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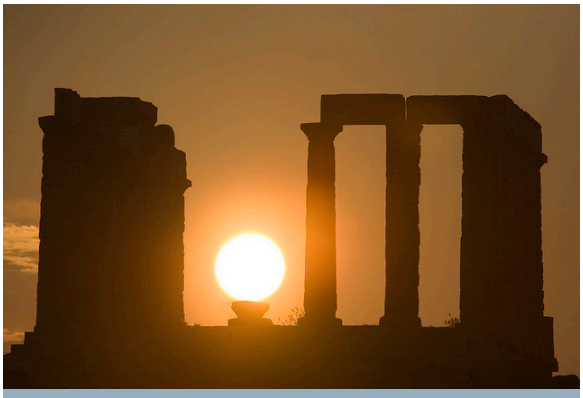

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Letter From The Editor

Months ago we expressed strong worries about the possible spread of "Arab Spring" style troubles in the "weakest links" of the European Union. What is happening in Syria, Iraq, Libya and other MENA countries, could happen in Southern and Eastern Europe, if the situation is pushed to a point of "no return".

Greece could be one of the first possible victims. Being trapped by corrupt Greek oligarchs and sections of the Western European and American elites into an economic and social dead-end, the Greek people tried to show the way out of this impasse in a smooth way.

The referendum on June 5th united almost everyone in Greece under the EU flag and the Greek Prime Minister Alexis Tsipras is proposing democratic and humane means.

If Brussels and Washington do not show patience and flexibility to the Greek drama, they will open the doors of Europe to trouble. It is no coincidence that the "Apocalypse" was written on Patmos, a Greek Island of the Aegean Sea.

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Yours Sincerely,

George Hatziioannou
Editor

ITGI - Interconnector Of Choice For Greece

The adoration of the concept of "interconnectors" by the previous European Commission has not waned with the current EU chief executives who ardently support construction of local gas pipelines linking member states. Having said that, it should be noted that some interconnectors appear to be "more equal than others", and political considerations often intrude into decision-making on economic and commercial matters. Take the case of the Poseidon, the pipeline to link Greece and Italy as part of the ITGT, or Interconnector Turkey-Greece-Italy.

Originally, the project was fully backed by European Commission for four rather obvious reasons: 1) It brought economic development to Greece; 2) It generated more competition on the gas market; 3) It developed trade in gas in Greece and Italy; 4) It created the infrastructure potential to receive gas from future projects to be put on stream in the East Mediterranean zone (if available).

Today, the initial enthusiasm has been somewhat toned down. Why is that? There is a strong suspicion that this un-announced change of mind has its origin in the sudden resurrection of the Russian-sponsored South Stream project under the new name, Turkish Stream, aimed at sourcing gas to European customers.

True enough, there are plenty of undisclosed and incomprehensible elements in Gazprom's drive to lay a pipeline under the Black Sea to Turkey and then extend it to the border with Greece. Gazprom is strangely vague in its explanation of the sudden shyness to go into European downstream market which used to be, as most of us remember, the pinnacle of its expansionist ambitions.

Taken at face value, Russian rationale of Turkish Stream amounts to the following logic: since the EU Third Energy Package does not allow gas producers to possess at the same time their own gas transportation systems (although Azerbaijan's SOCAR having bought Greek gas transporter, DESFA, seems to be exempt from this requirement), Gazprom will no longer seek to build infrastructure on EU territory. Russian gas will be delivered to the EU border, which is the Greek border, and then it would be up to the European Commission and EU member states to decide on the best options of delivering energy to end-consumers.

Since Gazprom keeps saying that it will not prolong gas transit through Ukraine after 2019, there is no clear-cut clarification how it would honor its long-term contracts with European buyers. The entry and delivery points are embodied in these contracts, and no negotiations are taking place to revise these signed and salad legal documents. The assumption that the EU, and Greece in particular, will be ready by that time to receive gas and channel it further on to other end-consumers in Central and Western Europe is built on sand. Greece might be one of the biggest losers if the traditional route of gas transit is cut off.

The problem of new gas itineraries is vital to Greece which has many prerequisites for becoming a regional gas hub, the status which is automatically accompanied by flow of investments, new jobs and transit fees' revenues. That possibility looks convincing due to the 10 bcm of Azeri gas which would be pumped through the TAP pipeline to Southern Italy and, theoretically, due to the 47 bcm of Russian gas which could arrive through Turkish Stream to the Greek border.

