The Emerging Gas Region of the Eastern Mediterranean

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The Eastern Mediterranean is changing fast. Significant gas discoveries near Cyprus and Israel are affecting the political, economic and security dynamics in the region. Indeed, energy development and transportation are an influential factor in determining the nature of interstate relations in the Eastern Mediterranean. New regional patterns of amity and enmity can now be observed. Israel's new relationship with Greece and Cyprus is largely based on shared energy interests. But gas discoveries have also worsened relations between Israel and Lebanon, and Turkey and Cyprus. The imminent economic boon to the region is more likely to exacerbate decades-old territorial disputes rather than create a foundation for solving long-standing problems in the region.

The Eastern Mediterranean is once again in turmoil.\(^1\) Turkey is becoming increasingly assertive in pressing its claims and strengthening relations with the Muslim world. While it is preoccupied with Iran, Israel finds itself isolated after the outbreak of the Arab Spring revolutions. Greece and Cyprus faced a severe financial crisis from which they have only partly recovered. The Syrian civil war has turned into a regional crisis, drawing other neighboring countries into it. Post-Mubarak Egypt has sought a regional role as a leading Arab country, but the current confrontation between the military and the Muslim Brotherhood is threatening the country’s stability.

Against this geopolitical background, a new factor has been added to the equation. Due to the recent natural gas finds, the Eastern Mediterranean will soon become the new energy frontier. The region has an estimated 122 trillion cubic feet (tcf) of undiscovered, but technically recoverable, natural gas.\(^2\) Both Israel and Cyprus could become major gas exporters, while Greece and Turkey could become hubs for the transportation of the resources to Europe. More importantly, energy development could have far reaching geopolitical implications for the Eastern Mediterranean and beyond. Indeed, energy has already impacted regional patterns of amity and enmity. The gas discoveries have strained Israeli-Lebanese relations. Also, relations between Ankara and Nicosia have deteriorated due to disagreements over the exploitation of offshore gas deposits south of the divided island of Cyprus. Simultaneously, energy cooperation has been the driving force behind the emerging Greek-Israeli-Cypriot partnership, leading in turn to cooperation in the field of defense.

The aim of this article is to examine the implications of energy development and transportation on interstate relations in the Eastern Mediterranean. The available

\(^1\) The Eastern Mediterranean includes the Levant (Lebanon, Cyprus, Syria, Israel and Jordan), Greece, Egypt, and Turkey.

The article will first outline two different theoretical perspectives on energy. It will then describe the strategic significance of the Eastern Mediterranean gas reserves. Moreover, it will examine the role of energy in fostering interstate cooperation or exacerbating interstate disputes in the region. Finally, it will summarize the main findings and will offer some policy recommendations to Eastern Mediterranean governments.

**Theoretical perspectives on the politics of energy**

After the oil crises of 1973 and 1979, it became clear that exploitation and export of large quantities of hydrocarbons could contribute significantly to the redistribution of power among states. In the post-Cold War international system, the control of energy resources has become one of the most important indicators of state power. Those countries that have energy self-sufficiency and can export significant quantities of oil and/or gas could improve their position in the international system. Small states, like Norway and Qatar, exercise disproportionate influence because of their energy wealth. Although its core mission is to understand the international system, the discipline of International Relations has not studied in detail energy as a determinant of interstate relations. Nevertheless, there are two main theoretical perspectives on the politics of energy: the realist and the liberal.

The theory of political realism, in all its versions, views energy largely as a national security issue. The end of the Cold War has intensified competition among great powers (i.e. the USA, China, Russia, and the EU) to control the energy resources of the Middle East, the Caspian Sea, and Africa. The consuming countries seek diversification of supply in order to enhance their energy security and not to fall victim of political or economic blackmail. Most realists have espoused the theory of

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peak oil, which claims that oil (and gas) will run out one day because it is a non-renewable source of energy. This means that conflicts over energy resources will increase significantly both regionally and globally. Already some analysts attribute the British-Argentinean conflict for the control of the Falklands and the territorial disputes in South China to the possible existence of hydrocarbons.

Oil and gas transportation, meaning pipelines and tankers, sits right at the intersections of politics and economics. By its very nature, energy transportation is a high-reward business. The countries through which pipelines pass will enjoy substantial income from transit fees. Additionally, pipeline construction and operation means jobs and supporting infrastructure important to local economies. Whoever controls the transportation routes can block the flow of oil and gas; pipelines have become tool of leverage in times of political disagreements and hostage in times of armed conflict. The tanker industry, carrying much of the world’s oil and gas supply, has also been vulnerable to geopolitical upheavals.

