



# Averting collision between Cyprus and Turkey fuelled by natural gas

In the wake of the drilling operations headed by Noble Energy in the Cyprus EEZ, the polemic rhetoric by Turkey against Cyprus continues unabated.

Turkey claims that Cyprus proceeded unilaterally to exploit the island's hydrocarbon reserves disregarding the Turkish-Cypriots' right of ownership. Turkish officials have on several occasions threatened military action. Remarkably the Turkish-Cypriots have not voiced convincing arguments, but contend that drilling will jeopardise the Cyprus problem negotiations.

If this collision course is fuelled by unfairness, as it is being said, then there are some steps that Cyprus could take to defuse the tension and pave the way for future hydrocarbon exploration. Of course, these actions assume that hydrocarbons are discovered in sufficient quantities to justify a viable investment.

Normalising relations is key to shunning a diplomatic standstill between the two sides. Instead of making general public statements that all Cypriots stand to benefit from the recovery of the island's natural resources, Cyprus should have moved swiftly to establish a dedicated fund in which a proportion of the returns will be deposited.

Under the auspices of the UN some of these funds could be used to settle the financial aspects of the Cyprus problem. As a friendly gesture to the Turkish-Cypriot provision of electricity to the Greek-Cypriots, following the catastrophic damage to the Vassiliko power plant, Cyprus could offer them gas and gas-powered electricity at a low cost.

Provided the preceding measures materialise, then Turkish claims will be seriously weakened making it difficult for Turkey to win support from European and Middle-Eastern countries. Surprisingly, at this critically heated moment involving Cyprus, Israel and Turkey, the president of Cyprus has expressed intentions to open up more offshore blocks for development.

Owing to his politically weak standing in Cyprus the president ought to opt for more diplomatic statements designed to assuage the tense situation.

There will be plenty of time for Cyprus to call for another hydrocarbons licensing round when Cyprus takes over the EU presidency in 2012.

It seems that Turkey

does not want Cyprus to become an O&G producing country mainly because of the geopolitical and economic leverage that Cyprus will acquire. Cyprus' gas is also seen as a potential contestant to the proposed Nabuco pipeline to be laid in Turkey.

However, for Nabuco to become a viable pipeline enough gas needs to be found first. Instead of seeing Cyprus' gas as a potential challenge to Nabuco, Turkey could reap benefits from partnering with Cyprus to siphon the island's, and probably the Israeli, gas to Europe via Turkey. Collaborating with Israel and attracting large energy companies will increase Cyprus' chances to reach out to other subsea reserves. From the EU perspective, Cyprus' oil and gas discoveries will strengthen the EU's energy security which currently depends on Russian gas and Middle Eastern oil.

Another aspect of the Turkish-Cyprus disagreement are Turkey's ambitions of assuming a hegemonic status in the Middle-East and North Africa. In an attempt to fill the "leadership gap" once occupied by Egypt, Turkey has expressed ex-

cessive zeal in favour of the Palestinians.

Although the Palmer report on the Gaza flotilla incident claims that Gaza strip's naval blockade by the Israelis is legal, Turkey has used the event to arouse sympathy from the Arab world. Turkey claimed that the "Mavi Marmara" incident amounted to a casus belli episode which Turkey has downplayed in favour of peace.

But what do Cyprus' and Israel's hydrocarbon exploration efforts have in common?

Ever since Israel-Turkey relations have deteriorated, progress in the Cyprus-Israel affairs, including their EEZ accord, have tarnished Cyprus' image in the Arab world. Seizing this opportunity, Turkey has mounted a rhetoric offensive on both countries.

Cyprus, in avoiding a collision course with Turkey, needs to timely announce reconciliation measures to aid the negotiations on the Cyprus problem.

It might be that Turkey is bluffing to reap concessions from the US, such as allowing Turkish troops to fight Kurds in Iraq. Another scenario is that Turkey, by not obstructing Noble's operations, sends a clear message that it has backed off but in the future it will take decisive military

action against any other gas exploration by Cyprus.

Decoupling the drilling operations from the Cyprus problem is equally important. Up to now both Turkish- and Greek-Cypriots had no formal agreement in exploiting

the island's natural resources be they underground aquifers or quarrying. In contrast, hydrocarbon reserves constitute the exception.

According to the US Geological Survey the Levantine Basin, to which block 12 belongs, holds an

estimated 122 tcf of natural gas. At a price of \$4 per 1000 cubic feet, the gas has an estimated value of \$500bn.

As game theory teaches us everyone gains from a win-win game versus a zero sum game in which a participant's gains are

the loss of the other player.

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