



Κύριος ομιλητής ο Πρόεδρος της Δημοκρατίας κ. Νίκος Χριστοδουλίδης

ΚΥΠΡΟΣ: Ώρα έργων για την ενέργεια

*Η μεγαλύτερη σύναξη
για τα ενεργειακά δρώμενα!*

Time for energy projects

Geopolitics & Geoeconomics & the Impact on Cyprus Energy Future

31.10.2023

fmw
financial media way

11th Energy Symposium:
Cyprus: Energy Hub in the Eastern Mediterranean
Le temps des projets énergétiques

Presentation Outline

1. **Three wars: Ukraine, Nagorno-Karabakh, Israel-Hamas with Geopolitical & Energy impact**
2. **IR System: “Heartland” vs “Rimland”**
3. **Geoeconomic War Consequences**
4. **Turkish revisionism & Energy goals**
5. **Cyprus Gas Discoveries & Estimated Value**
6. **LNG: The optimal choice for Cyprus**
7. **The IMEC Geostrategic arc and the Window of Opportunity for Cyprus**
8. **Conclusions & Takeaways**

3 wars with geopolitical and energy impact



- 2 wars are the **greatest post-WW2 crises.**
- The **Russo-Ukrainian** war that began on 24.2.2022.
- The conflict in **Nagorno-Karabakh** and its takeover by **Azerbaijan** on 19.9.2023.
- The conflagration of the **Israeli-Palestinian (Hamas)** conflict on 7.10.2023

International Relations (IR) System

Geopolitical & Geoeconomic perspectives (1)

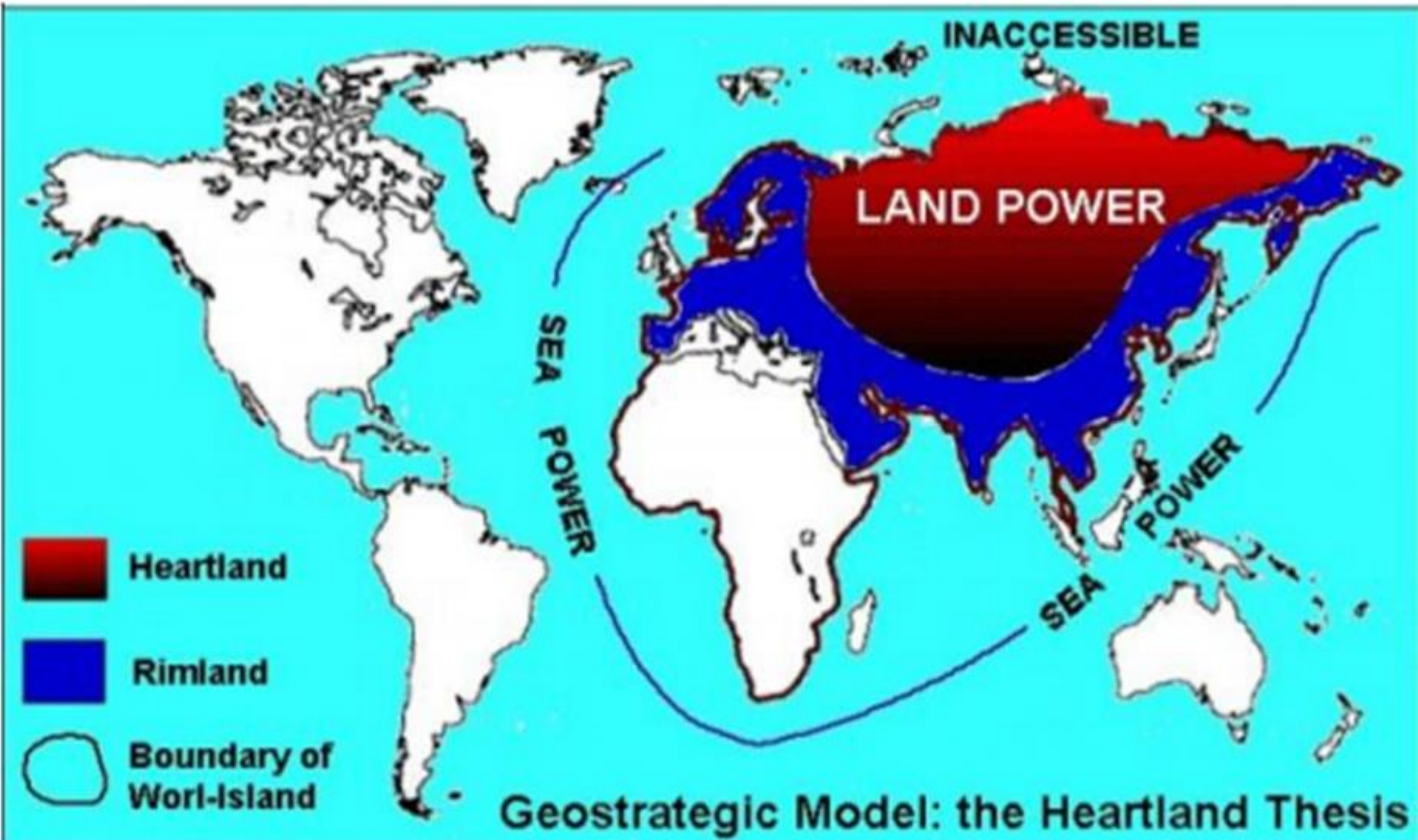
- **Transition** from a **Monopolar** to a **Multipolar / Tripolar** world with **hegemonic powers**: US, China, Russia.
- **Aspiring quasi-hegemons** in the **Middle East** and the **East Med**: Turkey, Iran, Israel.
- **Paradigm shift** in IR: A **new cold war** and **reconfiguring** of world power.
- **West** (USA, NATO, EU: **Rimland**) vs **East** (Russia, China: **Heartland**): Seek to **control** the **global economy**, the **geoeconomic networks** incl. **oil and natural gas pipelines, electricity**,⁴ and **sea and land routes** of the **global trade**.