In contrast, liberal analysts do not associate energy with national security issues. Instead this perspective favors the depoliticisation of energy and supports the liberalization of energy markets in order to achieve maximum benefit for the consumers. Liberals have criticized the peak oil theory as being too focused on cheap conventional oil; the massive Alberta tar sands only prove that world oil resources cannot be fully estimated. Also, proponents of the liberal approach argue that the interdependence between producers and consumers is a positive development, as it creates a climate of cooperation and reciprocity.

Furthermore, some liberals view energy as a tool for resolving political conflicts. This is based on the view that energy cooperation may be the catalyst for conflict resolution. For instance, the process of European integration began in 1952 with the founding of the European Coal and Steel Community, which partly aimed at fostering energy cooperation between two former belligerents, West Germany and France. From the liberal perspective, international organizations like the International Energy Agency can also help to resolve interstate disputes in energy issues.

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Without ignoring the usefulness of the liberal perspective, the article will analyze the impact of energy development and transportation on interstate relations in the Eastern Mediterranean according to the logic of the realist approach. Frozen conflicts in Cyprus and Palestine, the rise of Turkey as a regional power, the Russian and Iranian involvement in the Syrian civil war, and the destabilization of Egypt have created a geopolitical environment dominated by suspicion and insecurity. Therefore, the Eastern Mediterranean remains an inherently unstable region that requires a realist analysis.

The strategic significance of the Eastern Mediterranean gas reserves

Energy policy remains a highly controversial issue throughout the world, due to recent high energy prices and geopolitical concerns over the security of supply. According to the US Energy Information Administration, oil is the dominant fuel, accounting for approximately 36 percent of total energy consumption, followed by coal at 26 percent, natural gas at 22 percent, renewable at 10 percent, and nuclear energy at 6 percent. Over the past decade, however, natural gas has been the fastest growing fuel source in the world, mainly at the expense of coal, whose share has declined sharply partly because of growing environmental concerns. Natural gas is not only affordable, but also more environmentally friendly; as a result, there is increased demand for natural gas.

Significant natural gas reserves have been discovered in the Eastern Mediterranean. More specifically, the Tamar field with estimated reserves 9.7 tcf was confirmed in 2009. In December 2010, US company Noble Energy, as part of a consortium including Delek Drilling, Avner Oil, and Ratio Oil, hailed the Leviathan gas field off the Israeli coast as a “significant natural gas discovery” with a potential of 16 tcf. In November 2011, Noble Energy announced another major gas discovery in the seabed south of Cyprus; the Aphrodite field was estimated to contain 7 tcf. In February 2013, the Norwegian company Petroleum Geo-Services completed a seismic survey in the Ionian Sea and south of Crete with indicates that rich hydrocarbons resources may soon found in Greece.

The discovery of the Eastern Mediterranean gas resources comes at a time when world demand for energy is growing rapidly, many are questioning the reliability of supplies from the Persian Gulf and Russia, and Western governments are encouraging the diversification of supply to ensure energy security. The Eastern

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Mediterranean gas reserves are looked upon by Western governments and companies as a strategic priority for three reasons:

- Most of this gas is intended for export since the needs of Israel and Cyprus are low and are expected to remain low;

- The gas could cover a significant part of Europe’s energy needs and thus decrease Europe’s dependence on Russia and Algeria;

- The fact that Israel and particularly Cyprus lack the capital and the technology to precede independently to the development of these gas reserves offers Western energy companies considerable investment opportunities.

For reasons of geographical proximity, these energy resources concern first and foremost the Old Continent. The European Union, with increasingly integrated economies and energy sectors, is the world’s second largest energy consumer.\(^{22}\) Oil is the dominant fuel, accounting for 43 percent of total EU energy consumption, followed by natural gas at 24 percent, nuclear energy at 14 percent, coal at 13 percent, and renewables at 6 percent.\(^{23}\) Yet, the EU member states possess only about 2 percent of the world’s natural gas reserves.\(^{24}\) In 2010, according to Eurostat, the most important suppliers of natural gas were Russia, which covered 31.8 percent of EU gas imports, followed by Norway with 28.2 percent, Algeria with 14.4 percent, and Qatar with 8.6 percent.\(^{25}\)

Due to the EU’s heavy dependence on oil and gas imports, security of Europe’s energy supply is an important policy objective for Brussels. Indeed, there is a consensus among European governments that new initiatives are needed to address energy challenges confronting the member states. Without access to a continuous flow of gas from abroad at a predictable and manageable price, Europe’s economies and the standard of living of its peoples would be at risk. Security of supply dictates that the EU diversifies its gas imports.

