisms are in place or ready to be rolled out, including tender procedures and draft terms for the fiscal regime.

It is my pleasure to report that other pieces are now falling into place as well. The former commander of the Lebanese Armed Forces, General Michel Aoun, has been elected president, and he enjoys more broadly based support than any of his recent predecessors. He also has made a welcome habit of insisting that Lebanon can only regain its former glory by ensuring and enforcing the rule of law, something that will be essential if the Lebanese are to keep the proceeds of gas exports from being squandered by incompetence or pilfered by malfeasance.

There is a new prime minister too, and he and his Cabinet likewise enjoy relatively strong acceptance. Last but not least, most political factions have gotten serious about holding new parliamentary elections. The usual debate over constituency size and other rules may cause a delay, but most signs point in the right direction.

As many had hoped, the LPA has moved quickly to take advantage of improving political conditions. Most tellingly, it has initiated 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). At least two of the five blocks are pretty straightforward: Block

4 lies entirely within Lebanon's EEZ, directly off the coast, while Block 1 lies in the northwest corner, where demarcation has already been agreed with Cyprus. (As far as I know there is no delimitation agreement between Lebanon and Syria. Actually there is a maritime dispute stemming from the tabling by Lebanon of coordinates for its northern EEZ boundary to the UN to which Syria objected in writing).

Blocks 8, 9, and 10 are more complicated because all three are in the south, where Lebanon's maritime claims overlap with Israel's. The area in question is less than 5% of Lebanon's EEZ and an even smaller slice of Israel's **claimed EEZ**, which would have been negotiated away under normal circumstances, but the two countries have technically been at war for almost 70 years, punctuated by repeated outbreaks of actual hostilities and even more numerous threats thereof.

The situation is difficult but not impossible. The **US and the UN, as well as Cyprus have rendered their good offices in order to find ways to solve the dispute** by holding separate talks with Israeli and Lebanese officials, and whatever their other disputes, both sides now have a shared interest in avoiding anything that might hinder energy development. With so much at stake in terms of attracting foreign investment, securing export revenues, and accelerating GDP growth, the cost of another shooting war would simply be too high.

Conversely, the benefits – not just for Lebanon and Israel, but also for their neighbors and their would-be customers – of getting down to business are too attractive to pass up. Reliable supplies of cheap, clean natural gas from the Eastern Med would improve energy security for Turkey, the EU, and other consumer nations. Europe in particular would benefit from lower energy costs, reducing a major burden on households and restoring economic competitiveness. Perhaps most importantly, an East Mediterranean gas boom touched off by diplomacy would set an inspiring example for other regions haunted by longstanding disputes.

Beirut is not out of the woods yet. It still needs to settle several issues, including the establishment of a transparent and accountable Sovereign Wealth Fund to make sure that the benefits of future energy revenues flow to the general population rather than to small groups of economic and political elites. But at least the guiding principles are clear: steer clear of unnecessary frictions with Israel, follow international best practice, and protect the ensuing revenues. Other obstacles may well emerge, but none will be insurmountable if these three rules are followed.

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## US Secretary of State Tillerson calls Anastasiades



New US Secretary of State Rex Tillerson and President Nicos Anastasiades held a telephone conversation on Tuesday evening – the first since the American official took office.

The announcement was made by Government Spokesman Nikos Christodoulides on his Twitter account.

Christodoulides wrote the conversation focused on the suspended UN-brokered Cyprus peace process, bilateral issues but also regional affairs.

Tillerrson was expected to also call later on Tuesday Turkish Cypriot leader Mustafa Akinci.