



INFO PACK

Turkey and the Energy Equation in the Eastern Mediterranean

Enes Güzel

TRT WORLD
**research
centre**

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WRITTEN BY

Enes Güzel

PUBLISHER

TRT WORLD RESEARCH CENTRE

August 2019

PHOTO CREDIT

ANADOLU AGENCY

TRT WORLD İSTANBUL

AHMET ADNAN SAYGUN STREET NO:83 34347

ULUS, BEŞİKTAŞ

İSTANBUL / TURKEY

TRT WORLD LONDON

PORTLAND HOUSE

4 GREAT PORTLAND STREET NO:4

LONDON / UNITED KINGDOM

TRT WORLD WASHINGTON D.C.

1819 L STREET NW SUITE, 700 20036

WASHINGTON DC / UNITED STATES

www.trtworld.com

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Executive Summary

This info pack will focus on Turkey's perspective regarding developments related in energy and security in the East Mediterranean and will discuss the two contesting interpretations/approaches regarding the continental shelf in the Eastern Mediterranean, which form the core of the debate and the basis of the current tensions in the region. Since the discovery of vast hydrocarbon resources, the right to exploit these resources has become the subject of dispute between Eastern Mediterranean states. Turkey, Greece, the Greek Cypriot Administration, the Turkish Republic of Northern Cyprus, Egypt, Israel, and Lebanon have all made claims to these resources.

The European Union Foreign Relations Council's recent sanctions against Turkey are perceived as yet

another attempt to influence the existing positions on the offshore energy reserves in the Eastern Mediterranean. In this context, the EU Foreign Relations Council decided to suspend negotiations on the Comprehensive Air Transport Agreement (CATA) and has agreed not to hold high-level bilateral talks, including the annual Association Council meeting. It has also endorsed the EU Commission's proposal to reduce the pre-accession assistance to Turkey for 2020. In addition, it has invited the European Investment Bank, the EU's not-for-profit lending institution - to review its lending activities in Turkey, notably with regard to sovereign-backed lending, which totalled €358.8 million last year.

Introduction



he discovery of large amounts of energy resources in the Eastern Mediterranean, most notably a zone of natural gas reserves dubbed 'Leviathan', has become a source of tension in the region.

The Greek Cypriot Administration (GCA) signed an agreement on the delineation of the GCA Exclusive Economic Zone (EEZ) with Lebanon, Egypt and Israel without consideration of Turkish Cypriots' rights. Ankara naturally objected on the grounds that the agreement was contrary to Turkey's and Turkish Cypriots' inalienable equal rights to exploit gas resources in the Eastern Mediterranean. This situation exacerbated

existing tensions between Turkey, Greece, and the Greek Cypriot Administration.

There are many issues at play. Firstly, Turkey does not recognise the Greek Cypriot administration and its proclaimed EEZ. The Greek Cypriot Administration does not represent the entire island, and thus the interests of Turkish Cypriots in the Turkish Republic of Northern Cyprus (TRNC) have not been taken into consideration. Consequently, Turkey and the TRNC argue that the explorations authorised by the Greek Cypriot Administration are damaging ongoing peace talks. On the other hand, Turkey has proposed several solutions, including a potential joint exploration project.

Hydrocarbon Discoveries

In 2009, US-based Noble Energy discovered gas in the offshore 'Tamar' field, which was found to contain approximately 280 bcm (billion cubic meters) of recoverable gas. The 2010 discovery of the 'Leviathan' field is one of the most significant made this century,

with recoverable volumes estimated at 22 trillion cubic feet according to the field's operators, Noble Energy and Delek. In December 2011, another gas reserve was discovered in Block 12 off the coast of Cyprus, about 34 km west of Leviathan.

WHAT ARE THE ISSUES AT HAND?

The issues in the Eastern Mediterranean can be evaluated on several different levels: Legal, Political, and Economic.