The EU is directly involved in the regional energy affairs, because Greece and Cyprus are member states. Also, Turkey is a candidate for EU membership and has a customs union with Brussels. Moreover, the EU has a close relationship with Israel. Currently, European countries import liquefied natural gas (LNG) from politically unstable Middle Eastern countries like Egypt and Yemen. The discovery of Israeli and Cypriot gas could help strengthen Europe’s energy security at a time that there are increased tensions with Russia; indeed, the Eastern Mediterranean may serve as the third gas corridor for Europe, the other two being Eastern Europe with Russian gas and South-East Europe with Azeri gas. In any case, European companies will play an important role in the region’s gas exploration process. For example, the French Total, the Italian Eni, the British Premier Oil, and the Dutch Orange-Nassau Energie have

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\(^{24}\) Energy Information Agency, *Country Analysis Brief: European Union*

already expressed an interest to bid in the second round of licensing for natural gas exploration in the Cypriot Exclusive Economic Zone (EEZ).  

Given the prominence of the Middle East on the US energy policy agenda, it is hardly a surprise that the gas finds in Israel and Greece have drawn Washington’s attention as well. Due to the increased use of shale gas, the US is bound to become the largest gas producer in the world. However, the US government views Eastern Mediterranean gas as an alternative source for European allies which heavily depend on Russian supplies. Moreover, US energy companies have played a leading role in the exploration process. For example, Noble Energy has a 40 percent stake in Leviathan, a 36 percent stake in Tamar, and a 100 percent stake in Aphrodite.

The gas discoveries in the Eastern Mediterranean have also attracted Russia’s attention. Moscow has closely monitored regional energy affairs, worrying that the new gas finds could have an adverse impact on Russia’s own ability to secure increased gas exports to European markets. Russian energy companies, which often act as the long-arm of the Kremlin, are particularly active in the region. In February 2013, Gazprom signed a 20-year deal with the Israeli Levant LNG Marketing Corporation to exclusively purchase LNG from the Tamar field. In December 2013, the Russian company SoyuzNefteGas signed an agreement with the Assad regime to explore part of Syria’s EEZ; one month later Vladimir Putin signed an investment agreement with Palestinian leader Mahmoud Abbas to develop gas fields off the Gaza Strip.

To sum up, the Eastern Mediterranean gas finds could have far reaching implications for Europe’s energy security. Motivated by concerns over diversification of supply routes, as well as by geopolitics and instability in global energy markets, great powers seek to assert their own interests in the region too.

**Gas development as a factor of interstate amity**

Energy is a critical component for economic growth and development; in fact, the availability of energy resources could transform the economy of a country. Additionally, access to oil and gas at affordable prices is vital for political and social stability. More importantly, energy considerations could influence the course of a state’s foreign policy. For example, the US foreign policy toward Iran before the 1979 Islamic revolution cannot be understood if the oil factor is not taken into account. Likewise, current US foreign policy vis-à-vis Saudi Arabia, Qatar and Azerbaijan is

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largely oil and gas-based. But the United States is hardly exceptional in this regard. Most consuming countries would take into consideration energy interests. In the Eastern Mediterranean, gas discoveries have had a significant impact on Israel’s relations with Greece and the Republic of Cyprus.

**Israel and Greece**

The Greek-Israeli relations remained frosty for decades. The postwar Greek governments typically followed a pro-Arab foreign policy in order to protect Egypt’s large Greek community, secure Arab support on the Cyprus Problem in the United Nations, and keep access to cheap Arab oil. Therefore, Athens recognized only *de facto* the Jewish State in 1949. Finally, the right-wing Mitsotakis government recognized *de jure* the Jewish State in 1990. During the next three years, there was a short-lived renaissance of Greek-Israeli relations. Yet, the forming of a Turkish-Israeli alliance in the mid-1990s provoked a strong Greek reaction. Athens considered the strengthening of Turkish-Israeli defense ties as a threat to Greek national security.

Since 2010, Greek-Israeli relations have been rapidly improved. On the initiative of Netanyahu government, the two countries have signed agreements in the field of security, energy, trade, and tourism. Tel-Aviv and Athens have exchanged official visits at the presidential, prime-ministerial and ministerial levels. Israel’s rapprochement with Greece has been partly the result of the outburst of the Arab Spring. The political march of the Islamists in North Africa has changed dramatically Israel’s geopolitical environment that is now more unpredictable. Greece is a member state of the European Union and enjoys a close relationship with the United States. From the Israeli point of view, Greece is a natural ally in a hostile region.