In fact, these considerations make Athens eager to embrace not only TAP, ITGI but also the Turkish Stream with its huge volumes of gas bound to Europe.

The current mood in Brussels and the anti-Russian crusade by Washington are not helping Athens in attempts to think positive about these projects. For the US and the European Commission, the political priority is to get rid of Russian gas and to maintain gas transit through Ukraine. Brussels (Commission VP, Mr. Maroš Šefčovič) is accentuating the need to better understand the commercial side of the Turkish Stream before taking any position on it.

However, some EU member states do not see at present any viable alternative to Siberian gas and are probing options to secure gas volumes which might come to a place called Ipsala on the Turkish border with Greece.

The most active so far were a number of Balkan countries who met in April in Budapest in order to push for a solution. Since the meeting, troubles erupted in the most politically and economically weak country of that grouping, Macedonia. So far, no solution to the crisis has been found, and tensions persist between the Government and the local opposition incorporating the pro-US Albanian minority.

Meanwhile, Slovakia proposed the EastRing interconnector, bound to Bulgaria and maybe Greece which is designed to source gas from the EU Southern Corridor. Remarkably, the Slovaks do not place bets on the pledged surge in the production of Azeri gas, but would like to test the ground of getting access to Turkish Stream. For this reason, Slovak PM, Mr. Robert Fico, visited Moscow and proposed this link-up. According to press reports, Russia made no commitment but promised to study the idea. Slovakia is nervous for a good reason: after the Ukrainian gas transit expires in 2019, there will be no guaranteed transit fee benefits, and sourcing of gas is also not clear.

As for Greece, it might examine the opportunities offered by the second leg of TAP which is not exempt from the "third party access" ruling. It means, it would require mixing gas in the pipe of different origins. The best scenario for Athens could be an eventual compromise between the European Commission and Russia's Gazprom, allowing the mixture of Azeri, maybe a bit of Iranian, and Russian gas in the transportation infrastructure, be it TAP, ITGI, EastRing (lobbied by Slovakia), reborn Nabucco West or any other trunk pipelines and interconnectors.

For Greece, the ITGI looks like the preferred option since it is purely about gas transportation, and not linked to any particular gas producer. ITGI may seek methane out of any available source, provided it is accessible and economically sound. It could be Azeri gas or Iranian, from the East Mediterranean offshore or from Iraqi Kurdistan fields, etc. But there is a "but" because ITGI could also be filled by Russian gas from the Turkish Stream on the border with Greece.

The European Commission has mysteriously forgotten its previous support for the ITGI and is keeping silence. The US has already voiced its opposition to ITGI. US State Department Deputy Assistant Secretary for Energy Diplomacy, Mrs. Robin Dubbigan, declared at a meeting in Budapest that Turkish Stream is not a sustainable project, and Poseidon pipeline is not welcomed because it would help Russia to bypass the Ukrainian gas transportation system.

It seems that Poseidon will become another missed opportunity. The CEO of Italia's Edison company, Mr. Elio Ruggeri, expressed his concern that when gas in huge volumes reaches Turkish-Greek border it would be a pity if Italy and Greece do not capitalize on this bonanza. Edison CEO was referring to the profits both countries could make by putting into operation Poseidon pipeline.

With politics meddling in business, there are few chances that Greece would reap the benefits of the ITGI which otherwise, under different circumstances, would be the natural infrastructure project of choice.

Post-Sanctions Iran. Secure Oil And Gas Source For Europe?

Iran is profiting from a new Cold War ongoing between the US and Russia. The perspective of sanctions against Iran being lifted, while Russia remains the target of economic and financial embargoes, makes viable scenarios when Teheran replaces Moscow in its double role. Iran, not Russia becomes a huge lucrative market for Western goods and a major supplier of hydrocarbons to the West.

Iran will be happy to start living without Western sanctions and to have the possibility of a full integration in the world economy. But will the ayatollahs choose the West as the main direction of forging new alliances and establishing full-

flown cooperation? What would other key players in the region do in that changed geopolitical context?

