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EUROPEAN FUNDS FOR MEDITERRANEAN GAS PSYCHOLOGICALLY IMPORTANT

Natural Gas Europe had the pleasure to interview Igor Taranic, Centre for European Policy Studies, Brussels. We spoke about East Med gas and Brussels' role in supporting efforts of Mediterranean countries to explore and produce gas. "In February 2015, the Commission's Energy Union Package emphasised the importance of the Mediterranean for the EU. In mid-June, just a couple of weeks ago, the Commission initiated the launch of the Union for Mediterranean Gas Platform, which can serve to stimulate a dialogue between the EU and East Med potential suppliers. These are positive signals for all the parties" he said during the interview, adding that the EU could easily provide significant financial support, and "provide some risk guarantees for bank loans for private companies". Funds wouldn't be of great financial importance, but would send important messages to investors, Taranic said.

Are the resources in the East Med significant for the EU? How?

While the estimated resources might be not significant in the context of total EU gas demand, they can be important in terms of diversifying the EU's gas import portfolio. Estimated gas reserves in Israel are around 1,000 bcm (50% probability - of which 60% are reserved for Israeli internal consumption), while proven reserves are only 223 bcm (90% probability) at the present time. For purposes of comparison, the EU's imports from [Russia](#) in 2014 were around 150 bcm. At the same time, gas reserves in the Eastern Mediterranean can be considered as a part of the Southern Gas Corridor, which together with Central Asian gas, can become an important source of diversification and have a positive psychological effect for those seeking to wean the EU from its dependence on Russian gas.

Is the timeline attached to East Med discoveries adequate for EU's quest for diversification of sources of supply? Is timing important? Why?



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The timing is indeed important. In addition to the security of supply issues in the EU after the 2006 and 2009 gas disputes, relations between Russia and the EU have currently reached their lowest point to date. And from a European political perspective, the quest for diversification is more relevant than ever. This makes every possible source of diversification worth exploring.

In this context, did you perceive an interest of European institutions and players to tap into resources? Is Brussels doing enough to develop fields in the region?

In February 2015, the Commission's [Energy Union Package](#) emphasised the importance of the Mediterranean for the EU. In mid-June, just a couple of weeks ago, the Commission initiated the launch of the Union for Mediterranean Gas Platform (<http://ec.europa.eu/energy/en/news/commissioner-launches-euro-mediterranean-gas-platform>), which can serve to stimulate a dialogue between the EU and East Med potential suppliers. These are positive signals for all the parties. At the same time, the "powers" in Brussels on this matter have rather limited opportunity to act. The development of the gas fields is primarily done by private investors. European Institutions can provide a supporting policy framework and send positive signals for the investors. The Gas Platform is a step in the right direction. Time will show if it brings concrete results.

Does the same apply to the Lebanese case?

The Lebanese case is more complex and complicated. While for other countries in the region, for example Israel and Cyprus, the main obstacles lie with tensions/conflicts with their neighbours; in Lebanon there are also internal conflicts between different national and religious groups. This adds to the level of complexity and significantly increases the risks.

More generally, what are the EU instruments or mechanisms that could help the development of this riches? Do you think that these projects should have financial or technical backing from Brussels? How?

Projects to develop gas fields and build infrastructure require billions of euro of investment by private money. The EU can provide some financial support – for example including projects in the region in the list of Projects of Common Interest, Neighborhood Infrastructure Facility – and also provide some risk guarantees for bank loans for private companies. Although these instruments can hardly cover even 1% of the required investment in exploration and infrastructure, they can provide important positive signals for investors.

From a European viewpoint, don't you think it would be a bit tricky to support the development of Israeli gas, given Brussels' intention to increase cooperation with Algeria and Egypt? Could a significant support to Tel Aviv backfire?

That's a very good question, because everything is "tricky" when it comes to the Middle East. Having said that, there are discussions regarding possible cooperation between [Egypt](#) and [Israel](#) on gas exports of Israeli gas through Egyptian LNG terminals, which could be a "win-win" solution for everyone.

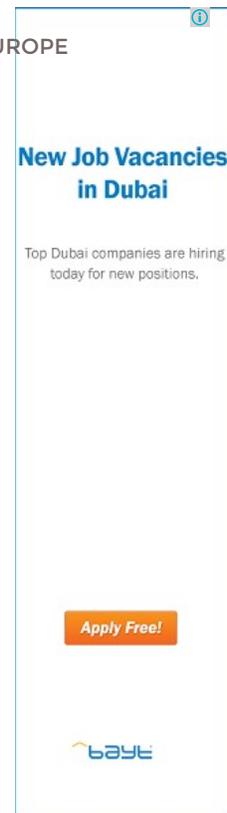
Are the geopolitical problems in the East Med significant enough to negatively affect the East Med's attractiveness to the EU?

Absolutely. The tensions in the region make it less attractive. In addition, just a few years ago, the pipeline between Egypt and Israel was damaged several times by militants. Therefore one of the first concerns of exploration companies in the region is the physical security of the gas fields. It makes the risk premium very high. At the same time, other alternatives for the EU in the MENA region, such as imports from [Libya](#) for example, pose even greater risk.

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