On the Greek part, the continuation of the economic crisis and the erosion of Greece’s relative power mean that Athens cannot afford to ignore Israel as a trade and military partner anymore. Greece’s new policy on Israel has been largely unaffected by the frequent change of governments in recent years. The last three Greek prime ministers (George Papandreou, Loukas Papadimos, Antonis Samaras) met with Israeli officials and concluded agreements. The continuity of Greece’s Israeli policy becomes more apparent when considering the political and ideological differences among them: Papandreou is a moderate left-of-the-centre politician and the current general-secretary of the Socialist International; Papadimos is known as a liberal technocrat; and Samaras is a right-wing politician.

Geopolitical concerns have been certainly an important determinant of bilateral relations. Turkey under the Islamist-leaning Justice and Development Party

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33 On the Turkish-Israeli defense alliance see Amikam Nachmani, *Turkey-Israel Strategic Partnership* (Raman Gan, Israel: The BESA Cneter for Strategic Studies, 1999).
(AKP is the Turkish acronym) has become more assertive and self-confident in the greater Middle East. The architect of the new Turkish foreign policy is Ahmet Davutoglu who has envisioned a Turkish leadership of the Muslim world. The two countries view Turley’s bid to become a hegemonic power with the same skepticism, but for different reasons. Athens fears that Ankara will use force to claim mineral rights in the sea area of Kastellorizo Island (Greece’s most eastern island), which is the new point of friction between the two countries due to the suspected existence of undersea hydrocarbon deposits. Tel-Aviv is puzzled about the long term goals of Turkish diplomacy in the Middle East, given that Ankara has reached out to the Palestinians, Israel’s traditional foes. Indeed, the flourishing relations between Athens and Tel-Aviv have clearly coincided with the deterioration of the Turkish-Israeli relations after the Gaza flotilla incident in May 2010. As a result, bilateral defense cooperation has been expanding in the last few years. In March 2012, the air-naval exercise “Noble Dina”, involving US, Israeli, and Greek forces, was conducted in the Aegean Sea, while one month later a joint Greek-Israeli air exercise was held in central Greece.

Beyond the common concerns about Turkey’s assertiveness, Greece and Israel share significant energy interests. Both countries want to implement the 1982 UN Convention of the Law of the Sea (UNCLOS) in order to make possible the exploitation of the sea bed. The two countries claim that the Eastern Mediterranean could be divided into exclusive economic zones of 200 nautical miles and developed unilaterally. In contrast, Ankara has not signed the UNCLOS and has favored a negotiated settlement in the Aegean Sea and the Eastern Mediterranean that would take into account the Turkish interests.

Moreover, Greece’s location makes it a natural bridge between the energy-rich Eastern Mediterranean and the energy-consuming Europe. Therefore, the country could become a hub for bringing Eastern Mediterranean gas to European markets. In March 2014, the Greek government announced an international tender for a feasibility study of the Eastern Mediterranean pipeline that would carry Israeli and Cypriot gas to Europe via Crete and mainland Greece. The proposed pipeline is faced with two problems: it would be rather expensive and it would pass through disputed waters. Yet, the recent Russian intervention in Crimea has given new momentum to the project because the EU is looking for alternative sources of natural gas. For this reason, the European Commission has included the proposed pipeline in its list of Projects of Common Interests that could receive some financial support.

If Israel and Cyprus, finally, decide to opt for liquefaction of gas then the Greek-owned shipping could play an important role in the transport of LNG to the international market. During his visit to Israel in October 2013, Antonis Samaras stated that “Greece and Cyprus are both members of the EU and we believe they can be stable mediator between Israel and Europe…both countries have energy resources

and can work with Israel to tap these resources and to transport them.” 38 In other words, Greece has positioned itself as an energy hub in the region. It should be noted that the country has already agreed to participate in the Trans-Adriatic pipeline project that would carry Azeri gas to Central Europe. While energy is not the sole factor contributing to the rapid improvement of bilateral relations, it has certainly played a crucial role in the convergence of Greek and Israeli interests in the Eastern Mediterranean.

Israel and Cyprus

The Israeli-Cypriot relationship is another case where energy has played a decisive role in promoting interstate cooperation. Despite the geographical proximity, the two countries largely ignored each other for years. In the Israeli collective memory, however, Cyprus has been recorded as a place of martyrdom and national resistance. Thousands of Jewish refugees from Europe were imprisoned in British camps during the period 1946-1949, in order to be prevented from reaching the shores of Palestine. 39 Nicosia pro-Arab policy foreign policy could explain, to a large extent, the reluctance of both sides to improve bilateral relations. During the 1990s, the Israeli-Cypriot relations fell victim to the tensions caused by Turkish-Israeli partnership. In November 1998, the arrest of two Mossad spies at the Zygi naval base confirmed the worst fears of Cypriot government about the Turkish-Israeli military cooperation, which included exchange of information.