On paper, an Iran-West alliance seems possible. Although, it could end up in a different shape and format.

The starting point of every analysis of that problem should be Iran itself. Its economy needs Western technologies and money. The support for the regime inside the country is not as unanimous as during and after the Revolution. Part of the population is looking for a less religion-loaded way of life, it is hungry for sophisticated goods which are not produced locally and available now only in their China-made version. At the same time, a whole new generation has grown up under sanction regime and these young people are very cautious in their approach to the West.

As a matter of fact, Western sanctions against Russia have strengthened that skepticism. Iranians, as most of the non-Western world, do not see the origin and the development of the crisis as the direct result of an alleged Russian aggression against the West-looking Ukraine. Iranians en masse believe that the West has executed a well-planned scenario in Ukraine which went wrong and backfired, and now the West is punishing Russia for its own miscalculations.

Today, Iranians see the West as a not very reliable strategic partner which could change its position towards Iran if its government does not behave in a way expected by Western powers. Then, the sanctions could be re-introduced at any moment.

Other active big actors in the region will not follow a wait-and-see policy. But their room for maneuver is limited.

Russia has the weakest set of cards in its hands. Being pressured by the new Cold War hostility and financial sanctions, Moscow cannot afford to dispute with Teheran, Ankara or Cairo, and it is obliged to carefully weigh its stance towards the Gulf monarchies, and watch carefully for consequences of any possible evolution in that part of the Muslim world for the situation in the Caucasus and in Central Asia. It means these have an impact not only on Russian national security, but also on the strategic factor: global oil prices.

Turkey will not be happy to have Iran as a soaring economic power able to supplant Turkish position as a local economic and industrial leader. At the same time, Ankara would like to profit from a fast developing Iranian economy using the potential of cooperation with a neighbor. Turkey is interested in the best possible relations with Russia, especially due to the excellent position it has obtained in the Russian market thanks to the EU anti-Russian sanctions. Another source of trouble for Turkey is the perspective of a strengthened, due to Iran sponsorship, Shiite area of influence in the Middle East which is contrasting with the "New Ottoman Empire", Sunnite focused Turkish aspirations.

The unhappy with pro-Western Iranian drive will be China. It is using the actual sanctions regime for fixing and entrenching Chinese interests in the country. Iran is the third supplier of oil to China, after Saudi Arabia and Angola. China is investing in Iran. The sanctions regime which is complicating payments in US dollars, has created a good possibility for different kind of barter operations, swapping Iranian oil for goods "made in China". Beijing will not be happy to leave its privileged positions on the Iranian market and to lose Iran as a secure source of hydrocarbons.

The ayatollahs are perfectly aware of that geopolitical configuration and will act accordingly. It would be interesting to see how the recent meeting between the Russian President and the Saudi Minister of Defense was perceived in Teheran, who by coincidence is second in line of inheritance of the Saudi throne? They've talked about cooperation and of the next exchange of visits at the very top level. Saudi Arabia is the main foe of Iran in the Middle East!

Where would Iranians look once the sanctions are lifted? Obviously, they will be eager to

cooperate with the West, to attract Western investments and to restart normal global commerce. They will find windows of opportunity for political cooperation if it matches Iranian interests but they will not change their long-term strategy just to please Western countries: it is Iran first and foremost.

Whatever the oracles claim, no dramatic change of alliances is possible in the region. Iranian opponents are Israel, Turkey, Saudi Arabia and Pakistan. All these countries are considered to be US allies, although relations with Americans are not so simple and one-sided. Every local imbalance will bring a shift in the system of relations with unpredictable consequences. All the players will be careful and will avoid making abrupt moves.

A pragmatic Iran, after sanctions, will try to organize a balanced cooperation by adding new partners without dropping previous ones. In planning strategic, long term economic interaction Teheran would prefer to have secure, trusted, predictable partners. Iranian oil will go to the best bidder, and China would remain a client of choice.

In developing the national gas market, a whole decade of hard work and enormous investments in production and infrastructure are needed. Moreover, Iran, once having satisfied the internal demand, will prefer to choose Asia as an export destination, not Europe with its controversial regulations, unattractive gas prices and possible political interference in business, as it has been illustrated by the on-going controversy in EU-Russia energy relations. South-East and North-East Asia would be the main market for the possible Iranian LNG production (it will be cheaper than LNG from Australia and East Africa). India, Pakistan and some neighboring Arab countries will be markets for the pipeline gas. Europe will be a secondary market within the strategy of diversification, and it would receive only residual volumes of future Iranian export methane.

