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January 2020

## **The East Mediterranean is stormy**

There is a conflict between Turkey, Cyprus and Greece over natural gas development in the Eastern Mediterranean. Furthermore, Israel which has the region's largest gas field and Russia which is the world's largest natural gas exporter are competing to export natural gas to Western Europe. As the transit point of natural gas from Russia to Europe, Turkey concluded an Exclusive Economic Zone (EEZ) treaty with Libya in North Africa to suppress its long-time nemesis Cyprus<sup>1</sup>.

The conflict also involves which country takes the initiative, Russia or U.S. over exporting natural gas to Europe. The United States, which dislikes Russia to seize Western Europe energy market, is claiming the pipeline construction by Russia. There is another conflict that which country gets leadership of the Middle East and North Africa, Turkey or Saudi Arabia. Regarding Libya, natural resource giant in Africa, Turkey and Qatar support orthodox governments based in western Tripoli, while Saudi Arabia and the UAE support eastern rebels Haftar warlords. The fundamental antipathy of Saudi Arabia and UAE underlies that Tripoli government has sympathy to the Muslim Brotherhood. In 2017, Saudi Arabia and UAE had broken their diplomatic ties with Qatar over the issue of the Muslim Brotherhood. Qatar asked Turkey for help. That scene is directly reflected on the Libyan issue.

Problem is more complicated. Libya is Russia's important arms market. The Russian war contractor Wagner group supporting Haftar warlords. The interests of Turkey and Russia are in conflict<sup>2</sup>. For European countries, they import natural gas from Libya, but at the same time they have the trouble with the influx of refugees from the Mediterranean coast of Libya. Europe welcomes natural gas, but does not welcome refugees. "Natural resource" is OK, but "Human resource" is not-OK for Europe. They want to maintain good relations with Tripoli orthodox government for the stability of Libya.

Egypt, which is Libya's neighboring country and expels Muslim Brotherhood as terrorist group, has severed the diplomatic tie with Qatar. Egypt supports the Haftar warlords in tandem with Saudi Arabia and UAE. However, Egypt began to import natural gas from Israel<sup>3</sup>, because the country's top priority is economic reconstruction. If they fail to rebuild the economy, Egypt will bring back the nightmare of the Arab Spring in 2011. The Sisi military regime has to be careful not to stimulate domestic or overseas powers for the time being.

The East Mediterranean is stormy. This report would focus on the problem of gas exploration and pipelines in the East Mediterranean.

## Discovery of huge gas fields in Israel

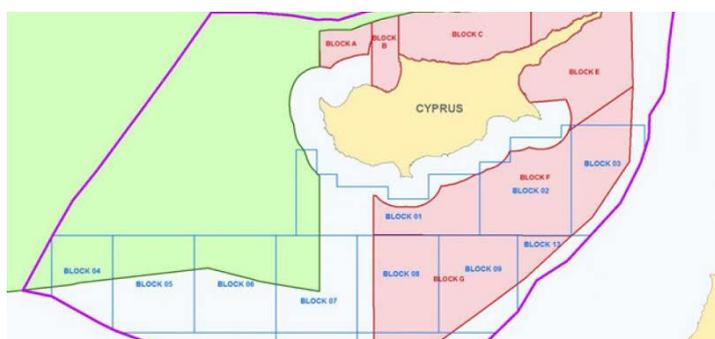


The root of the problem was the discovery of large gas fields in territorial water of Israel. Tamar and Leviathan gas fields were discovered in 2010 and 2013 respectively. The Tamar gas field started production in 2013 and the Leviathan gas field last December. Reserves of Leviathan field is 400 billion cubic meters (2.6 billion barrels of oil equivalent)<sup>4</sup>. It is equivalent to 40 years of domestic consumption. Israel is now regional energy giant. Country has already begun export natural gas to Egypt<sup>5</sup>, and plans export to Jordan soon<sup>6</sup>. Furthermore, Israel made an agreement with Greece and Cyprus laying the East Med Pipeline with the prospect of exporting gas to West Europe<sup>7</sup>.

## Two gas pipelines by Israel/Cyprus and Russia/Turkey

In the 1970s and during the independence campaign after World War II, Greeks and Turkishs in Cyprus confronted over annexations with Greece. In 1974, Turkey invaded into the dispute island. Cyprus was divided into the Republic of Cyprus and the Turkish Republic of Northern Cyprus. Since then, the three states, Greece, Turkey and the Republic of Cyprus, have been in tension with each other. All of the three states, on the other hand, are members of the NATO (North Atlantic Treaty Organization). Therefore, they have maintained some sort of political equilibrium throughout the era of the East-West conflict and the Detente.