The rise of AKP to power gradually changed the direction of Turkey’s Middle East policy. The policy change toward Israel emerged after the departure of Tagip Erdogan from the boardroom of the annual World Economic Forum in Davos, Switzerland, in January 2009. This unprecedented move was made after a wrangle between Tayyip Erdogan and Shimon Peres. The deterioration in bilateral relations eventually led to the cancellation of the agreement on military cooperation.

To make matters worse for Tel-Aviv, Egypt has entered a new phase of instability that has undermined Israel’s energy security. The Muslim Brotherhood criticized the Mubarak regime for exporting Egypt’s gas to Israel. Yet, the party opposed sabotage actions against the 55-mile Arish-Askeron gas pipeline transporting Egyptian gas to Israel and called for peaceful protests. 40 In the summer of 2010, the Muslim Brotherhood stepped up its criticism; it claimed that electricity blackouts were the result of gas exports to Israel. 41 In April 2012, as a result, Egypt’s interim government cancelled a 20-year contract to supply Israel with gas.

Under these deteriorating geopolitical conditions, the Israeli leadership came to view the Republic of Cyprus as an important partner. In November 2011, the visit

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of President Peres to Nicosia confirmed the interest of the Israeli side to strengthen bilateral relations. From the Cypriot perspective, the improved relations with Israel could counterbalance Turkey’s presence in the Eastern Mediterranean. In February 2012, Benjamin Netanyahu paid a visit to Nicosia, the first ever visit by an Israeli prime minister, to discuss energy and defense cooperation with the Cypriot government. Dimitris Iliadis had signed an agreement on Mutual Protection of Confidential Information with his Israeli counterpart Ehud Barak one month earlier. According to press reports, the Cypriot Navy is likely to buy two Israeli-manufactured Offshore Patrol Vessels in order to patrol its EEZ.

The energy dimension of the new Israeli-Cypriot relationship is particularly strong. Nicosia plans to build an LNG plant at Vassilikos industrial area to process Cypriot gas; the multi-billion dollar project is scheduled to be completed by 2020. Since the Cypriot gas finds are not large enough to make this LNG plant project economically viable, Nicosia has suggested that the two countries pool their gas reserves together to form a single producing unit. In the words of the Cypriot Minister of Energy Yiorgos Lakkotrypis, “we feel that through a close collaboration with Israel we will be able to be a major player in the world energy market, something that might be too hard for each country to achieve individually”. Therefore, the future of the Israeli-Cypriot partnership will depend on the export route of the Israeli gas. Tel-Aviv has examined four alternatives for the optimum utilization of its gas fields:

- Transfer of natural gas to Israel for electricity generation that would be consumed domestically, or would be exported with an underwater cable to Cyprus and Greece;
- Construction of a gas liquefaction facility in Cyprus, Israel, Jordan or Egypt and then transport the LNG by tankers;
- Construction of floating liquefaction units;
- Construction of an underwater pipeline to transport gas to Greece or Turkey.

The Israeli government probably prefers to export gas westwards in order to improve its relations with European countries. From the Israeli perspective, energy cooperation with Greece and Cyprus could build a new web of alliances with EU countries which would help Tel-Aviv to break its geopolitical isolation. The Netanyahu government even lobbied on behalf of Greece in Europe and the United

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45 Simon Henderson, Natural Gas Export Options for Israel and Cyprus (Washington, DC: German Marshall Fund of the United States, 2013),
States for an economy-recovery plan. In late March 2012, during an energy conference in Athens, then Israeli minister of Energy Uzi Landau spoke of “an axis of Greece, Cyprus, and Israel and possibly more countries which will offer an anchor of stability.” In August 2013, the three countries signed an agreement to install a 2000-megawatt underwater electric cable that will connect their power grids. The so-called EuroAsia Interconnector Project is the first of this kind that would connect Europe and Asia.

**Gas development as a factor of interstate enmity**

The competition for the control of energy resources has been responsible for many conflicts in the Middle East, Africa, and elsewhere. The sale of oil and gas could bring wealth and prosperity to societies, but could also upset regional balance of power. The country that controls energy reserves could hold sway over a region; indeed, geopolitics and energy are closely interlinked. In the Eastern Mediterranean, where countries have been locked in conflicts over territory, the gas discoveries seem likely to increase the stakes. In fact, the contested ownership of gas resources has destabilized already strained relations between Israel and Lebanon, and Turkey and Cyprus.

