
ENERGY BRIEF

Energy Program

2011-09-03

TURKEY THREATENS CYPRUS OVER OFFSHORE DRILLING

Turkey's Minister for European Affairs Egemen Bagis on September 2 threatened that Ankara would send warships into the southern waters of the eastern Mediterranean to prevent US independent Noble Energy from drilling for hydrocarbons in Cyprus's exclusive economic zone (EEZ) if exploration work there did not stop.

Noble Energy was awarded a production sharing contract by the government of Cyprus in 2008 for Block 12 as the result of a 2007 licensing round. Noble plans to start drilling in the Aphrodite field in Block 12 as early as October 1.

Mr. Bagis told Turkey's *Today's Zaman* newspaper that exploration activity by Cyprus "in waters where they [the Cyprus government] have no jurisdiction is illegal." He said Turkey would "rely on international law to pursue its rights to the fullest extent."

The Cyprus EEZ is recognized internationally as the island's legal offshore territory.

Ankara recognizes only the Turkish-Cypriot administrated sector of northern Cyprus, where Turkey has maintained an army of 40,000 troops since it intervened on the island during a pro-Greece coup in 1974. Although the Greek-Cypriot side of the island is internationally recognized as the island's legitimate government and the EEZ lies entirely to the south of the island, Ankara insists that Nicosia has no right to explore for oil and gas in the region.

Asked by *Today's Zaman* if Turkey would send a fleet to the southern waters of the east Mediterranean to prevent the drilling from going ahead, Mr. Bagis said: "This is what we have the navy for. We have trained our marines for this; we have equipped the navy for this. All options are on the table; anything can be done."

During the last two years, Houston-based Noble Energy has made two significant discoveries in the Israeli EEZ, Tamar and Leviathan. Both lie less than 100 kilometers from Block 12, in which Noble's main Israeli partner, the Delek Group, has a 30% option. The situation is complicated by the current diplomatic dispute between Turkey and Israel over a May 2010 raid by Israeli commandoes on a flotilla of ships embarked from Turkey and bound for the blockaded Gaza Strip. Nine Turkish citizens were killed when the ships were intercepted. Turkey has demanded an apology from Israel, but Israel refuses to

do so. On September 2, following the release of a UN report on the affair, Turkey expelled the Israeli ambassador.

Since Cyprus began to explore its offshore territory earlier this decade, Turkey has objected, sending warships into the area at times in the past. Cyprus has signed maritime delimitation agreements with Egypt, Israel and Lebanon, although the deal with Lebanon has yet to be sanctioned by the Lebanese parliament. Turkey has previously rejected these agreements. It claims its offshore territory in the east Mediterranean extends as far south as Egyptian waters.

An announcement by the Cyprus Energy Department earlier this summer that Noble Energy would begin to drill in Block 12 on or before October 1 led Turkish Foreign Minister Ahmet Davutoglu to state that Ankara would take “the appropriate reaction” if drilling went ahead.

In response to the renewed threats by Turkey, Cypriot Foreign Minister Erato Kozakou-Marcoullis visited Greece and Israel to garner support for the start of the drilling program. While in Jerusalem, Ms. Marcoullis met with Israeli President Simon Peres, Prime Minister Benjamin Netanyahu and Foreign Minister Avigdor Lieberman, all of whom expressed their support for Cyprus offshore exploration. It was later announced that President Peres would visit Cyprus in the autumn.

Cyprus, which has signed the UN International Law of the Sea, while Turkey has not, also received expressions of support from the US and Russia. Nicosia has also made representations to the EU, of which it is a member, regarding Turkey’s statements. Ms. Marcoullis was in Poland on September 2 attending a gathering of EU foreign ministers, where she was expected to further present the situation.

Earlier this year, Noble Energy and the Delek Group made a proposal to the government of Cyprus that an LNG export facility be built in Cyprus that would process both Israeli gas from the Leviathan field and any natural gas discovered offshore Cyprus. The proposal called for a \$10 billion investment in a facility that would produced 15 million tons/year of LNG and come into operation in 2020.