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ΦΥΣΙΚΗ ΠΑΡΟΥΣΙΑ



Κύπρος 2022
**10^ο ενεργειακό
συμπόσιο**

10
ΧΡΟΝΙΑ
ΕΠΕΤΕΙΑΚΗ
ΔΙΟΡΓΑΝΩΣΗ

The Geopolitics & Geoeconomics of Energy Wars

17.11.2022

fmw
financial media way

10th Energy Symposium:
Cyprus: Energy Hub in the Eastern Mediterranean

Presentation Outline

1. **IR System**
2. **Geopolitics**
3. **Energy wars**
4. **Geoeconomics**
5. **EU Energy Security: EU Political & Economic Failure**
6. **Turkish revisionism vs Greek Thucydidean trap**
7. **LNG: The optimal choice for Cyprus**
8. **Conclusions & Takeaways**

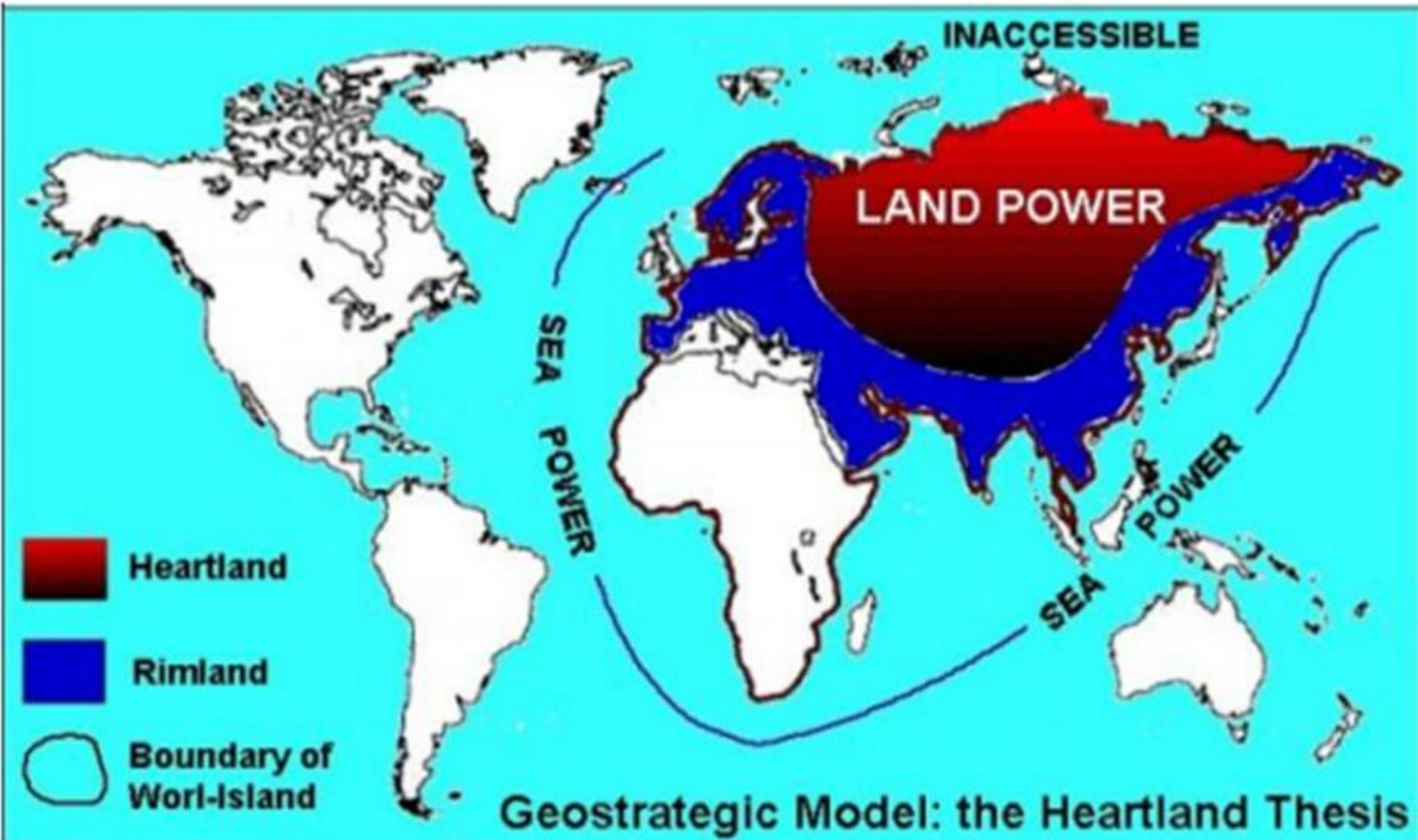
International Relations (IR) System

- **Transition** from a **Monopolar** to a **Multipolar / Tripolar** world with **hegemonic powers**: US, China, Russia.
- **Aspiring quasi-hegemons** in the Middle East and the East Med: Turkey, Iran, Israel.
- **Energy wars** are the new form of **geopolitical antagonism** in the **post-Cold War** era.
- “**Energy or oil wars**” have been an aspect of big **power politics** even prior to World War 1 (Yergin, 2009, 2012).
- The **new cold war** has an **energy dimension**. ³

Geopolitical perspectives of IR

- Francis **Fukuyama** saw the “**End of History**” when Russian **communism** collapsed on 25.12.1991.
- It rather designated a new stage in “the Clash of Civilizations” (Samuel P. **Huntington**).
- The **Russia-Ukraine war**, marks a **paradigm shift** in IR: Part of the **reconfiguring of world power**.
- **Aim: Geopolitical control of Eurasia & world domination.**
- The **heartland-rimland theory (Mackinder-Spykman)** is unfolding among the superpowers (USA and Russia).
- **Confrontation** between **Maritime** and **Continental forces** or the “Rimland” and the “Heartland”.

“Heartland” vs “Rimland”



“Heartland” vs “Rimland”



Current Geopolitics: Conflict East-West

Russia-Ukraine war

- The **Russo-Ukr.** war marks a return to classic **geostrategic rivalries**. A **proxy war** by **NATO/US/UK** against **Russia**.
- **NATO** expansion **objective**: to ensure **continued US hegemony & control over Europe**, after the **collapse** of the **Soviet Union** and **prevent the economic incorporation** of **Russia** into a unified **Europe**.
- Interview of **Kissinger** on 15.7.22: “Ukraine is at one level a war about the **balance of power**. But on another level, it has aspects of a **civil war**”.
- **Historical British antagonism** with Russia.
- Britain’s prominent role **Crimean war** (1854-1856).
- **Cyprus** was used by Britain as a **base** to **protect** the **Ottoman Empire** from Russia (1878-1914).
- **Britain** used **Gibraltar, Malta, Cyprus** to **protect** the road to **India** and **contain** Russia.

Competition with the West: A key factor in Russian history: Crimean war (1854-1856)



USA World View

- By mid-1992, the USA decided that **NATO expansion** was a wise **realpolitik** measure to **strengthen American hegemony**. NATO enlarged from 18 members in 1991 to 30 today.
- Biden's **strategy: War protraction** and **Russian attrition**.
- US narrative: A war for **democracy**, **human rights** and Ukraine's **self-determination...**
- But then why was **Cyprus denied self-determination** and there was a plot to allow **Turkey to invade to obliterate the democratic will of Cypriot people?** (Sources: Mallinson, Craig & O'Malley: **The Cyprus Conspiracy**).
- **US geopolitical** and **economic gains**, while **EU loses**.
- **US** is getting richer by **selling energy at inflated prices**.