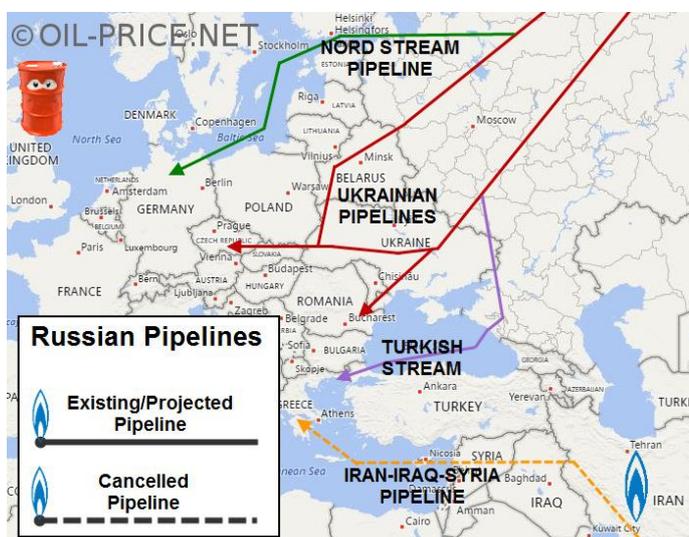
The discovery of gas fields by Israel has spurred the development campaign in coastal countries of the Eastern Mediterranean. They are Lebanon, Syria, Turkey, and Cyprus in addition to Israel and Egypt. Lebanon and Syria could not participate development campaign due to unstable politics and economy. Egypt has several gas fields offshore of the Nile Delta, but production is already in decline and its gas liquefaction (LNG) facilities are in excess.



In Cyprus, Italian energy giant Eni and French Total are designated as exploration contractors. At the same time, Turkey began exploration works offshore of Cyprus. Turkish government confronted with Cyprus government about the demarcation of concession area. (See figure)

So far neither Cyprus nor Turkey found a gas field of enough volume for commercial operation. As alternatives, they plan to build gas pipelines not only to import natural gas for domestic consumption but also to transfer the surplus to Europe in partnership with gas exporting countries. The one is East Med Pipeline by Israel, Cyprus and Greece. Another one is Turkish stream by Russia and Turkey.

Russia has three routes of natural gas pipeline to Europe. The first route is the onshore pipeline through the Eurasian continent, which has the old history. The largest onshore pipeline is via Ukraine. However, frequent gas price disputes between Ukraine and Russia made Russia to close the valve of pipeline. European countries, especially Germany, suffered from the stoppage of natural gas.



Nord stream 1, which is submarine pipeline under Baltic Sea connecting Russia and Germany directly, was constructed in 2012. Nord stream 1 contributed to change the fuel of power generation from coal or nuclear to natural gas in Germany. Natural gas is environmentally friendly to reduce carbon dioxide.

Ukraine-Russia relations have deteriorated furthermore over the territory of the Crimea. Russia decided to construct the third gas

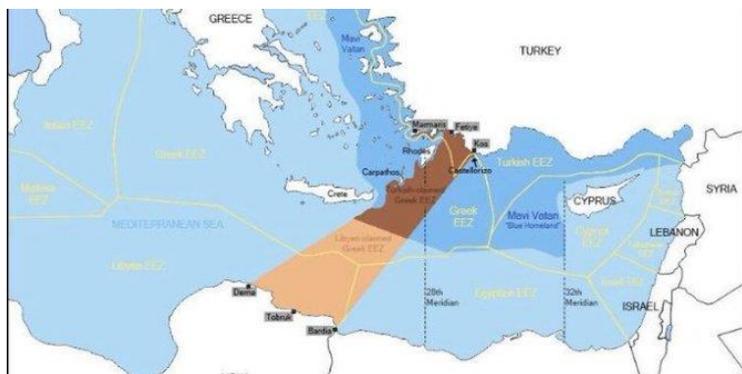
pipeline under the Black Sea as the joint venture with Turkey. (See figure)

### Harmonizing Russian and Turkish interests

For Russia, Export of natural gas is exclusively important source of state revenue. Following the Nordstream in Baltic Sea, Russia planned to build Southstream pipeline to avoid gas trade conflict with Ukraine. The pipeline lays under the Black sea for Europe via Bulgaria. Southstream was later changed its route from Bulgaria to Turkey. That is Turkstream. On January 8, 2020, the completion ceremony of Turkstream was held in Istanbul under the presence of both Russian and Turkish Presidents<sup>8</sup>.