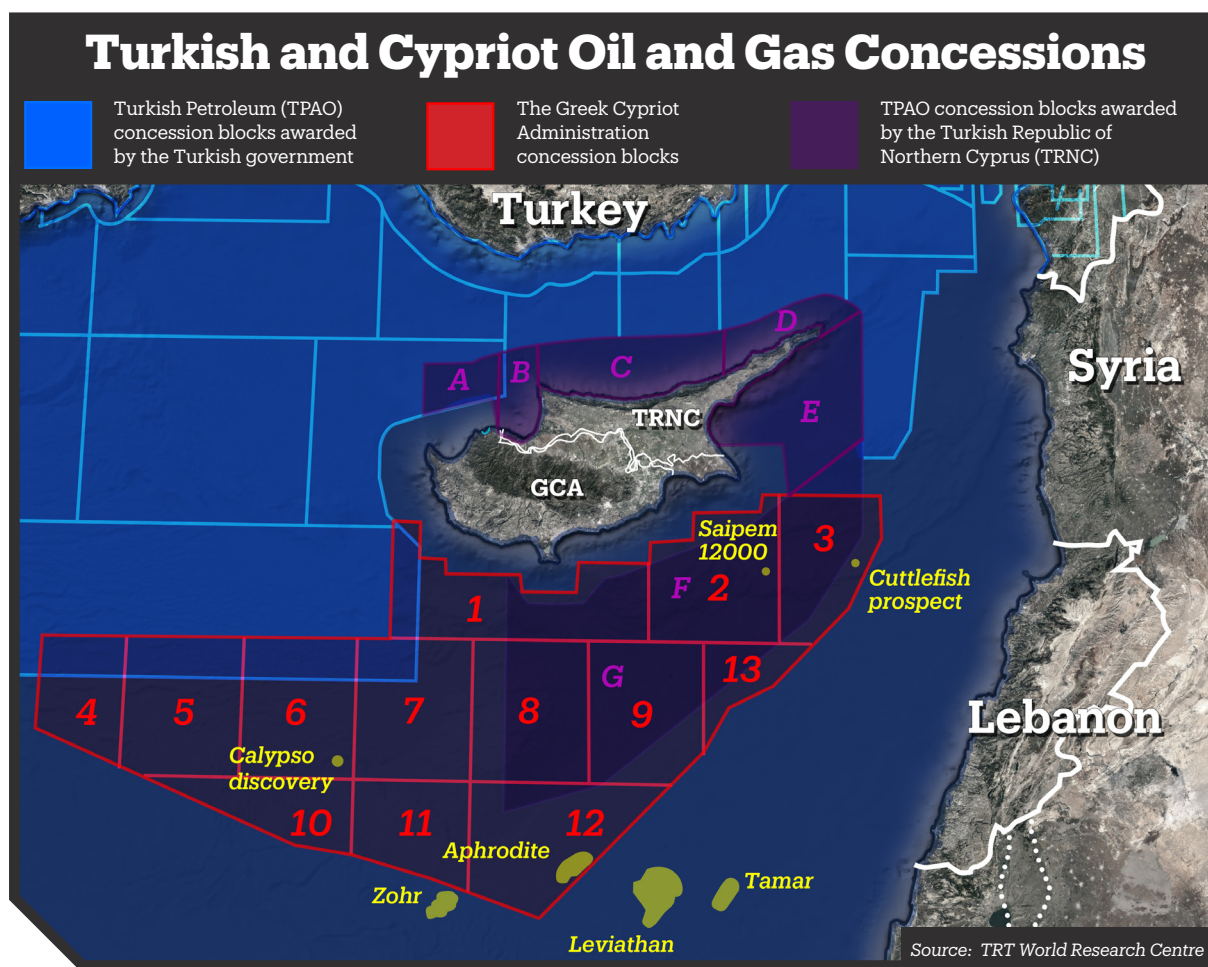
The ongoing legal debate revolves primarily around the issue of maritime jurisdictions. This is one of the primary points of tension between Turkey, the TRNC and GCA. In announcing the EEZ, the Greek Cypriot administration acted unilaterally, ignoring the concerns of the Turkish Community on the island and their representatives, the TRNC. In response, Turkey signed an agreement with the TRNC on September 21, 2011, known as the Agreement on the Delimitation of the Continental Shelf in the Mediterranean.