International Relations (IR) System

Geopolitical & Geoeconomic perspectives (2)

- After Ukraine, **global energy geopolitics** and **trade flows** undergo **massive realignments**.
- No “**End of History**” with the **collapse** of **Russian communism (Fukuyama)**, but the **Clash of Civilizations” (Huntington)**.
- Wars with a strong **civilizational & religious dimension**: Christianity, Islam, Judaism.
- The **heartland-rimland theory (Mackinder-Spykman)** is unfolding among the superpowers (US, Russia, China).

“Heartland” vs “Rimland”



“Heartland” vs “Rimland”



Nagorno-Karabakh: How the conflict impacts on global energy dynamics - The regional backdrop

- War Aim: **Eliminate Armenian threat to the Azerbaijan-Georgia energy corridor.**
- **Intense power competition in Caucasus/Cen. Asia.**
- Turkish **Pan-Turkism** and **energy route control.**
- **Israel** helped **Azerbaijan** as an **ally** to counter **Iran.**
- The **EU** needs **Azerbaijan** as an important **oil & gas supplier** in the Caspian Sea region for **EU markets.**
- **The West & Turkey** want **Azerbaijan** to replace **Russian oil and gas** & establish a **regional foothold.**
- **Turkmenistan** can supply oil, gas & blue hydrogen.
- The **planned Trans-Caspian Gas Pipeline** is an **EU PCI.**

The SCP bypasses Armenia via Georgia



Israel vs Palestine

- **Historical hatred.** Islam against Judaism.
- **Tamar** was **closed** due to the **conflict** as it is within **missile** range from **Lebanon**.
- This confirms that **Cyprus gas could serve Israel** when necessary and provide **energy security**.
- It also **underlines** that **all Cyprus gas**, incl. **Aphrodite** and small field **Israeli gas** should be pipelined to **Cyprus** via a **joint infrastructure**.
- Cyprus should **expect** that **Israel** and the **US** will incorporate the **support** given in their **East Med energy planning** and not reward **Turkey** again.

Geoeconomics

War consequences

- **Short-, medium-, and long-term effects on global politics and the world economy.**
- The October **1973 Yom Kippur War** triggered the Arab oil embargo crisis and **quadrupling of oil prices.**
- **Upward pressure on Oil & Gas prices.**
- **Oil/Gas Price = f (S&D, Speculation, Geopolitics).**
- **Both the West & Russia use energy as a weapon.**
- **Uncertainty and Instability fuel Speculation: Market mechanisms do not work: Price spikes.**
- **Supply chain disruptions & shortages of inputs, food & energy Products.**



EU Political & Economic Failures Poor leadership



- Shakespeare's **King Lear: Nothing** can come of **nothing**.
- **Failure**, diplomatic & political to **prevent/stop** the wars
- **EU** is **absent** as a real **actor** in the **Middle East**.
- **European economy: Lower energy security. Higher energy prices. Slower growth. High inflation and interest rates. Living standards receding.**
- **EU lost competitiveness** wrt USA & China.
- **European citizens** directly/indirectly **finance** the wars.
- **Unrealistic RES targets:** The **energy mix** cannot **adjust so fast** irrespective of **Supply & Demand & Technology**.