Just several days before the ceremony, Israel, Cyprus and Greece have launched the East Med Pipeline project to lay a submarine pipeline under the Eastern Mediterranean<sup>9</sup>. The project is planned to export natural gas to Western European countries. The East Med pipeline will be a strong competitor of Turkstream in the future. Turkey could not overlook the East Med pipeline. In addition to economic problem, Islamic Turkey has a religious conflict with Jewish Israel and

Christian (Greek Orthodox) Greece. Turkey and Cyprus had a long dispute on territorial issues. Turkey cannot realize its long-standing dream of joining the EU due to the objection by Greece and Cyprus. Turkey, therefore, has signed an EEZ (Exclusive Economic Zone) agreement with Libya to block the East Med Pipeline<sup>10</sup>.



Under the normal international maritime law, Turkey and Libya have no border of territorial waters nor EEZ. However, Turkey has justified the EEZ agreement between two countries insisting that Eurasian continental shelf of Turkey and African continental shelf of Libya are exposed each other. The purpose of Turkish-Libyan EEZ is to stop the

pipeline from Israel to Europe. This is also the economic containment policy against Cyprus. (See figure)

### **Many subjects are overlapping on the gas pipeline projects**

Turkstream and East Med Pipeline have many subjects behind the scene. The longstanding struggle between Turkey and Cyprus is a bilateral issue. There is diplomatic and military subject, too. Turkey has the forefront eastern base of NATO. Turkey is more important alliance than Cyprus for Western countries. Nevertheless, Turkey is not able to join the EU due to the objection by Greece and Cyprus. In humanitarian issues, Turkey blocked Syrian political refugees heading to Europe and Libya is the boarding point of economic refugees of the African continent. Cooperation with Turkey and Libya is indispensable for European countries to curb refugee inflows.

In addition to these bilateral or regional subjects, there is an economic subject between the United States and Russia over the natural gas market in Europe. Russia heavily relies on natural gas revenue. European market is indispensable for Russia. To achieve the goal, Russia is struggling to reinforce its pipeline network. United States had looked over Russian activity so far. But in these days US has changed its attitude. The United States regards Europe as an export market of its LNG.

Traditionally US basic strategy was suppress the former Soviet Union and Russia. Nowadays the United States is about to become a natural gas exporter as a result of massive shale gas production. The US has forced the Baltic Sea's second Nordstream pipeline to suspend construction and also levied economic sanctions on Turkstream contractors. The Trump administration is likely to intervene in realizing the East Med Pipeline of Israel, the United States' closest ally.

The US is the strongest country in the world. President Donald Trump advocates America-first policy. Germany as well as France and other major Western European nations and Russia cannot stand to the US. Moreover, Turkey, which is one of strong power in the Middle East, has no effective power against the US. The gas problem in the Eastern Mediterranean might be up to the US President.

However, in an optimistic view, President Trump is unlikely to intervene the said subject. The Eastern Mediterranean gas subject is too little for the President. He is a man who takes into account whether the subject has merit or demerit for him. His goal of the game is to win the presidential election, and to defeat China economically and Iran politically.

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<sup>1</sup> Turkey-Libya maritime deal rattles East Mediterranean  
2019/12/25 Reuters

<https://www.reuters.com/article/us-turkey-libya-eastmed-tensions-explain/turkey-libya-maritime-deal-rattles-east-mediterranean-idUSKBN1YT0JK>

<sup>2</sup> Libya policy threatens Turkey, Russia alliance

2019/12/28 Arab News

<https://www.arabnews.com/node/1605086/middle-east>

<sup>3</sup> Israel to start exporting natural gas to Egypt in November — minister

2019/7/25 Arab News

<http://www.arabnews.com/node/1530831/business-economy>

<sup>4</sup> From BP Statistical Report of World Energy 2019

<sup>5</sup> Israel to start exporting natural gas to Egypt in November — minister

2019/7/25 Arab News

<http://www.arabnews.com/node/1530831/business-economy>

<sup>6</sup> Jordan starts getting gas from Israel despite heated opposition

2020/1/3 Arab News

<https://www.arabnews.com/node/1607661/middle-east>

<sup>7</sup> Deal agreed for EastMed undersea gas pipeline to Europe

2020/1/2 Arab News

<https://www.arabnews.com/node/1607616/business-economy>

<sup>8</sup> Erdogan, Putin inaugurate pipeline, discuss Libya, Syria

2020/1/8 The Peninsula

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<https://www.thepeninsulaqatar.com/article/08/01/2020/Erdogan,-Putin-inaugurate-pipeline,-discuss-Libya,-Syria>

<sup>9</sup> Deal agreed for EastMed undersea gas pipeline to Europe  
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<https://www.arabnews.com/node/1607616/business-economy>

<sup>10</sup> Turkey-Libya maritime deal rattles East Mediterranean  
2019/12/25 Reuters

<https://www.reuters.com/article/us-turkey-libya-eastmed-tensions-explain/turkey-libya-maritime-deal-rattles-east-mediterranean-idUSKBN1YT0JK>