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Race for Gas by Cypriot Rivals Adds to Tensions

By **JAMES KANTER**

SINIRUSTU, Cyprus — The island of Cyprus, split by one of Europe's most intractable ethnic conflicts, is now the focus of another contest, over who will control the significant natural gas wealth found in nearby waters. The question is whether the gas discovery will become an incentive for the two sides to cooperate, or yet another obstacle to reunification of the island.

The early indications are not promising. The two halves of the island — the mainly Turkish-speaking north, occupied by [Turkey](#) since an invasion 38 years ago, and the internationally recognized, mainly Greek-speaking Republic of Cyprus in the south — are racing this summer to see who can tap the gas first.

This competition adds a new layer of potential instability along Europe's southern fringe, where the euro crisis has sown political and economic turmoil and relations between [Greece](#) and Turkey, and Turkey and Israel, are already fraught with tensions.

A lot of energy is at stake. Beneath the seabed of the Levant Basin near Cyprus is [an estimated 122 trillion cubic feet of gas](#), about as much as the world consumes in a year, according to the United States Geological Survey. The northern part of the basin lies in Cypriot waters, with much of the rest in Israeli or Lebanese waters.

An American company, [Noble Energy](#), based in Houston, is leading the [offshore drilling](#) in the region and has announced finds of 35 trillion cubic feet, with about 20 percent of it in Cypriot waters. Noble is working with Israeli partners under license from Greek Cypriot leaders, many of whom regard the undersea area as theirs to exploit as they please, at least for now.

But the northern Cypriots say the drilling is illegal because it does not take into account their competing claims to the island and its surrounding waters. They have called on energy companies to halt drilling, and on Cyprus to stop issuing licenses.

Turkey, too, is unhappy with the drilling and has threatened to send its navy i underscore their displeasure, the Turks have erected a large [oil and gas explo](#) hill above Sinirustu, a village near the north coast of Cyprus, and have festoor



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“Maybe war could explode again here,” said Fikret Akan, 29, a Turkish-speaking resident of the village who works at a fuel depot in a nearby town. “Turkey, Israel and the United States all could start fighting over these resources.”

The United Nations, which supervises a buffer zone between the north and south, has hailed the gas discoveries as a way of generating wealth that could finance a reunification of Cyprus. But Mr. Akan’s fears about a greater conflict may not be entirely unfounded.

Even before any gas has been produced, the discoveries have created “risks, big risks, as well as a myriad of legal issues,” Richard L. Morningstar said in March when he was the United States special envoy for Eurasian energy, adding that the issues “go beyond Cyprus, they go beyond Israel, they go beyond Greece — they affect the whole region.”

This year, the United States established its first regional headquarters for a new Bureau of Energy Resources in Cyprus. Although it, too, has urged a fair distribution of resources between the halves, Washington has strongly supported the right of the recognized government of Cyprus, a member of the European Union, to drill in its waters.

That forceful backing may have reinforced the Greek Cypriot leaders’ unwillingness to divide oil and gas wealth with the Turkish Cypriots, at least for now. “Don’t speak about sharing,” Neoklis Sylikiotis, the Cypriot commerce minister, said during a recent interview. Only after the division of the island is resolved can the revenue be shared, he said.

As attitudes harden, the northerners have mapped out blocks of the eastern Mediterranean for licensing that roughly overlap waters claimed by the Cyprus government. The Turkish government has acknowledged that one vessel chartered by the Turkish Petroleum Corporation had made seismic surveys on behalf of northern Cyprus in waters that overlap Cypriot claims. And the northerners have begun their own onshore explorations, starting in Sinirustu.

Greek Cypriot officials like Mr. Sylikiotis dismiss the exploratory drilling in Sinirustu — which they call by its Greek name, Syngrasis — as nothing more than a theatrical stunt. But the drilling work has gone ahead at full speed this summer. A heady, sulfurous odor created by the mixture of drilling fluids and mud hung in the air over the village despite a warm breeze.

Clad in red overalls bearing the logo of Turkish Petroleum, Ekrem Akyuz, 29, one of the Turkish engineers overseeing the site, shared a watermelon with colleagues in one of the dozens of air-conditioned trailers that surround the drilling rig. Mr. Akyuz said the geological data from the site were being kept unusually secure, making it hard to judge whether the area was promising. But he said the project was technically similar to wells he had drilled in other

parts of the world.

“Maybe Turkey can produce first, or maybe Cyprus can produce first,” Mr. Akyuz said. “We just don’t know yet.”

Cyprus could produce enough gas to earn \$2.2 billion to \$3.1 billion a year at current prices by the early 2020s, according to Sohbet Karbuz, the director of hydrocarbons at the Observatoire Méditerranéen de l’Energie, an association of Mediterranean energy companies. The closest natural customer is Turkey, which imports most of its oil and gas.

Despite the saber rattling by the Turkish government over the Cypriots’ offshore exploration, 15 companies and consortia, including Marathon Oil of the United States and Enel of Italy, submitted bids this year on nine additional blocks of seabed. Turkey has since warned those bidders they “will in no way be allowed to take part in Turkey’s future energy projects.” It also pledged to “give every support” to maritime territorial claims by northern Cyprus, which it alone recognizes as an independent state.

The drilling has also become entangled in the rupture between Turkey and Israel, whose friendly relations soured after Israeli commandos raided a ship in 2010 when it was sailing to Gaza in defiance of the Israeli naval blockade; nine activists, most of them Turkish citizens, died in the raid.

Israel has since turned to Cyprus as a regional partner, signing defense and cooperation agreements this year partly aimed at protecting their neighboring gas fields.

In May the tensions between Turkey and Israel spread to the skies above the island, when the Turkish Army command said its fighter jets chased an Israeli plane out of northern Cypriot airspace. That same month, Cyprus denied a report that Israel planned to deploy 20,000 troops in Cyprus to protect Israelis working on energy projects.

The fickle politics of the Middle East are another potential obstacle for Cypriot ambitions.

“What if Turkey and Israel find some face-saving way for Israel to apologize for the Marmara incident, and Israel pipes gas direct to Turkey?” asked Fiona Mullen, an analyst at Sapienza Economics in Nicosia, the Cypriot capital, referring to the raided ship. “Cyprus could be left high and dry.”