Russian World View

- Putin judged that **invading Ukraine** on 24.2.2022 was a **rational choice** to **safeguard** its **security** with **benefits>costs**.
- Huge **blow** to **Russian military prestige**.
- Russia is **questioning** the whole **system** of **European security**.
- Putin: the **West lied** about no **NATO expansion** to the East & wants to turn **Ukraine** into an **anti-Russian colony**.
- Accession of **Ukraine** to **NATO** would mean **3rd ww**.
- Russian view: **USA** is **not** the **only superpower**.
- Russian **intervention** in **Georgia** in 2008 and in **Syria** in 2015.
- **Russian reaction** is equivalent to the **American reaction** at the **Cuban missile crisis** (October 1962).
- The **Monroe Doctrine** of 1823 warned **European powers** not to interfere in the affairs of the **Western Hemisphere**.
- Consider an **equivalent retaliation**: The US would never accept a military alliance of **Mexico** with **Russia** or **China** on the **US border**.



Energy wars: where there's oil & gas there's fire



- R-U war has highlighted the **role of energy in geopolitics**.
- A **chaotic gas war between US/Europe vs Russia**.
- **Michael Reagan advice** to President Obama of how **Ronald Reagan defeated the Soviet Union** without firing a shot (6.3.14).
- "He **used a super weapon oil**, the only thing the Soviets had for sale in the 1980s. Reagan got the Saudis to **flood the market with cheap oil**".
- "Lower oil prices **devalued the ruble**, causing the **USSR to go bankrupt**, which led to perestroika and Mikhail Gorbachev (1985-1991) and the **collapse of the Soviet Empire**".
- **Saudi Arabia** abandoned its role as **swing producer** & created the huge **oil glut of 1980s**: in 1986 oil price fell from \$27 to ≈ \$7 per barrel.
- **Reagan's son Michael** recommended a **strategy against Putin**: Apply the **Reagan rule**: "**Put the economic screws to Mother Russia and bankrupt her to lay off Ukraine**".
- **Who sabotaged Nord Stream 1 and 2?**