The Greek Cypriot Administration entered into licensing agreements with international oil companies to parcel the blocks of 1, 4, 5, 6, 7, which overlap with Turkey's continental shelf. Besides, the maritime jurisdictions in blocks 1, 2, 3, 8, 9, 12, 13 announced by Greek Cyprus coincide with the TRNC maritime border areas.

The validity of the Exclusive Economic Zone Restriction Agreements signed by the Greek Cypriot Administration with Egypt in 2003, Lebanon in 2007, and Israel in 2011, and the parcelled regions following these agreements form the core of the debate and the basis of the current tensions in the Eastern Mediterranean.

Turkey has consistently contested the Greek Cypriot Administration's unilateral drilling in the Eastern Mediterranean, arguing that Turkish Cypriots also have rights to the resources in the area. The unilaterally declared EEZ of the Greek Cypriot Administration also violates part of Turkey's shelf, particularly in Blocks 1, 4, 5, 6 and 7.

The Greek Cypriot Administration, however, after establishing their own so-called Exclusive Economic Zone (EEZ) in 2004 without the consent of the TRNC, started to develop bilateral agreements with Egypt, Lebanon and Israel. They also invited international companies to make explorations around the island. Hence, a new dispute came into being in the Eastern Mediterranean.



The East-Med Pipeline Project

The EastMed pipeline project is considered another major point of dispute in the region. The EastMed pipeline is one of the most critical export projects for Eastern Mediterranean gas. It is a US\$7 billion project, spanning a distance of 2,200 km and connecting Israel and the Greek Cypriot Administration with Greece and Italy. This project would facilitate the EU objective of reducing its energy dependency on Russia by connecting the European market directly to gas supplies in the East Mediterranean.

The continent's appetite for energy is growing steadily, with demand for natural gas, in particular, expected to climb in the coming decade. The EU legislators are increasingly concerned about Russia's large share in Europe's gas market and have looked to the natural gas reserves in the Eastern Mediterranean as a source of import diversification. The European Commission has labelled the EastMed pipeline a "Project of Common Interest," and has contributed €34.5 million (US\$38.9 million) to complete technical studies for the project.

Furthermore, the US also supports the EastMed for geo-strategic reasons, without excluding alternative ways for exporting natural gas, either through Egypt's LNG plants or a new LNG plant in Cyprus. From a US perspective, the pipeline will give a permanent character to Israel's connectivity with Europe. At the same time, it will ensure a stable supply to the European market of "non-Russian" gas. The pipeline's capacity, however, will only be sufficient to cover the needs of South and South-East Europe. Thus, it will leave ample opportunities for American LNG exporters.

In the last few years, talks between the leaders of Greece, Israel and the Greek Cypriot Administration to bring the EastMed pipeline into being have continued, however the project still faces sizeable political and economic obstacles. If the EastMed takes place, it is going to pass through Turkish territorial waters, in which case one expects project

stake-holders and Ankara to reach a compromise on the issue. However, since Turkey and the TRNC have ongoing territorial disputes with the GCA and because the project by-passes what Turkey and the TRNC see as their inalienable territorial rights, Ankara was expected to oppose the EastMed project.

Lebanon has also objected. The Lebanese government has sent warnings to its Mediterranean neighbours that it will not allow the pipeline to violate its territorial waters. Beirut will not allow Tel-Aviv to infringe on Lebanon's sovereign rights and jurisdictions over its EEZ.

Moreover, in line with international law, the delineation of the pipelines on the continental shelf must be subject to the consent of coastal states. Therefore, since Turkey's and Lebanon's consents have not been obtained, going ahead with this project was deemed provocative by all the concerned.

The exclusion of Turkey has compelled Israel, the GCA and Greece to change the proposed route of the pipeline in order to avoid Turkey's maritime boundaries, making it much longer and costlier. Moreover, considering the Tamar field – a modest, 90 km pipeline to Israel's coastline, taking four years to construct – it is unrealistic to think a 2,200 km long pipeline would be constructed in a similar timetable. These factors call into question the prospect of implementing the EastMed pipeline.

Including Turkey on the project on the other hand, would enhance the feasibility of the project and its cost effectiveness. A direct connection from the natural gas fields around Cyprus to existing pipelines and gas terminals in Turkey would create a far cheaper and more efficient path to European markets. However, given the current geopolitics of the region the fact that the EastMed project has essentially been designed to exclude Turkey makes this option not viable.



