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New Energy Opportunities and Old Disputes

By BETH GARDINER

LONDON — From the shores of Spain to the coast of [Israel](#), energy companies are searching for, and starting to tap into, new [oil](#) and [natural gas](#) reserves in the Mediterranean.

Their efforts are driving a boom that could bolster battered government purses and eventually transform markets across the region.

The Mediterranean has become a new frontier for oil and gas companies hungry for fresh finds, as once-rich fields in areas like the North Sea begin to run dry. Although parts of the region have been harvested before, new technologies, including highly sensitive underwater surveying and techniques for drilling in deeper waters, mean that previously undiscovered or inaccessible reserves may now be reachable.

“There is a lot of potential, we believe, in the Mediterranean region,” said Simon Thomson, chief executive of Cairn Energy of Britain, which is exploring off the coast of Spain, bidding for access to Cypriot waters and eyeing offshore [Lebanon](#). “A lot of hydrocarbons have already been discovered, but we believe there’s a lot more to be discovered.”

Governments that are struggling with the euro zone crisis are welcoming exploration, hoping for revenues to help ease their burdensome debts. With concerns about nuclear power heightened by the Fukushima Daiichi disaster in Japan last year, and some traditional oil and gas providers destabilized by the turmoil in the Arab world, they are also interested in new supplies of energy.

But big finds, and hopes of more to come, could heighten tensions, too, particularly in the Eastern Mediterranean.

Maritime borders in the region are often fuzzy. Israel and Lebanon are squabbling over a disputed area of the sea, and natural gas finds off Cyprus threaten to worsen the standoff between Greek and Turkish Cypriots, as well as Greece’s territorial argument

“It’s not a development that brings more peace to the region,” said Valérie M: politics expert at Chatham House, a foreign affairs institute in London.



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And in an almost completely closed sea that touches other waters only through narrow straits, environmentalists are worried about the effects of new activity and the damage a spill could cause. The Mediterranean is a densely populated area with several regions that depend on tourism and fishing, so the consequences of an accident could be devastating.

Nonetheless, with the big, power-hungry markets of Europe nearby and early indications that there are indeed untapped reserves beneath the sea, exploration seems certain to continue.

The U.S. Geological Survey estimated that the Levant Basin, in eastern Mediterranean waters shared mainly by Israel, Cyprus and Lebanon, contains 3.45 trillion cubic meters, or 122 trillion cubic feet, of recoverable natural gas, more than the world consumes in a year. It also estimates that about 1.7 billion barrels of oil are recoverable.

Israel, the furthest along in tapping those reserves, expects to have access soon to rich finds deep beneath its waters. Since 2009, a consortium led by Noble Energy of Houston and Delek Energy Systems of Israel has found an estimated 765 billion cubic meters of gas in two major fields, Tamar and Leviathan.

Israelis say the discoveries will help them take a big step toward energy independence, which would be particularly welcome after the upheaval of the Arab Spring. Israel, dependent on energy imports throughout its history, relied heavily on natural gas from Egypt until the state-owned Egyptian gas company canceled a supply deal in April.

“The timing is very good for Israel,” Ms. Marcel said. “In the present context of new regimes and new governments entering the capitals of its neighbors, it’s a very worrying, uncertain time for Israel.”

Gideon Tadmor, chairman of Delek Drilling and chief of Avner Oil, both subsidiaries of Delek Energy Systems, said the implications for the Israeli economy and geopolitical position were huge.

“It’s enabled Israel to enter a new era in which we will become an exporter of energy,” he said. “We foresee significant income for the state of Israel.”

“More importantly than that, it also repositions Israel from a geopolitical point of view,” said Mr. Tadmor, who pioneered the exploration for Israeli gas in the late 1990s. “Because Israel will become a player in the international energy scene.”

The drilling consortium said there might also be oil in Israeli waters. Such a find could shake things up even more.

Battered by the euro zone crisis, Cyprus, too, hopes natural gas may brighten its future. Last year, Noble Energy and its partners found an estimated 198 billion cubic meters of gas, and hopes for more are high. Noble Energy said oil might be present as well. The government is taking bids for further exploration, and much of any find would probably be exported to Europe.

But political troubles may complicate things.

“It gets extremely tricky because of the dispute on the island,” said Gary Lakes, Eastern Mediterranean editor of Middle East Economic Survey, an energy newsletter based in Cyprus.

Gas has intensified feuding between the internationally recognized Greek Cypriot government, which is licensing the energy exploration, and the Turkish Cypriots with whom they share the divided island.

Turkey, too, is angry. It backs the Turkish Cypriots’ claims and has warned companies bidding with the Greek Cypriots that they would be barred from any future Turkish energy projects.

Darek Urbaniak, a campaigner on extractive industries for Friends of the Earth Europe, in Belgium, said the number of countries with maritime claims in the Mediterranean and the lack of well-established borders could blur cleanup responsibilities in case of a spill.

One potential area of tension is between Israel and Lebanon, which dispute possession of a sea area covering 855 square kilometers, or 330 square miles.

Lebanon, which estimated in September that 340 billion cubic meters of gas lay beneath an undisputed part of its southern waters, has moved slowly to set up a framework for bidding, but hopes to go forward soon.

International companies want to jump in, Mr. Lakes said. But, he added, “It’s always the case that Lebanon is embroiled in its own political morass, so they need to work through that and get working on developing their hydrocarbon sector.”

Stability is less of a worry further west, where Italy and Spain, pounded by economic troubles, are looking at their coasts, too. Rome is relaxing a ban on [offshore drilling](#) it put in place after the 2010 Deepwater Horizon spill in the Gulf of Mexico.

The waters around Malta are also attracting interest. Bill Higgs, chief executive of Mediterranean Oil and Gas, based in London, said his company believed the seas there contain an extension of the oil-rich geology of nearby Libya.

“What we’ve discovered is that there is a sort of an extension of the North Africa plays into the Maltese waters,” he said.

The prospects are strong enough that Genel Energy, headed by Tony Hayward, the former chief executive of BP, has bought into a partnership with Mr. Higgs’s company, subject to approval by the Maltese authorities.

Mediterranean Oil and Gas has surveyed the seafloor, and modeling so far “suggests this is an oil-prone trend,” Mr. Higgs said. The partners hope to finish drilling their first well in the area by the end of 2013.

While much of the work in the Mediterranean is about hopes for the future, existing energy suppliers like Algeria, Egypt and Libya are still the region’s most important producers.

The recent finds could bring new prosperity to the Mediterranean, as long as political tensions do not get in the way, Mr. Lakes said.

“Ten years from now, the countries in this region could be seeing some real benefits from it,” he said. “But peace is going to have to break out first.”