
ENERGY BRIEF

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NOBLE ENERGY MOVES RIG INTO CYPRUS BLOCK 12 UNDER WATCH OF TURKISH NAVY

US energy firm Noble Energy moved the Homer Ferrington drilling rig into Block 12 off the southern coast of Cyprus on 16 September in preparation for drilling the first well in the island's maritime exclusive economic zone (EEZ). Working under a production sharing contract awarded by the Republic of Cyprus in 2008 as the result of a 2007 licensing round, Noble Energy is expected to start drilling before October 1 on a structure that is estimated to hold some 10 trillion cubic meters of natural gas.

The advent of the Houston-based company drilling in Cyprus's internationally recognized sector of the eastern Mediterranean has enraged Turkey, which refuses to recognize EU-member Cyprus as a sovereign state. Turkish Prime Minister Recep Tayyip Erdogan and other Turkish officials have warned Cyprus with military action if it continues to explore for hydrocarbons in the region on the premise that any discovered resources also belong to the Turkish-Cypriots.

Turkey maintains the largest military force in NATO while Cyprus's own National Guard is comprised primarily of recently-graduated school boys.

While Cypriot officials have stated on several occasions that any hydrocarbons found within the EEZ will be used to the benefit of both Greek- and Turkish-Cypriots, Ankara has insisted that exploration work stop.

News of the arrival of the drilling rig offshore southern Cyprus prompted the Turkish-Cypriot administered area in the northern part of the island to warn that it would launch its own offshore exploration program if drilling proceeded. For its part, Turkey announced that it would begin a search for oil and gas resources in a region of the Mediterranean that is claimed by it and Greece.

Ships of the Turkish navy followed the Homer Ferrington rig as it was moved from Israel's offshore Noa North field into Cypriot waters. Greek-Cypriot media on September 16 reported that Turkish warships continue to circle the rig, the coordinates of which have been published internationally with a warning that work is in progress and that all ships should maintain a distance of five nautical miles.

The rig is located some 200 kilometers south of Cyprus and is anchored in a depth of around 1,700 meters in a field named Aphrodite after the mythical Greek goddess who made Cyprus her home. The Aphrodite field lies less than 100 kilometers from two significant gas discoveries made by Noble in the Israeli

offshore during the last two years. Those gas discoveries will provide Israel with enough gas to meet domestic demand for several decades, plus make it a potential energy exporter.

Nicosia has stated that its actions in the eastern Mediterranean are in accordance with its rights as a sovereign state operating under international law. Cyprus is a signatory of the International Law of the Sea while Turkey is not. In an effort to counter Turkey's threats, Cypriot officials have sought and received support from the European Union, the US, Britain, Russia and Israel. In a statement made in Nicosia on 16 September, UN special representative in Cyprus Lisa Buitenhuis said: "It should be understood that natural resources, if they are discovered, would be for the benefit of all Cypriots...under the framework of a federal united Cyprus."

Israel has also been on the receiving end of Turkey's threatening rhetoric in the wake of the Mavi Marmara affair, during which nine Turkish activists were killed when Israeli commandos boarded the vessel in May 2010 as it attempted to break the Israeli naval blockade of Gaza.

In his ire over the Republic of Cyprus's exploration plans, Turkish Prime Minister Erdogan has also directed his anger to the offshore gas discoveries already made by Noble in Israel. "You know that Israel has begun to declare that it has the right to act in exclusive economic areas in the Mediterranean," he told *Al Jazeera TV* in mid-September. "You will see that it will not be the owner of this right, because Turkey, as the guarantor of the Turkish Republic of Northern Cyprus...will be decisive and holding fast to the right to monitor international waters in the east Mediterranean."

Noble Energy's actions in Cyprus are expected to yield results similar to those it has seen offshore Israel and boost its assets in the east Mediterranean. Noble discovered the Tamar gas field offshore Israel in 2009 and the Leviathan gas field in 2010. Reserves in those fields are estimated at 9 trillion cubic feet and 16 trillion cubic feet respectively.

Furthermore, Noble Energy and its main Israeli partner, the Delek Group, have proposed to the Cyprus government the establishment of a multi-faceted liquefied natural gas (LNG) facility with a capacity of 15 million tons per year that would process and export offshore Israeli and Cypriot gas to world markets. A significant gas discovery offshore Cyprus could provide the entire island with sufficient gas supplies well into the future and leave a considerable amount for export. A gas discovery in Block 12 is expected to pressure the Cyprus government to announce a second bidding round early next year.

Following a meeting with several ministers in Nicosia on 13 September, Cyprus President Demetris Christofias said drilling in Block 12 would proceed as planned and that Cyprus's action was based on the republic's sovereign right based on international law and the International Law of the Sea.

"On the possibility of Turkey committing an unlawful act, something that we hope will not happen, we will expect strong support and an effective response from the international community," Mr. Christofias said. "In addition to questioning the sovereign rights of the Cyprus Republic, Turkey is also threatening our country and its associates. It is causing tension in the region, sending the message that it acts like a troublemaker and violates international norms," he added.

Turkey's position on Cyprus's offshore exploration program is complicating Ankara's own relationship with the European Union, with which it is negotiating to become a member. Nicosia said on September 14 that as a member of the EU it would block Turkey's entry talks with Brussels so long as Ankara challenges Cyprus's rights to its offshore energy search.

The island has been divided between Greek-Cypriot and Turkish-Cypriot areas since Turkey invaded the island in 1974 in the immediate wake of coup orchestrated by supporters of the Greek military junta in power in Athens at the time. Turkey has occupied the northern 40% Cyprus with a force of some 40,000 troops since and imported several hundred thousand Turkish settlers into the so-called Turkish Republic of Northern Cyprus, which is recognized only by Ankara.