Amos Ben Gershom / GPO / Handout - Anadolu Agency

THE PARTIES INVOLVED

Turkey, the TRNC, the GCA, Greece, Israel, Egypt, Lebanon are actively involved in the eastern Mediterranean dispute.

Other entities, such as the US, the EU, Russia, England, France and Italy are closely monitoring developments in the Eastern Mediterranean. Energy security and reducing

dependency on Russian gas are the major concerns for the EU. From its part, Russia is concerned about losing market share in the European gas market. On the other hand, the US is more concerned about the possible security and geopolitical effects on the region.

New Alliances in the Region?

The discovery of oil and gas reserves in the region engendered a new cooperative approach between Greece, the Greek Cypriot Administration and Israel. The last decade has witnessed growing cooperation between the Greek Cypriot Administration, Greece and Israel as all three countries have been supporting one another in various strategic areas. This includes a military aspect, which adds further layers of complexity to the conflict-prone Eastern Mediterranean.

On March 20, 2019, the leaders of Greece, Israel, and the GCA, as well as US Secretary of State Mike Pompeo, met in Jerusalem to discuss a range of multilateral issues. Among these was a formal declaration of support for the EastMed pipeline. Although, the pipeline proposal has been discussed since 2012, the summit's declaration of support appears to solidify the so-called "Energy Triangle" relationship between the three nations.

Energy Companies Operating in the Eastern Mediterranean

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Source: Eren Bozkurt - Anadolu Agency

WHAT IS TURKEY'S EASTERN MEDITERRANEAN STRATEGY?

From the onset, Turkey has argued that both the TRNC and the Greek Cypriot administration have equal rights on the island. Thus, the initiative taken by Cyprus regarding oil and gas exploration should benefit all residents of the island. In response to the Greek Cypriot Administration's declaration of the EEZ in 2004, Ankara signed an agreement with the TRNC in 2011 to delineate the continental shelf. Based on this agreement, and considering their inherent and inalienable rights as the co-owners of the island, the TRNC issued permits to Turkish Petroleum Corporation (TPAO) to begin oil/gas exploration around the maritime areas of the island. Turkey, with the permission given from TRNC, has concluded its seismic exploration off the coast of Northern Cyprus and Antalya and began its drilling operations.

As the Turkish Ministry of Foreign Affairs underlined:

"The Greek Cypriot Administration does not represent de jure nor de facto the Turkish Cypriots and Cyprus as a whole. Hence, the Greek Cypriot administration is not entitled to negotiate or conclude international agreements nor to adopt laws regarding the exploitation of natural resources on behalf of the entire island. Turkey's official stand is unequivocal: the issue of natural resources should be part of a comprehensive settlement in Cyprus. "

Turkey has also objected to the Greek Cypriot - Egyptian EEZ agreement since it violates Turkey's continental shelf, where Turkey exercises ab initio and ipso facto legal rights as per international law. As a result, Turkey has ramped up its efforts in the region by expanding its fleet of drilling and seismic vessels in addition to their accompanying military frigates. Turkey's first seismic vessel, the Barbaros Hayrettin, bought from Norway in 2013, has been exploring the

region since April 2017.

The Turkish-flagged drillship Fatih launched its offshore drilling operations on May 3, 2019, in an area located 75 kilometres off the western coast of Cyprus. The area falls entirely within the Turkish continental shelf registered with the UN and in permit licenses that the Turkish government has granted to Turkish Petroleum, the country's national oil company. The second drillship Yavuz, a twin vessel of the Fatih, is located on the west of the island off Karpas.