**Lebanon and Israel**

The discovery of offshore gas reserves has complicated relations between Tel-Aviv and Beirut. In January 2007, Lebanon and Cyprus signed a delimitation agreement but the Lebanese parliament refused to ratify it; it was claimed that the Cypriot-Lebanese maritime border extended further south than previously thought. More specifically, Beirut has argued that there is a disputed area of 328 square miles between Cyprus, Lebanon and Israel which is part of Lebanon’s EEZ. In August 2010, the Lebanese government passed a law through parliament to explore the Eastern Mediterranean for energy resources, contesting ownership rights within the Leviathan field. Nevertheless, the Republic of Cyprus signed with Israel an accord to demarcating their maritime border in December 2010. As a result, Lebanon now claims that Cyprus and Israel are in breach of its maritime rights. The fact that Lebanon and Israel are still technically at war and do not currently have diplomatic relations has made the demarcation lines into the Mediterranean even less clear.

The maritime dispute has taken a new dimension in the last few years, because Hizb’allah has got involved in it. According to Hizb’allah Deputy Secretary General Sheikh Naim Qassem, “Lebanon will stand guard in order to protect all its rights, no

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Moreover, Hizb’allah has refused to recognize the agreement Cyprus claiming that “the agreement between Lebanon and Cyprus is null and void because the Lebanese side that signed it had its official capacity revoked...The sea, like land, is a one hundred percent legitimate Lebanese right, and we shall defend it with all our strength.” In reality, the group does not only oppose the Lebanese-Cypriot delimitation agreement but is also concerned about the rapidly improving relations between Israel and Cyprus. Hizb’allah was taken by surprise because Nicosia pursued a pro-Lebanese and pro-Palestinian policy for decades. This strategic alignment could possibly explain the mini-crisis between Nicosia and the Lebanese group in July 2012, when a Hizb’allah operative was arrested by the Cypriot police for planning attacks against Israeli tourists.

But Hizb’allah’s main target remains the Jewish State. By claiming that Israel is stealing Lebanon’s gas resources, Hizb’allah has in effect demonized further its opponent which is accused of “energy imperialism”. Such a claim resonates well with many Lebanese who perceive Israel as an aggressive neighbor that has not respected the territorial integrity of their country. In this way, Hizb’allah could keep presenting itself as a patriotic group that fights against Israel in the name of national independence, at a time that it has faced strong criticism for its involvement in the Syrian civil war.

During a televised speech marking the fifth anniversary of the 2006 war, Hassan Nasrallah did not hesitate to threaten Israel with a strike against its energy infrastructure; he stated that “we warn Israel against extending its hands to this area and steal Lebanon’s resources from Lebanese waters... Whoever harms our future oil facilities in Lebanese territorial waters, its own facilities will be targeted”. In the same speech, the leader of Hizb’allah claimed that the disputed sea area between Israel and Lebanon has oil and gas reserves that are worth hundreds of billions of dollars. If Beirut gains access to these reserves, the argument goes, Lebanon could soon become a wealthy country.

56 Ibid.
Hizb’allah’s military threats have been met by an Israeli naval build-up. The Israeli Defense Forces will acquire at least two 1,200-ton patrol-class vessels, unmanned aerial vehicles, and missile-armed remote-control gunboats.\textsuperscript{57} In this way, Tel-Aviv may be able to deter guerrilla raids from Lebanon which could jeopardize energy development and transportation in the Eastern Mediterranean. The Israeli government’s decision to procure state-of-the-art military hardware reveals how Israeli officials perceive energy: the exploitation of gas reserves is for them primarily a matter of national security.

\textit{Turkey and Cyprus}

The relationship between Turkey and the Republic of Cyprus resembles, to a certain extent, the relationship between Lebanon and Israel: a long-standing conflict with few prospects of imminent resolution. The Turkish army invaded the northern part of the Cyprus in July 1974; since then, it has exercised effective control over one-third of the island. Yet, the internationally-recognized Republic of Cyprus managed to enter the EU in 2004 and the Eurozone in 2007. Moreover, Nicosia negotiated maritime demarcation agreements with Egypt in 2003, Lebanon in 2007, and Israel in 2010.

