

CONFERENCE REPORT: ENERGY DEVELOPMENTS IN SOUTH EAST MEDITERRANEAN

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Will geopolitical obstacles prevent the Eastern Mediterranean from realising its hydrocarbon potential? How will the [Syria](#) conflict impact the East Med's exploration progress? How can the maritime border conflict between [Israel](#) and [Lebanon](#) be resolved? Is a resolution of the conflict a prerequisite for the two countries to make use of their natural gas deposits? Is the East Med under pressure to reach exploration phase before an eventual drop in natural gas prices due to an oversupply of natural gas? Is the drop in natural gas prices imminent or only theoretical? Will the US play an important role in changing the rules of the game hence affecting the East Med's ability to monetize its riches? Will the shale revolution anchor natural gas prices? Where will the East Med gas head towards? Which routes will be adopted to transport and deliver the natural gas to consumers? How can Europe contribute in supporting the Eastern Mediterranean in its path towards energy self-sufficiency/ export? Will the [TAP/TANAP](#) projects aimed at ensuring the security of natural gas supply to the European Union facilitate the transportation of East Med gas?

Crucial questions were addressed at the [Energy Developments in South East Mediterranean Conference](#) of which *Natural Gas Europe* was honored to be the media partner. The conference took place at the Hellenic Centre in London and was organised jointly by City University London and [ESCP Europe](#). Dr Yiannis Maniatis, Deputy Minister of Environment, Energy & Climate Change of Greece, Mr Nicos Kouyialis Minister of Agriculture, Natural Resources and Environment of Cyprus, Mr Solon Kassinis, executive VP of the CNHC as well as representatives of both organising universities Dr Andriosopoulos (ESCP) and Dr Acroumanis (City University) brought significant insight and expertise to the conference. Representatives of Shell, World Bank, EDF Trading, HFW and Deloitte were also amongst the key speakers.

The discussion revealed a great sense of confidence in the East Med potential and in its capability of developing its hydrocarbon resources. Despite the known obstacles, the speakers and attendees believed that significant efforts were being implemented to ensure the interested countries reach export phase in the near future. The benefits of the gas developments on the economies of the East Med countries were highlighted, such as job creation directly and indirectly. Potential routes were discussed including the LNG option in [Cyprus](#). Solon Kassinis said that the [Vasilikos](#) location in Cyprus is environmentally and geographically strategic to host the LNG terminal. He also

reaffirmed the island's ambition timeline to supply its own gas for its domestic market by 2018 and to reach exploration phase through LNG by 2020. Cyprus is currently undertaking the appraisal drilling of the [Aphrodite field](#) in its Block 12. The conference speakers did not dismiss the alternative mean of transport, through pipelines, and agreed the choice of one or the other will depend on the quantities of gas discovered and the distance between the producer and the export market.

It was added that the gas wealth in the Eastern Mediterranean carried the potential to bring peace, stability and prosperity to the region as long as governments choose to cooperate. The main obstacle of the demarcation issue between Lebanon and Israel can be resolved with the assistance of the UN and through arbitration. Lebanon, with one of the highest rate of public debt to GDP (debt-to-GDP ratio 149%) desperately needs to use its hydrocarbon wealth to improve its fiscal position and economic outlook, said Dr Mandouh Salameh from World Bank. Although Lebanon is still lagging behind compared to its neighbours, with an estimated 25 trillion cubic feet of gas lying under Lebanon's waters, along with 440 million to 660 million barrels of oil, it will not take too long before the country taps into its resources as long as political stability is achieved.

A dramatic natural gas price drop that would be caused by an oversupply of the resource was not perceived as an immediate threat to the Eastern Mediterranean countries hoping to become exporters. Shale, with its known obstacles of high cost/environmental concerns was dismissed as a potential cause of a natural gas price collapse. The dependency of the [European Union \(EU\)](#) on energy [imports](#), recently of gas, forms the backdrop for policy concerns relating to the security of energy supplies. Europe imports around half of its natural gas and the supply remains largely dominated by Russian gas followed by imports from [Norway](#), [Algeria](#), [Qatar](#), Nigeria and Libya. Although the IEA revised downward its forecast of European gas consumption to 525 bcm by 2018 in its 2013 Medium-term gas market report, Europe remains significantly in need of a new source of supply. The conference suggested that the EU must implement an effective energy policy for cheaper gas to come to Europe by assisting the East Med, and in particular its member state Cyprus, through this important period of transition from natural gas dependence to natural gas abundance.