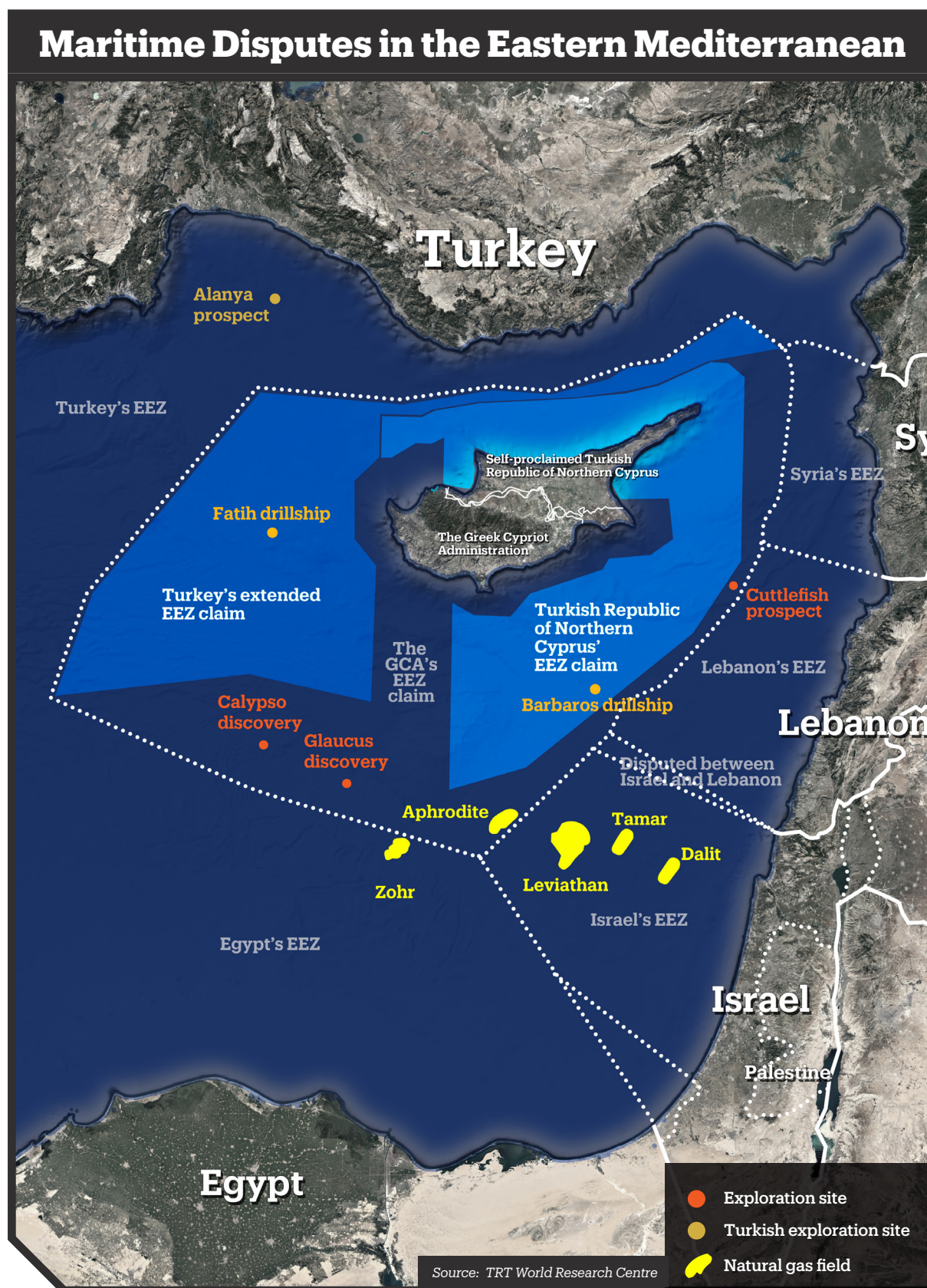
Turkey's continental shelf rights lay in the area to the west of 32 degrees, 16 minutes, 18 seconds east longitude. The outer limits of the Turkish continental shelf in the above-mentioned maritime areas follow the median line between the Turkish and Egyptian coastlines to a point to be determined in the west of 28 degrees 00 minutes 00 seconds east longitude.

The Greek Cypriot officials have opposed the move, threatening to arrest the ships' crews and enlisting EU leaders to their cause. The Greek Cypriot Administration reportedly issued international arrest warrants for 25 people, including for personnel of the Turkish drillship Fatih and officials from companies cooperating with the state-run Turkish Petroleum Corporation. Turkey denounced the arrest warrants as unauthorized and "meaningless."