Initially, the Erdogan government responded with military threats to the effort of Cyprus to begin the licensing process. Ankara still perceives relations with Nicosia as a zero-sum game, where what is good for Cyprus is bad for Turkey and vice versa. Indeed, the Cypriot government’s determination to exploit its offshore gas deposits has created an “energy security dilemma” for Ankara. The possible economic and diplomatic resurgence of Cyprus, as a result of the gas development, is largely seen as a threat to Turkish security. Ankara even extended implicitly the military threats to Israel. During an interview with Al Jazeera Channel on September 8, 2011, Tagip Erdogan stated that “Israel has begun to declare that it has the right to act in exclusive economic areas in the Mediterranean…[it] will not be owner of this right”.\textsuperscript{58} Indeed, Turkish warships harassed Israeli merchant vessels during the fall of 2011.

The gunboat diplomacy proved counterproductive for Turkey, because it was booted by major powers. In March 2012, for example, a French-Cypriot aeronautical exercise took place in the Cypriot EEZ. One month later, German and Cypriot naval forces staged a search-and-rescue exercise. Therefore, the Erdogan government attempted to put pressure on Nicosia by consolidating the \textit{faits accomplis} of the invasion and occupation. Ankara signed with the Turkish-Cypriot leadership a continental shelf delimitation agreement on September 11, 2011. In late April 2012, the Turkish state oil company (TPAO) started its first drilling near the occupied city


of Famagusta. Turkey also invited foreign companies to explore the Mediterranean coast of Turkey; as of this writing, only the Royal Dutch/Shell expressed interest.\(^{59}\)

However, the energy factor has internationalized the Cyprus Problem. The discovery of gas deposits in the Cypriot EEZ is the new point of friction between Ankara and Tel-Aviv. The Turkish government did not anticipate the rapid improvement of relations between Israel and the Republic of Cyprus. Ankara fears that cooperation between Nicosia and Tel-Aviv will not be limited to the energy sector. There are already signs that the Israeli side is interested in expanding bilateral cooperation in the defense field. For instance, Israel has requested from Cyprus to allow fighter jets to use an air base in Paphos.\(^{60}\) In mid May 2012, the Turkish government claimed that Israeli fighter jets violated the airspace of the Turkish-occupied northern Cyprus.\(^{61}\)

The gas finds in the Cypriot EEZ has also attracted China’s interest, because its economy needs adequate supply of energy resources to maintain high growth rates.\(^{62}\) Chinese companies have already attempted to bid for gas exploration and liquefaction projects in the region. For instance, Chinese companies are negotiating with the Cypriot government an agreement to purchase LNG from Cyprus by 2020.\(^{63}\) The promise of gas business and the establishment of new partnerships have allowed Cyprus to increase its relative power against Turkey.

**Gas development and conflict resolution in the Eastern Mediterranean**

The Eastern Mediterranean, with its numerous inter and intra-state conflicts, is confronted with the problem of how to reduce instability and promote regional cooperation in the field of gas development and transportation. Gas reserves and future auxiliary investments in the region are estimated to be worth tens of billions of dollars. The coming energy boom has the potential of exacerbating decades-old border disputes and creating new divisions.

The likelihood of a military crisis between Cyprus and Turkey, or Israel and Turkey seems to be small. It should be noted that Ahmet Davutoglu admits in his book *The Strategic Depth* that "any new tensions and potential conflict that may arise in Cyprus will negatively affect the strategic position of Turkey in terms of the axis

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Baku-Ceyhan [which transports Caspian oil]. The construction and operation of energy infrastructure (e.g., pipelines, refineries, LNG plants) is a costly business which requires political stability. It follows that military tensions in the Eastern Mediterranean could undermine Turkey’s role as an energy transit state.

Turkey is not the only country that feels excluded from the energy bonanza. Lebanon has also attempted to assert its property rights in the Eastern Mediterranean. Indeed, the new Israeli gas discoveries near Lebanon could provide Hizb’allah with an excuse to retain and possibly expand its military capabilities for the purpose of threatening its enemy’s energy lifeline. Hizb’allah has certainly the military capacity to attack Israel’s offshore gas platforms if it chooses to do so. The 2006 war revealed that the Lebanese group is in possession of Chinese-manufactured C-802 anti-ship missiles (range 120km), as well as Zelzal-2 rockets (range 200km-400km).

Nevertheless, it is not certain that the production and transportation of natural gas would have negative consequences for regional security. For instance, the profits from the export of gas resources could contribute to the unification of Cyprus, because the two sides would have additional incentives to accept a peace deal. In fact, the US government has viewed the gas finds as a catalyst for solving the Cyprus Problem. The then Special Envoy for Eurasian Energy of the US State Department, Richard Morningstar even argued that “revenues from the exploitation of natural gas should be shared by both communities”, suggesting a common energy fate of Greek and Turkish Cypriots. It is not a coincidence that the Special Representative for Regional Energy Cooperation of the newly established Bureau of Energy Resources of the State Department will be based in the US Embassy in Nicosia.