It is worth mentioning how Iran and some of its supposed enemies from the Persian Gulf are preparing for the "after sanctions" times.

Three petro-monarchies — Oman, UAE and Qatar — are gearing up for the future cooperation leaving Saudi Arabia almost alone in its hostility towards Iran. Iran and Oman have established good political relations since the Islamic Revolution in Teheran. The mutual trust has survived through decades and has helped to secure the first unofficial US-Iranian contacts on the Iranian nuclear program. The first round of these secret negotiations was held in Mascate, in November 2013.

Last March, the Sultan of Oman, Qaboos bin Said Al Said, has received the President of Iran, Hassan Rouhani. They were talking about enhancing of the bilateral trade, bound to reach $10 billion in 2015, but mainly about gas pipelines.

In 2013 the countries have signed a deal on energy cooperation. In the next 25 years Oman will import from Iran half of the natural gas it needs. For that purpose, they are planning to build a pipeline. Now, the two leaders have discussed the possibility to prolong it to India! If that idea is realized, Iran will find itself as the main supplier of pipeline (cheaper than liquefied) gas to India. That country is not gasified, it has a difficult internal gas pricing situation in need of a change, but still India is an enormous and almost untapped gas market. For Iran, and Oman as a transit country, that perspective is extremely attractive and lucrative.

Qatar is the new entry in that "game of thrones". Starting from December 2013, the monarchy has offered technical and technological assistance to Iran in developing South Pars gas field, in the Persian Gulf. That field (9.7 thousand square kilometers) is divided in two parts, the Qatari are calling their one North Dome and are producing from it most of the natural gas. Some common investment and production are able to boost the output.

Iran is positive toward these signals from Doha. Qatar has much interest in cooperation with Iran. They need Iranian technical participation in some ambitious development projects, and also would like to import agricultural goods, building materials, etc. Doha looks to substitute

Dubai as the main financial place for Iran, to become the biggest trade hub for delivering Western production to Teheran.

In February 2015 the Qatari Foreign Minister, Khalid bin Mohammad al-Attiyah, visited Teheran proposing the creation of a free trade zone. It could start by the construction of a joint free economic zone in Bushehr region. Both countries are ready to invest in developing of transport connection between Bushehr and Al-Ruwais, which has the potential of a dramatic increase of non hydrocarbon bilateral and regional trade.

Finally, UAE seems to be the most interested in lifting sanctions from Iran. That country has suffered more than others from Western embargo losing 54% in bilateral trade from 2012 to 2014, while remaining the main trade partner of Iran (20% of Iranian import).

Dubai is the biggest trade hub for Iran. In that city 400,000 Iranians are residing, 8,000 companies linked to Teheran are established there enjoying the local infrastructure, efficient services, mainly financial.

In April 2015, Iran and UAE have established a Joint Business Council to organize a revival in trade, but also in joint production of goods earmarked for exports to third countries. The Prime Minister, sheikh Mohammad bin Rashid Al-Maktoum said in a BBC interview that total lifting of sanctions from Iran would be welcomed as a beneficial move for everybody.

Iran also shows readiness to make some concessions, especially in the most sensitive for bilateral relations political problem: the control of some islands in the Gulf, namely Abu Musa, Grater and Lesser Tunbs. They were occupied by Teheran in 1971, and UAE is demanding them back. There are unconfirmed rumors of unofficial discussions between the two countries with an Omani mediation. It is supposed that Iran could be ready to return Grater and Lesser Tunbs in exchange for a right to navigate in these waters, but not Abu Musa: they Iranians have an important military facility there.

These low-key pre-settlement processes are threatened by war inside Iraq and Syria. The emergence of the Islamic State, its successful and aggressive actions, and the perspective of a decomposition of Iraq and Syria is perceived as a common threat for the region. Eventually, it could create new political and economic dynamics with a new political configuration in the Persian Gulf.