Turkish revisionism & energy goals

- Turkey's **revisionism** in the **Aegean, the East Med & the Middle East.**
- 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 Stream, Blue Stream, TANAP-TAP.
- **Putin** offered to **use Turkey** for **Russian gas exports to bypass EU sanctions.** Erdogan is happy to oblige.

Turkey aims to become a gas trade hub:

Set a benchmark and supply the region and Europe using

Gas from Russia, Azerbaijan, Iran, Turkmenistan & even LNG

Where Turkey gets its gas

TANAP: 32 BCM

TAP: 20 BCM



200 km



Shah Deniz field

Gas pipeline

Cyprus Gas Discoveries



<u>TOTAL CYPRUS GAS DISCOVERIES</u>	TCF	BCM LOW	BCM HIGH
Block 12: Aphrodite (2011):	4-4.3	113.2	121.7
Block 6: Calypso (2018):	2-2.5	56.6	70.8
Block 10: Glaucus-1 (2019):	5-8	141.5	226.4
Block 6: Cronos-1 (2022):	2.5	70.8	70.8
Block 6: Zeus-1 (2022):	2-3	56.6	84.9
TOTAL GAS-IN-PLACE	15-20.3	439	574

Cyprus Gas Reserves/Gas in place (GIIP)

- **5 Discoveries** in the Cypriot EEZ since 2011.
- **Fast-track development** is a must.
- **Aphrodite gas** should be directed to **Cyprus**, not **Egypt**, including **gas from Israel**.
- **ENI & Total** in Bloc 6 and **Exxon-Mobil** in Bloc 10 should **bring** their discoveries to **Cyprus** for **LNG**.
- **Subsea wells** routed to a **fixed platform** in **Cyprus EEZ** and then to **LNG plant**.
- **Overcome constraints** placed by **IOCs**.
- **IOCs** strive to **maximize profit & minimize Invest. risk**.
- **The Cyprus national interests should take priority**.
- **Sacrifice some PSA share** if necessary but **insist on local infrastructure**.

Estimated Value of Cyprus Gas Discoveries

<u>Value of Cyprus gas discoveries</u>	\$mn
1 BCM of Gas at \$10/MBtu	353
1 BCM of Gas at \$15/MBtu	530
1 BCM of Gas at \$20/MBtu	706
<u>Total value of 600 BCM</u>	\$bn
600 BCM of Gas at \$10/MBtu	212
600 BCM of Gas at \$15/MBtu	318
600 BCM of Gas at \$20/MBtu	424
5 bn boe @ \$100/pb=\$500 bn	500

- These are **gross revenue estimates** at \$10, \$15, \$20 / Mbtu over the **total exploitation** period.
- The **Exploration & Production cost** must be subtracted, as must the **IOC PSA share**.
- **Net Gvt revenue** includes the **T/C share**, which should be distributed via the **SWF** and **not** via an **Escrow Account**.

East Med Pipeline

- **The East Med pipeline has never been a viable project technically, financially or geopolitically, nor in Cyprus's interests.**
- **Pipelines entail long-term commitment and render the exporter hostage to both the importer and the transit state.**
- **RED FLAG: If Cyprus gas is tied back to existing infrastructures, for instance Block 6 to Zohr by ENI, the benefits for the Cyprus economy will be much lower.**

Pipeline to Turkey: Misguided Politics over Real Economics

- **A pipeline via Turkey will complete Turkish suzerainty and hegemony over Cyprus.**
- **A fair solution to the Cyprus Problem without troops and guarantees would have justified that incentive to Turkey. But Turkey wants & grabs everything.**
- **For years politicians with poor & naive perception of Turkey set the agenda not the technocrats.**
- **Harmful Delay in the Exploration & Production program.**

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.
Citation in Slovak political science Journal.



**CYPRUS CENTER FOR
EUROPEAN AND
INTERNATIONAL AFFAIRS**

UNIVERSITY *of* NICOSIA

ISSN (online) : 2547-8702

EASTERN MEDITERRANEAN POLICY NOTE

August 2019, No. 41

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

Panayiotis Tilliros

Slovak Journal of Political Sciences, Volume 22, No. 1, 2022

67



**Slovak Journal
of Political Sciences**

sjps.fsvucm.sk | ISSN 1335-9096 (online)
2022 The Faculty of Social Sciences
University of Ss. Cyril and Methodius, Trnava.
DOI: <https://doi.org/10.34135/sjps.220103>

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

Javad Keypour²

Proposed Natural Gas Supply Model for Cyprus



**Exploration &
Production**



Liquefaction



Transportation



Regasification



Consumption

Cyprus Energy Strategy : LNG!!!