In the face of Greek Cypriot actions in the Mediterranean Sea around Cyprus, Turkey has issued Navigational Telex from time to time, to carry out naval exercises or bring its naval vessels to the area with the aim of deterring the foreign hydrocarbon firms' operations on Turkey's declared EEZ and to protect its seismic ship's exploration around Cyprus.



Source: National Defence Ministry - Anadolu Agency



WHAT DOES INTERNATIONAL LAW SAY?

According to the United Nations Convention on the Law of the Sea (UNCLOS), coastal states, such as Egypt, Turkey, Israel and the Palestinian Authority (Gaza Strip), Lebanon, Syria, TRNC and the GCA have rights to the resources in the area according to their respective Exclusive Economic Zones (EEZ) (UNCLOS, 1982). However, because of the concave shape of the Eastern Mediterranean Sea, there is an overlap in the areas each country can legally claim, creating a delicate situation that requires negotiation and compromise.

What are Maritime Boundaries and Exclusive Economic Zones (EEZ)?

Article 121, paragraph 2 of UNCLOS provides that:

Except as provided for in paragraph 3, the territorial sea, the contiguous zone, the exclusive economic zone and the continental shelf of an island are determined in accordance with the provisions of this Convention applicable to other land territory.

According to the Turkish Ministry of Foreign Affairs, in the case of the Eastern Mediterranean:

Islands in delimitation may have been given no weight in the construction of the relevant continental shelf of EEZ delimitation line.

The reason is not related to their entitlement or their potential capacity to create continental shelf or EEZs per se, but rather their distortive effect on equity.

Turkey's position is supported by a sustained trend in international jurisprudence that has seen granting islands a reduced effect in maritime boundary delimitation. This has especially been the case where such islands are located such as there is potential overlap between EEZ claims with their mainland neighbours. According to this interpretation of international law, islands are given limited effect in maritime boundary delimitation if their location distorts equitable delimitation. Turkey argues that the island of Cyprus and the Greek Islands in the area cannot generate full EEZ/CS under international law as they distort the equitable delimitation.

Coastal states have administrative and judicial powers on three main issues in the Exclusive Economic Zone.

These are:

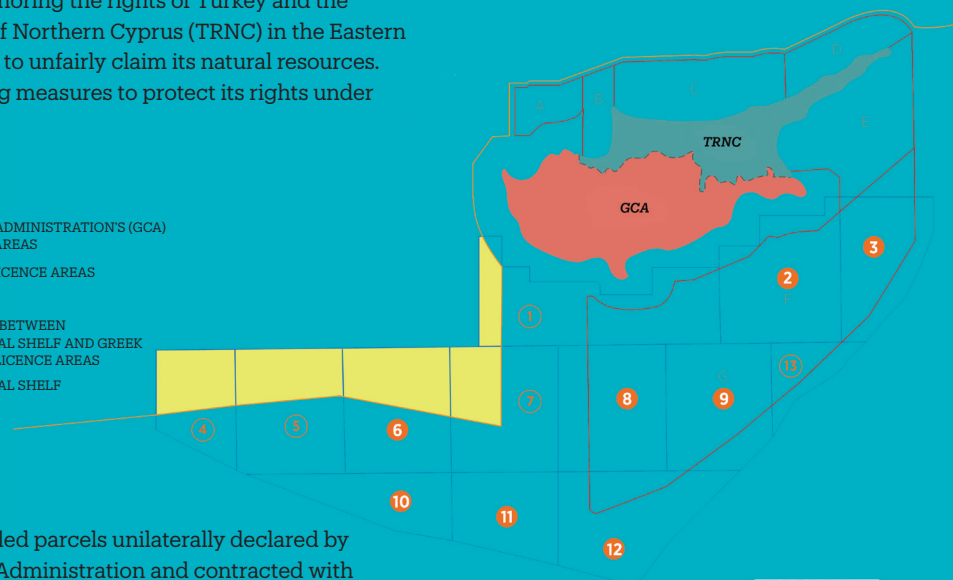
- 1) To establish and use artificial islands, facilities and structures
- 2) Conducting scientific research
- 3) Protection and preservation of the marine environment

According to article 476, the width of Turkish territorial waters is 6 miles in the Aegean Sea and 12 miles in the Mediterranean and the Black Sea and, therefore, Turkey can claim its own EEZ and continental shelf.