US: biggest NG producer followed by Russia, Iran, Qatar, China, Canada

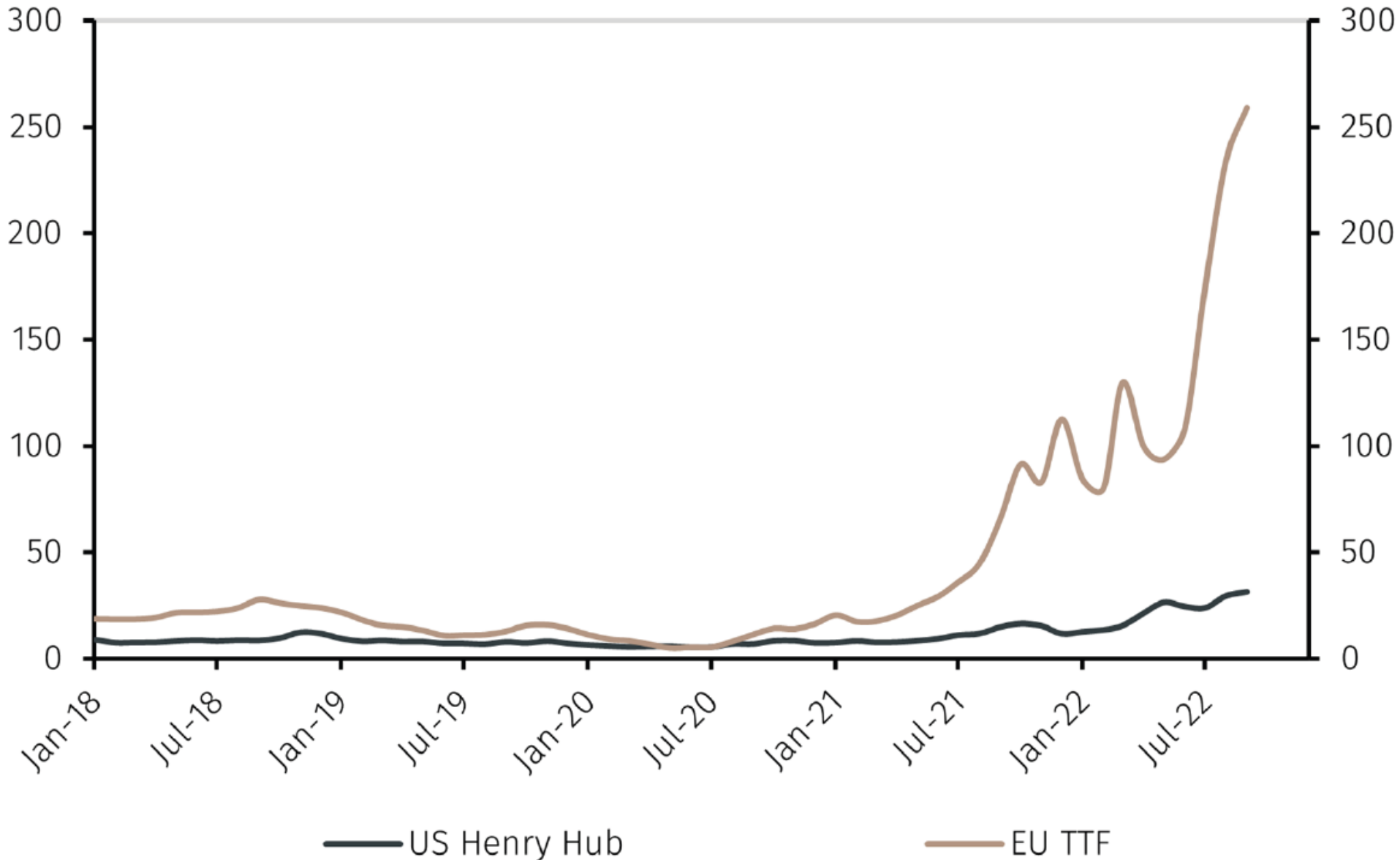
US shale gas plays



Major shale gas basins in the United States