LNG Plant

- The **best monetization option** for **Cyprus** natural gas is **LNG**.
- An **LNG Plant** has always been the **best choice**.
- **Modular LNG plants** can provide a faster, cleaner, scalable and more flexible solution.
- These can be e-drive, **fully-electric**, run by **RES** with a minimal GHG emissions.
- Or **FLNG**.

Modular LNG Plant Powered by RES



FLNG



Cyprus Energy Future: LNG!!!

Ultimate Advantages and Benefits

- **LNG will help create a downstream industry.**
- Strengthen the industrial sector of the economy with an **industry immune** from external **shocks**.
- **Multiplier effects, Synergies, Economies of scale & Diversification.**
- The more **extensive** the energy **infrastructure** in Cyprus, the greater the **value added** to the **GDP**.
- **Synergies with Greece:** Greek LNG Tankers can transport the LNG to **Alexandroupolis FSRU** for regasification and export to Europe via the IGB.
- Maximal **geostrategic leverage and deterrence**

Turning both Cyprus & Greece into Regional Energy Hubs

LNG transport from Cyprus to Greece

Not losing the endgame to Turkey



Cyprus Energy Sector: Now or Never

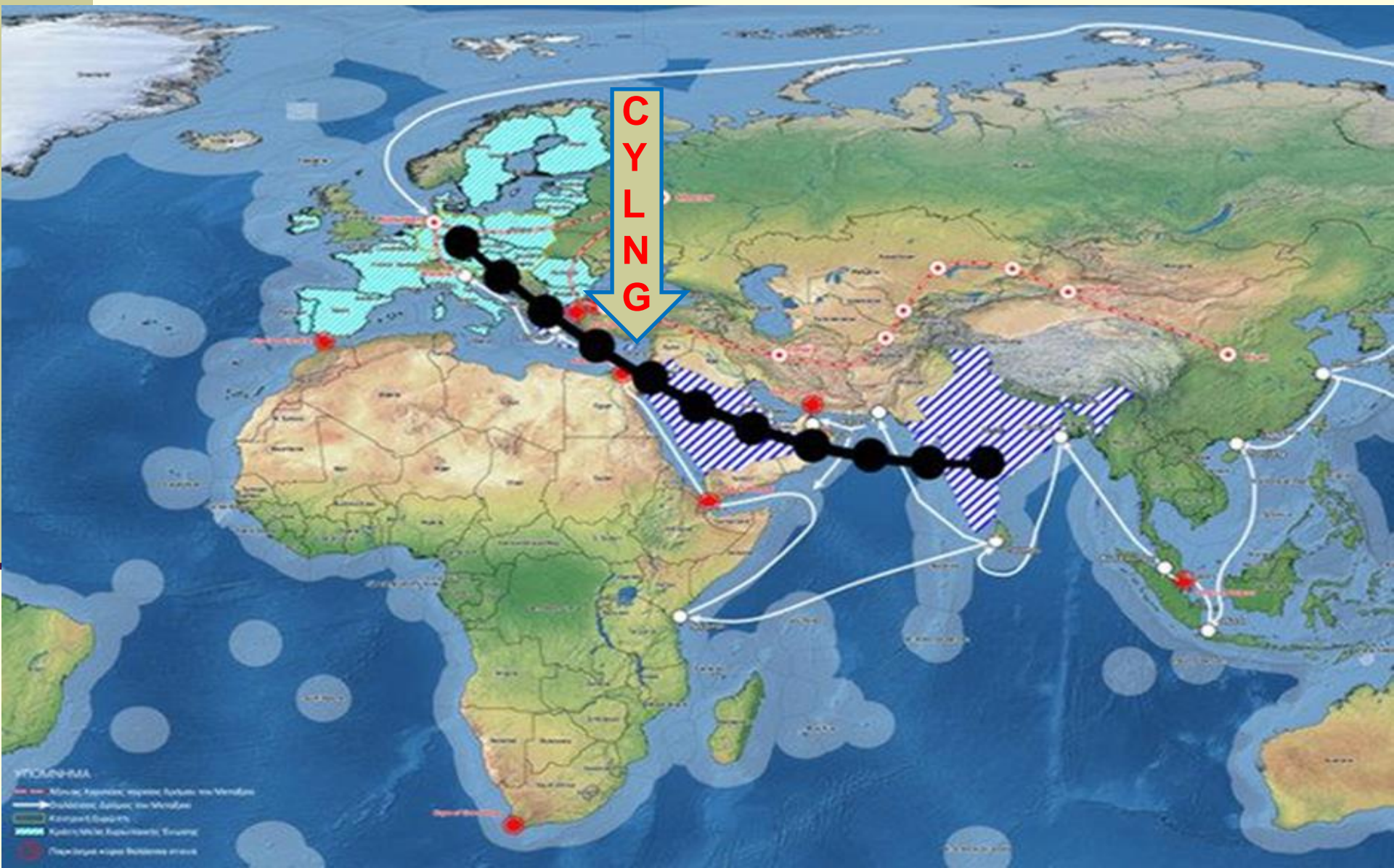
LNG: The optimal choice for Cyprus

- Cyprus may develop into a regional **trading hub**.
- Cyprus may **attract the reserves of neighboring countries** too (Israel, Lebanon, Syria).
- **Cyprus** can become an **alternative energy corridor** to enhance **European energy security**.
- **LNG bunkering** for fuel supply to **ships**.
- Possible **petrochemical industry** development.
- **Higher revenue and profits** for the government.
- **LNG demand is growing** as the world turns towards cleaner & greener fuels.

Cyprus Energy Strategy: Exploit Geopolitics & Geoeconomics

- Any **energy planning** excluding world and regional **geopolitics & geoeconomics** is **bound to fail**.
- **Russia**, a long-term cheap energy **supplier** to Europe is **out of the game** due to **sanctions**.
- **Seek win-win outcomes** by meeting regional and **superpower needs**.
- Cultivate **regional cooperation** & a **shared vision** within the **EMGF**.
- **US & Israel** can **guarantee** the **security** of the **infrastructure** in the **East Med (offshore)** and **onshore Cyprus**.
- Will **Israel** requite the **Cyprus support**?

The IMEC Geostrategic Arc from India to Europe via: Cyprus, S. Arabia, Israel and Greece



The IMEC Geostrategic Arc: An opportunity for Cyprus

- A **window of opportunity** opens for **Cyprus** to play a role in the **East-Med Energy Map**.