Turkey's Stance in the Eastern Mediterranean

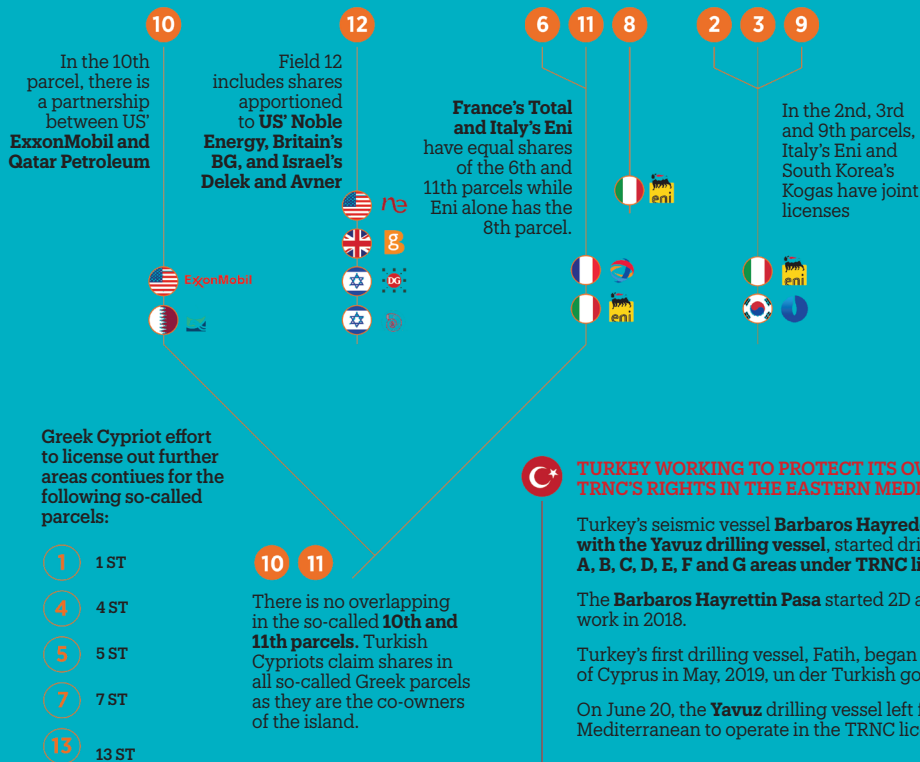
Some countries, ignoring the rights of Turkey and the Turkish Republic of Northern Cyprus (TRNC) in the Eastern Mediterranean, try to unfairly claim its natural resources. But Turkey is taking measures to protect its rights under international law.

-  THE GREEK CYPRIOT ADMINISTRATION'S (GCA) SO-CALLED LICENCE AREAS
-  TURKISH CYPRIOT'S LICENCE AREAS
-  OVERLAPPING AREAS
-  OVERLAPPING AREAS BETWEEN TURKISH CONTINENTAL SHELF AND GREEK CYPRIOT SO-CALLED LICENCE AREAS
-  TURKISH CONTINENTAL SHELF



There are 13 so-called parcels unilaterally declared by the Greek Cypriot Administration and contracted with international oil companies.

Since the Greek Cypriot Administration does not represent the entire island, they do not have the right to continue off-shore activities unilaterally.



Source: Anadolu Agency

THE EU AND THE CYPRUS PROBLEM

Cyprus has been divided since 1974 when Turkey used its guarantor rights to intervene on the island after a far-right Greek Cypriot military coup sponsored by the military junta then in power in Athens sought to unite the island with Greece. The coup followed decade-long inter-ethnic violence targeting Turkish Cypriots, who were forced to live in enclaves when Greek Cypriots unilaterally changed the constitution in 1963 and stripped the island's Turks of their political rights.