with total resource potential of 500 to 1,000 trillion cubic feet (tcf). Map courtesy of Schlumberger.

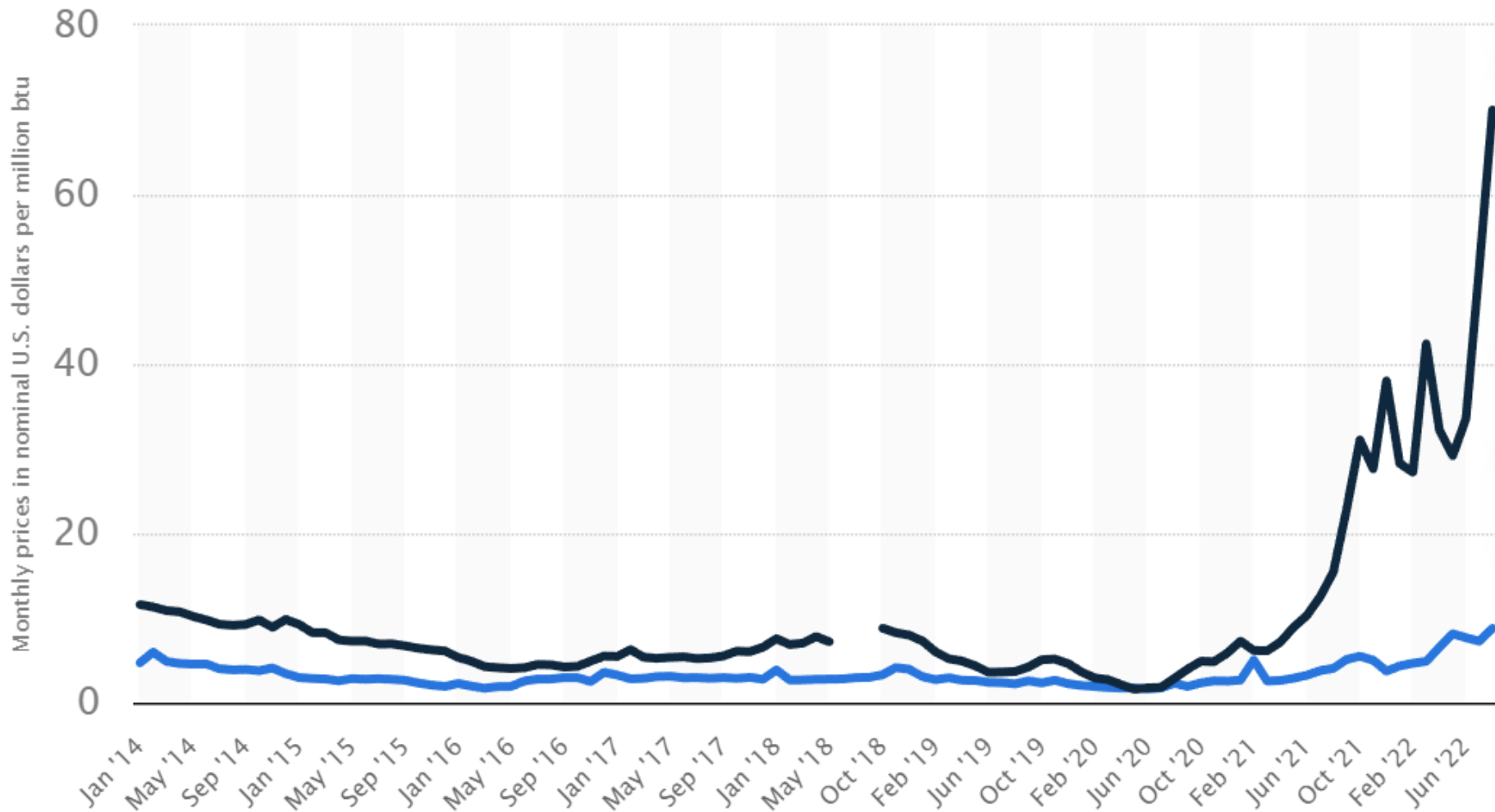
Natural gas prices in US & EU (€/MWh)