- A **new** transport, rail and shipping **corridor** announced at the **G20** summit in Delhi (9.9.23) to **promote world trade**.
- **India-Middle East-Europe Economic Corridor (IMEC)**.
- **Geostrategic arc** to **deter** and contain **threats**, from Russia, Pakistan, Afghanistan, Iran, Iraq and Syria.
- **US** aims to **counter China's** expansionism via its **BRI**.
- Egypt, S. Arabia, UAE are **pro-US** and against Iran.
- The **Russia-Ukraine** and the **Israel-Palestine/Hamas wars** alter the international **chessboard**.
- **Turkey** again proves to be **unreliable** for Israel.
- Cyprus offers the **strategic depth** that **Israel** lacks.

Conclusions - Takeaways

The New World Order

- A more **unstable** international **system** after the Russia-Ukraine and the Israel-Palestine/Hamas **wars**.
- A **shifting geopolitical landscape**.
- A **new Cold War antagonism** between the **US & Russia** with a strong **energy dimension**.
- **China's economic and military ascendancy** poses more **challenges** for **US hegemony** (Taiwan issue).
- The **Turkish threat** is a **constant**.
- **Greece continues** to be in the **Thucydidean trap** of a **revisionist Turkey**. It must reconstitute the **balance of power** & create a **domestic military industry**.
- **Cyprus** must **balance adherence** to both **realpolitik** and **international law**.

Conclusions – Takeaways

Cyprus Energy Future

- **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**.
- **LNG can turn Cyprus into a Regional Energy Service Center and a Gas Trading Hub.**
- The **LNG Plant** at **Vassilikos** remains the best option for **Cyprus**: It is a **game-changer**.
- **Start and Go fast with Modular LNG or FLNG.**

END

Thanks for

your

attention

Presentation by Panayiotis Tilliros

1. Economist, International Relations Analyst / Expert in Economic and Energy Security Issues (Economic, Financial & Geopolitical Aspects).
2. Research Associate at the Cyprus Center for European and International Affairs which is affiliated with the University of Nicosia.

University Titles

1. B.Sc. degree in Economics, London School of Economics, UK.
2. M.Sc. degree in Comparative Government, LSE, UK.
3. Postgraduate Diploma in Economics (Distinction), UCL, UK.
4. M.Sc. degree in Monetary and Financial Economics, University of Cyprus.
5. MA degree in International Relations and European Studies with a concentration on energy security issues (oil and gas) (Summa Cum Laude), University of Nicosia.
6. Doctoral candidate.

Contact Details:

website: <https://www.linkedin.com/in/panayiotis-tilliros-7b817029/>

E-mail: ptilliros@gmail.com