The TRNC, established in 1983 on the northern one-third of the island, is recognized by Turkey and faces a long-standing embargos in a number of areas ranging from commerce and transportation, to culture. The Greek Cypriot administration meanwhile, enjoy recognition as the Republic of Cyprus by numerous countries.

The GCA was admitted to the EU in 2004, violating the EU's own rules of not allowing the assent of candidate countries with ongoing border disputes. The EU also reneged on its assurances given to Turkey and Turkish Cypriots that the accession of the GCA would not take place until a permanent solution had been reached on the island. The membership accession took place a week after a peace plan backed by UN Secretary-General Kofi Annan was voted down in the Greek south while being approved in the Turkish north.

The EU's approach towards the Cyprus issue is an obstacle to finding a solution of this problem, further complicating the problem of sharing the resources in the Eastern Mediterranean. Brussels' policy to punish the Turkish side who voted for a solution in the referendum on the basis of the Annan Plan in 2004 and to reward the Greek side who voted against the resolution is central to the problems in the region.

On the Eastern Mediterranean issue, the EU seems to have discarded its mediator role, threatening Turkey with sanctions and taking a clear position in favour of the GCA's claims.

Internal EU political dynamics may be affecting the EU's current position as Greece and the GCA have reportedly threatened to veto the membership of North Macedonia and Albania unless Brussels takes a strong position against Turkey.

The unresolved problem on the island of Cyprus continues to complicate the issues in the region. The maritime borders of Turkey and TRNC clash those claimed by the GCA, creating a hostile environment where the deployment of naval power from both sides raises concerns over regional stability.

Turkey and The TRNC Extended Cooperation to Cyprus

TRNC President Mustafa Akıncı presented a cooperation proposal through the United Nations on July 13, 2019, calling for the joint use of Cypriot resources and cooperation between the two sides in the search for gas off the island.

Turkey had expressed its support for the proposal, calling on the UN, the EU and the guarantor states to take this opportunity to encourage cooperation on the island's hydrocarbon resources.

The GCA, on the other hand, swiftly rejected the proposal by the TRNC to establish a cooperation mechanism to address the sharing of hydrocarbon resources in the Eastern Mediterranean.



Source: EU Council Pool - Anadolu Agency

CONCLUSION

The discovery of large hydrocarbon reserves in the Eastern Mediterranean has created tensions between regional stakeholders over exploration and drilling rights. Although, the discovery was seen initially as an opportunity for regional cooperation and stability, it has deepened the existing political disputes.

The disagreements mainly surround the validity of maritime boundaries -- known as Exclusive Economic Zones (EEZ) claimed by Greek Cypriots without acknowledging the rights of Turkish Cypriots with who they share the island.

The GCA's bilateral maritime deals with international oil companies and countries in the region for joint exploration have created a concern for Turkey and the TRNC who object on the basis that reserve exploration related activities in the area violates their continental shelf and maritime borders.

Despite Turkey and the TRNC's repeated calls for cooperation and joint exploration over the hydrocarbon resources in the area, the GCA and its partners have declined Turkey's calls and attempted to exclude Turkey from exploration and drilling activities.

As a result, Turkey, with the permission of the TRNC, began oil/gas exploration off the coast of Northern Cyprus and Antalya and began its drilling operation in accordance

with UN maritime jurisdictions and international law. The EU and Greece and the GCA has called Turkey's exploration activities illegal and the EU Foreign Relations Council have sanctioned Turkey for its drilling operations in the area.

It should be noted that The United Nations Convention on the Law of the Sea (UNCLOS) recognizes all the coastal countries' including Turkey, Egypt, Israel and the Palestinian Authority (Gaza Strip), Lebanon, Syria, Turkish Republic of Northern Cyprus (TRNC) and the the Greek Cypriot Administration's rights over the resources in the area. Therefore the deliberate exclusion of Turkey from the exploration/drilling activities contradicts the UNCLOS provisions.

There is an overlap in the areas each country can legally claim, and this situation clearly requires negotiation and compromise. Without reaching an agreement through regional cooperation over exploration and extraction of the hydrocarbon resources will be too costly, unprofitable and will create further instability and conflict in the region. Therefore, the region's energy security and commerce necessitate serious efforts to establish dialogue and cooperation.