The gas revenues would change the economy of the Greek-controlled Republic of Cyprus. The per capita income of Greek Cypriots is expected to increase significantly, which means that the economic gap with the Turkish Cypriots would probably widen. Not surprisingly, the Turkish Cypriot leadership has already asked for sharing of profits. If the history of the oil industry is an indication, an economic boom from exports of hydrocarbons often leads to ethnocentrism and economic nationalism, because it creates have and have-nots. For example, the production of large quantities of oil and natural gas in the North Sea has strengthened Scottish nationalism and may eventually lead to succession of Scotland from the United Kingdom.

Ahmet Davutoglu, Strategic Depth: Turkey’s Role in the International Arena (Doha: Al Jazeera Center for Studies, 2010), 278.
“US Appoints Energy officer to Nicosia to cover the Region”, Cyprus Mail, February 9, 2012, 5
Ankara has offered to build a “peace pipeline” to transport Cypriot gas to European markets via Turkish territory. According to the Turkish Minister of Energy Taner Yildiz, “Israeli officials, local officials in Greek Cyprus and representatives of the TRNC [Turkish Republic of the Northern Cyprus], they have all agreed on one reality: The natural gas to be produced from this region will get its utmost feasibility by a pipeline that will pass through Turkey”. Nicosia has not rejected this route, as long as there is, first, a resolution of the Cyprus Problem which would include unification of the island and the withdrawal of the Turkish troops from the northern part. Matthew Bryza, former US Deputy Secretary of State, has claimed that “building an Israel-Turkey pipeline connected to a Cyprus LNG terminal offers strategic opportunities that transcend economics, including a chance for Israel and Turkey to restore their strategic partnership. It would also push Turkey to reach an agreement on the Cyprus Problem, removing a 40-year irritant in relations with Europe”.

The liberal perspective argues that the economic benefits deriving from energy transportation could help resolve political conflicts. The peace pipeline thesis was first tested during the 1990s, when the Clinton administration promoted the idea of constructing a pipeline that would have carried Azerbaijani oil through Nagorno-Karabakh and Armenia to the Turkish market. The project failed because the Armenian side was not ready to make the necessary territorial concessions to Azerbaijan. Besides, the Georgian government under Micheil Saakashvili suggested in 2004 to construct a Russian-Georgian oil pipeline through the breakaway republic of Abkhazia in order to achieve a solution to the Georgian-Abkhazian conflict. The Georgian proposal was rejected by both Russia and Abkhazia. The proposed Iran-Pakistan-India gas pipeline had the same fate. In 2009, the Indian government announced its decision not to participate in the project for security reasons. In other words, peace pipelines failed to materialize because states were neither willing to abandon territory nor willing to depend on hostile neighbors, in return for possible economic benefits (Figure 1).

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Energy development could yet become a factor of stability-building in the Eastern Mediterranean and a locomotive for regional cooperation. The development of Israeli and Cypriot gas resources and the planning of a transportation infrastructure should all be seen as regional rather than national projects. In a region with high political risk like the Eastern Mediterranean, it would be ideal to establish an interlocking web of fields, pipelines, and shipment contracts that bind all parties together while minimizing opportunities for disruption. Furthermore, the resolution of the ownership issue will accelerate the pace of private investment in the regional energy development. Without a region-wide agreement, multilateral development banks could withhold financing because the legal status of the gas reserves is in dispute.

**Conclusion**

New substantial gas discoveries could influence Eastern Mediterranean’s future geopolitical orientation. The article argued that energy development is a factor determining interstate relations in the region. Energy interests have brought Israel closer than ever to Cyprus and Greece, producing relations of amity. It appears that potential political and economic benefits deriving from the export of Eastern Mediterranean gas to the international market have been viewed by all three countries as crucial to their economic prosperity, security, and bilateral relations.

Simultaneously, the gas finds have generated new tensions between producing countries and countries that feel excluded from the energy fortunes. As a result, there is a deterioration of relations between Turkey and Cyprus, and Israel and Lebanon. The article contests the liberal assumption that pipeline development could increase incentives for peace settlements. Security considerations often take precedence over economic benefits deriving from gas transportation. However, under certain conditions, the exploitation of gas could foster interdependence between producers, transit states, and consumers.