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## ENERGY BRIEF

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### **TURKEY'S REACTION TO CYPRUS DRILLING ON EU AGENDA FOR DECEMBER SUMMIT**

The government of Cyprus on October 24 announced that the European Council will discuss the aggressive moves and statements that Turkey has made against the island's government when the Council meets in December.

Cypriot President Demetris Christofias said in Brussels that the Council "will address the issue of Turkey and its behavior" during its next summit in December. "Depending on the circumstances prevailing at the time, we may propose also a draft Council decision on the EU's relations with Turkey and of course its behavior towards Cyprus," Christofias said.

Ankara in August had warned Cyprus not to proceed with drilling in its offshore Block 12, which lies some 150 kilometers south of the island and adjacent to Israel's exclusive economic zone (EEZ) where 25 trillion cubic feet of natural gas has been discovered by Noble Energy of the US.

In September, Noble Energy moved the Homer Ferrington semi-submersible drilling rig into Block 12 and started drilling in the Aphrodite prospect which is expected to hold some 10 trillion cubic feet of gas.

Turkey declared that the Republic of Cyprus had no right to undertake exploration in the island's EEZ because it does not represent the Turkish-Cypriot population that resides in the northern 40% of the island that has been occupied by the Turkish military since 1974.

In response to the start of drilling by Noble Energy, Turkey and the Turkish-Cypriot administration signed a "continental shelf agreement" that supposedly gave Turkish Petroleum (TPAO) the right to explore for hydrocarbons in the waters claimed by northern Cyprus. Turkey then proceeded to send an aging seismic vessel, the Piri Reis, into the Cyprus EEZ in the southeast Mediterranean, accompanied by several warships. The Turkish vessels also entered Block 12 and continue to sail in Cypriot waters.

Since then, the region has attracted the attention of other armed forces, including Israel's, which has sent its aircraft into Cypriot airspace. Consideration is under way by the governments of Cyprus and Israel to create an LNG facility on the southern side of the island that would process and export natural gas discovered in the offshore territories of both countries.

The EU, the UN, the US, Russia, Greece and Israel have expressed their support for the government of Cyprus's right to explore and develop hydrocarbons in its EEZ in the eastern Mediterranean. Russia will be sending its aircraft carrier into the region in mid-November. Russia and Cyprus have historical and cultural ties. The island is home to a large Russian expatriate community and many Russian businesses use the island as a base of operations.

Noble Energy is expected to complete the first well drilled in the Cyprus offshore in late November or early December, after which the government is expected to launch its second licensing round. The results of the well are expected to have an impact on the expressions of interest in the licensing round.

The Cypriot media is loaded with reports that large international companies are interested in participating in the bidding round and politicians have taken steps to ensure that the round will follow an open tender procedure by submitting legislation in the House of Representatives that binds the government to that process. A number of politicians fear that the government of President Christofias is looking to award blocks to interested parties outside an opening licensing round.