Source: Refinitiv and EFGAM calculations. Monthly average data as at 30.8.2022



NG Monthly prices for natural gas in US & EU (\$/MMBtu) Jan.2014-Aug. 2022

Source: <https://www.statista.com/statistics/673333/states-and-europe/> as at 29.9.2022



Geoeconomics

War consequences

- The **Cold War** was **never** an **ideological conflict** between **capitalism vs communism** but about **economic dominance & control of resources**.
- An **extreme economic war** with **sanctions** entailing **economic, social & political** tensions & **Reversal of globalization**.
- **Both the West & Russia** use energy as a **weapon**.
- **Uncertainty, instability & Speculation: Market mechanisms do not work: Price explosions, Greedflation**.
- **Supply chain disruptions & shortages of inputs, food & energy Products**.
- **European economy recession**. Rising **interest rates**.
- **Rise in NPLs & cost of repaying state & private debt**.
- **Upset labour markets: Risk of wage-price spirals**.
- OECD (27.9.22): **Gas** to rise in 2023 by **50%**, **Oil** by **10%**.
- The **energy & economic crises** may morph into a **fiscal and debt crisis** as happened with the **financial crisis of 2008**.

EU Political & Economic Failures

Poor leadership



- **Failure, diplomatic and political to prevent or stop the war in Ukraine.**
- A huge "**shock**" after covid, with many **short-, medium-, & long-term effects** on **global politics** and the **world economy**.
- **Energy security** is the **uninterrupted availability** of **energy sources** at an **affordable price** (IEA). It implies **economic & national security**.
- **Failure** to end huge **speculation** and **distorted energy prices**.
- **EU** has **less welfare, lower security, higher instability**.
- **European citizens** directly & indirectly **finance** the **war** in Ukraine.
- **Living standards receding** for years and **poverty rising**.
- The **green transition agenda** has **unrealistic** time targets. The **energy mix** cannot **adjust** so **fast** irrespective of **S&D & technology**.
- **Failure** of EU elites to deal with the **2008 financial crisis** that led to the **economic & debt crises, MoUs & Cyprus bail-in**.
- **Proof of failure: Euro-dollar exchange rate** $\text{€}1 < 1\text{\$}$.



Turkish revisionism & energy goals

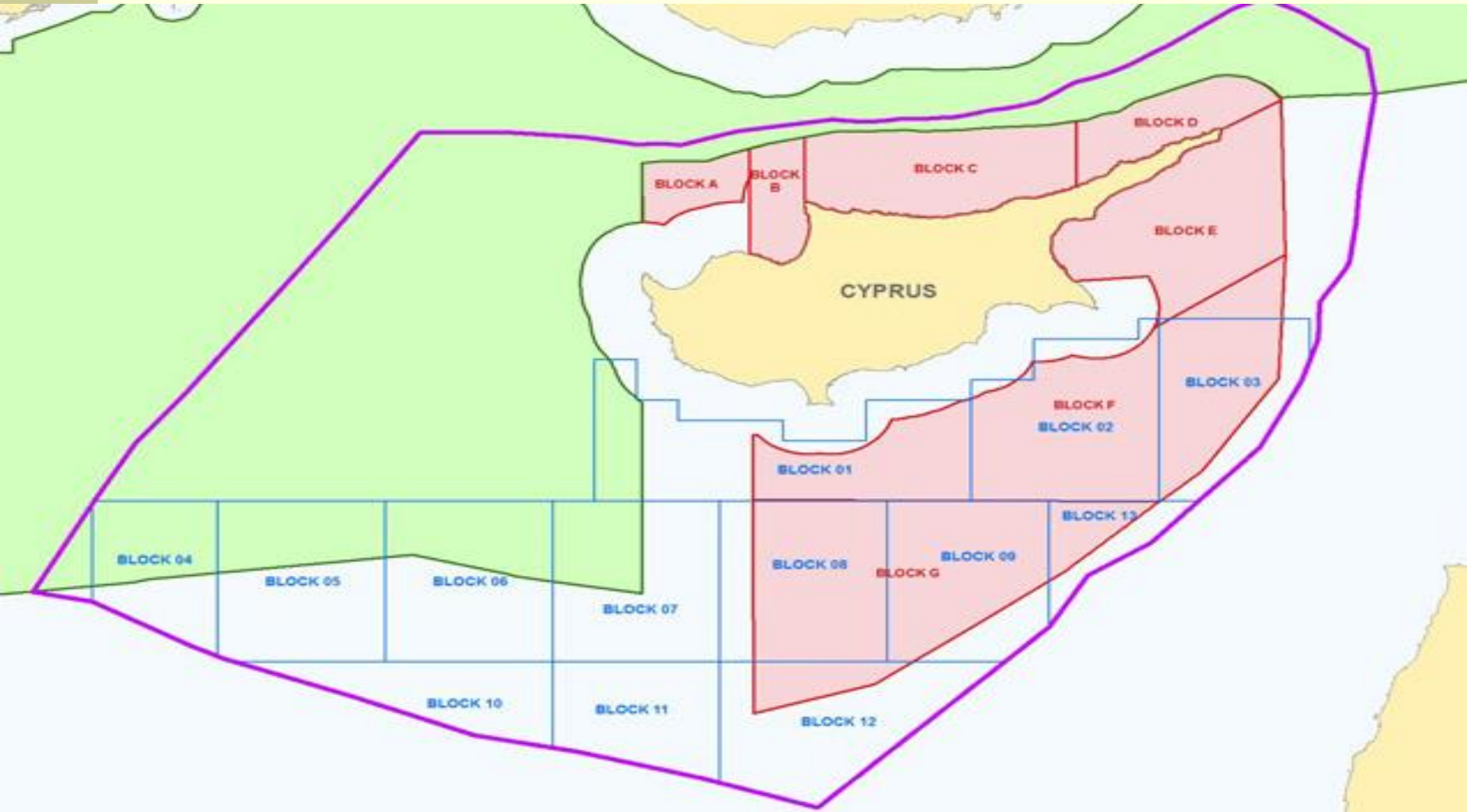
- **Russian invasion** of Ukraine like the **Turkish invasion** of **Cyprus** violates international law & UN Charter.
- **Gunboat diplomacy**, violating the **Cyprus EEZ** since 2018.
- Turkey believes it is a **Eurasiatic power** and aims at joining the **superpower league & acquire nuclear weapons**
- “**Blue Motherland / Mavi Vatan**” policy.
- Turkey’s **revisionism** in the **Aegean, the East Med & the Middle East** has far wider implications than just the permanent **control** of Cyprus & the **grabbing** of **Cypriot & Greek EEZs**.
- Turkey persistently refuses to recognize that the **islands** are entitled to a **continental shelf-EEZ**, stipulated by **UNCLOS**.
- Turkey’s goal is **strategic control of energy supplies to Europe** from Russia, the Caspian region, the ME & the East Med **by becoming** a major **energy transit & trading hub**.

Turkish-Libyan MoU

Mavi Vatan / Patrie Bleue / Blue Fatherland



Illegal Turkish Claims on Cyprus EEZ



- **Blue line:** EEZ and continental shelf of Republic of Cyprus.
- **Green:** Turkish claims on East Med continental shelf.
- **Red:** Blocks illegally claimed by the 'TRNC'.

Greek EEZ based on UNCLOS

Greek claims in the eastern Med



Thucydidean trap of Hellenism

Survival strategy for Greece

- Greece is in a **Thucydidean trap** set up by a **revisionist Turkey**, as depicted in the **Melian** dialogue.
- Greece must build a **domestic military industry**, incl. **plans** to acquire **nuclear weapons**.
- This will not only **counter** the **Turkish threat** but will also **help** its **ailing economy**.
- It needs a new more **viable economic model**.
- It must **delineate** its **EEZ with Cyprus**.
- It must **proceed fast** with an **energy exploration and production** program, incl. **East of Crete**.
- When strong **extend** the **territorial waters** to **12 Nt miles**.
- If not, the **Turks** will keep **grabbing Greek sovereign rights** in land, sea & air & occupy **Aegean islands if disarmed** .²¹

Survival strategy for Cyprus

Cyprus Energy Future: LNG!!!

- The **best monetization option** for **Cyprus** natural gas is **LNG**.
- The construction of a **land-based LNG Plant** has always been the **best choice**.
- **Lack of vision** and planning caused **harmful delays** in the exploration and production program.
- **Politicians** set the **agenda** not the **technocrats**.
- **Misguided politicians** have toyed with the idea of a **pipeline to Turkey** in return for a tolerable **solution** of the **Cyprus problem**, not realizing **Turkey** wants **everything** in return for nothing.²²

Cyprus LNG PLANT: The Optimal Option

I have been supporting the LNG Plant as the best option for Cyprus for years.
My papers were read by thousands of technocrats & academics.
A recent citation in Slovak political science Journal.



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CYPRUS, GREECE AND TURKEY IN THE CONTEXT OF THE ENERGY COMPETITION IN THE EAST MED AND THE MIDDLE EAST

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**EUROPEAN UNION ENERGY SECURITY:
CONSTRUCTING A “SHELTER” FOR SMALL STATES’
ENERGY SECURITY PRESERVATION¹**

Javad Keypour²

Cyprus Gas Discoveries



TOTAL CYPRUS GAS DISCOVERIES	TCF	BCM LOW	BCM HIGH
Block 12: Aphrodite (2011): 4.5 tcf = 127 BCM	4,5	127,4	127,4
Block 6: Calypso (2018): 6-8 tcf = 170-226 BCM	6-8	169,8	226,4
Block 10: Glaucus-1 (2019): 5-8 tcf = 142-226 BCM	5-8	141,5	226,4
Block 6: Cronos-1 (2022): 2.5 tcf = 71 BCM	2,5	70,8	70,8
TOTAL GAS-IN-PLACE	18-23	509	651²⁴

LNG & LNG Plant:

The optimal choice for Cyprus (1)

- The **onshore LNG Plant** has **always** been the **best choice**, but **Cyprus has to rush** (3 trains of 5 MTPA LNG=20 BCM/y).
- A **faster medium-term solution** would be the use of an **FLNG** Vessel/Platform at **Vassilikos** for **liquefaction** & shipping anywhere in the world.
- **Energiean's proposal** to export natural gas from the company's gas-fields in Israel to Cyprus for **liquefaction** and **export** to Europe should be **considered seriously**.
- Cyprus should also bring its **Calypso, Cronos, Glaucus** & future reserves to **Vassilikos** for **liquefaction**.
- **LNG** is in the **best interests** of **Greece** too: Greek LNG Tankers can transport **LNG** to the **Alexandroupolis FSRU** for **regasification** & **export** to **Europe** via the Gas Interconnector Greece-Bulgaria (**IGB**) & Trans-Adriatic Gas Pipeline (**TAP**)²⁶.

Turning both Cyprus & Greece into Regional Energy Hubs

LNG transport from Cyprus to Greece

Not losing the endgame to Turkey



The Hilli Episeyo FLNG available as of 2026
Production capacity: 2.4 MTPA of LNG = 3.4 BCM/Y



LNG & LNG Plant:

The optimal choice for Cyprus (2)

- LNG is the **optimal monetization option** for Cyprus in all dimensions, **social, economic, and financial**.
- **Economies of scale**, Synergies, **Multiplier** effects in economy.
- Cyprus can become a **regional gas trading hub** in East Med.
- Cyprus shall **attract** the **reserves** of **neighboring countries** too (Israel, Lebanon, Syria).
- Cyprus will be the **Centrepiece** of an **alternative energy corridor** to enhance **European energy security**.
- Cyprus will **link its interests** to **wider interests** besides the **EU**.
- It will create a **local security sub-system** & offer **maximal geopolitical leverage** and **effective deterrence** to Cyprus.
- It will render **Cyprus strong politically** and **economically**.
- **LNG is literally** the **only energy weapon** or **trump card** that can help Cyprus achieve a **tolerable solution** wrt Turkey.

LNG in Cyprus for Europe & RoW

- **LNG** has the **characteristics** of **oil** and therefore offers **market choice flexibility** and **better prices**.
- LNG use as a fuel in **road** (heavy truck traffic) and **maritime traffic** has been rising rapidly, & it is gradually entering railroad traffic too.
- **LNG bunkering** for fuel supply to **ships**.
- **Europe** rushes to build new **LNG import terminals** as they try to **substitute Russian oil** and **gas**.
- **LNG demand** is **growing** as the world turns towards cleaner & greener fuels. Asian countries **replace coal with LNG**.
- **Global energy demand** is expected to **grow by 30%** between **2015** and **2040** & remain **high** at least till **2050** according to **IEA**).
- **LNG demand** to **increase 3.4% per year** till **2035**. **Gas** will be the **fastest-growing** fossil fuel (**McKinsey**).

Conclusions - Takeaways (1)

- **New Cold War antagonism** between the **US & Russia** with a strong **energy dimension**.
- The **Turkish threat** is a **constant**. **Turkish deep state** drives the **agenda against Hellenism** and not **Erdogan**.
- **Greece** must do its utmost to reconstitute fast the **balance of power** and **exit** from the **Thucydidean trap** of a **revisionist Turkey**.
- **Turkey** badly strives to become an **energy hub** and **replace Russia** for Europe's **energy** supplies.
- **A pipeline via Turkey will complete Turkish suzerainty and hegemony over Cyprus.**
- **The East Med pipeline has never been a viable project technically, financially or geopolitically, nor in Cyprus's interests.**
- **Pipelines entail long-term, decades-long commitment** and **render the exporter hostage to both the importer and the transit state.**

Conclusions - Takeaways (2)

- **LNG** is winning over **pipeline routes**.
- **LNG will claim** a much **larger share** of the **European, regional & world gas market**.
- **Fossil fuels** even as a **bridge** fuel will remain **important** at least till **2050**.
- **Cyprus can become a Regional Energy Service Center and a Gas Trading Hub with LNG.**
- The onshore LNG Plant at **Vassilikos** remains the **best option for Cyprus: It is a game-changer.**
- **Start and Go fast with FLNG.**
- A **shared vision** and **regional cooperation** within **EMGF** shall lead to **win-win outcomes**.

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4. M.Sc. degree in Monetary and Financial Economics, University of Cyprus.
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END

Thanks for

your

attention