Israeli Private And Public Interests Clash Over Leviathan

The Texas-based Noble Energy Corporation with a net worth of around $17.3 billion should be thankful to personal mediation of Prime Minister Benjamin Netanyahu in the tug-of-war between the alliance, which is made up of US and local energy majors, and the Israeli anti-trust regulator.

In December of last year, Israel's Antitrust Commissioner David Gilo determined that Noble and Israeli conglomerate Delek Group enjoyed an undeserved monopoly on the energy market. He also entertained the idea that the alliance might be forced to sell their assets. The assets comprise the two gems of recent finds in the Mediterranean, the Leviathan gas field with its first stage estimated to contain 450 billion cubic metres, and Tamar field with proven reserves of 223 billion cubic metres.

The Texas business people were not amused. Noble struck back by putting on hold investment flows to Israel and threatening legal action. The stakes were upped, and the conflict was elevated to the highest level with PM Netanyahu placing the verdict in the hands of an ad hoc government committee. Later, he admitted to have personally participated in the negotiations to hammer out a compromise.

In late June, the government approved a plan to confirm control of the powerful American-Israeli energy consortium over Leviathan and Tamar, which constitute the bulwark of Israeli natural gas deposits.

It might have been a compromise between the corporate and state interest, but it triggered a barrage of criticism from the public. Thousands of protestors took to the streets in Tel Aviv vilifying their prime minister and the rest of the cabinet for allegedly giving in to pressure from the "fat cats".

Local media quoted the founding father of the offshore drilling, oil geologist Joseph Langotsky (he named the Tamar and Dalit fields after his daughter and granddaughter) who made no bones about whom he considers to be the culprit. "The Israeli government is guiltiest of all. I understand the gas companies that want to profit, but it comes at the expense of the public. The antitrust regulator resigned for a reason. The Israeli government is robbing the public."

PM Netanyahu defended the decision, claiming that the immense fortune Israel will reap by exporting natural gas (mostly, in the form of LNG) will benefit all citizens. The government earnings through taxes will be channeled to finance education, welfare and the health system.

For the record, while Tamar is operating already and sourcing for the domestic market, Leviathan, due to come on stream in three years, is designated to create an export portfolio to earn extra money by targeting foreign customers, in particular, in Jordan and Egypt.

Israeli gas business is booming. By March 2012, the consortium developing Tamar had signed deals worth up to a total of $32 billion with six Israeli companies, committing up to 133 bcm under sales and purchase agreements. With the steady flow of revenues quite visible for the public, voices are heard to apportion the sudden bonanza in a fair mode, whatever it means. Recent protests prove that the left-leaning social strata in Israel remain as strong as ever, with an occasional portrait of Karl Marx still hanging on a wall in a socialist-minded kibbutz.

What added dry wood to the bonfire was the revelation that US Secretary of State John Kerry is one of the prominent shareholders of Noble Energy Corp. with his shares worth, at one point in time, more than one million dollars. It would not really matter were it not for the leaked fact that right after the ruling by Antitrust Commissioner David Gilo, the head of American foreign policy placed a phone call to PM Netanyahu requesting him to step in and make it "business as usual".

Now, opponents of PM Netanyahu, especially in the Knesset, argue that it is a case of a conflict of interest, and that the decision-making process on the development of the offshore hydrocarbons cannot be held behind closed doors. Speaking to the media PM Netanyahu retorted: "I do not work for any tycoons", rejecting the option of making populist moves. But will it pacify citizens who are crying foul?

Once again, the story of Israel's miraculously acquired offshore riches is overloaded with scandals and controversy (see also: "Israel. Will Leviathan Submerge Without Surfacing", EIRA, Volume 3, Issue 1, January 2015).

Serbia Eager To Embrace Western Sponsors

The natural drive of energy imports-dependent Serbia to hedge all possible risks and find back-up sources of hydrocarbons supplies brought PM Aleksandar Vučić on a long-envisaged visit to the United States. All the negotiations and meetings of the Serbian PM were viewed back at home in the context of the continuous and persistent pressure by Washington on Belgrade to abandon plans to join Gazprom-spearheaded Turkish Stream network and, ultimately, turn away from Russia as provider of natural gas and investor in the Serbian energy sector.

Prior to his overseas visit PM Vučić courted pro-Western NGOs and sounded very upbeat in his preparatory interviews with the media, stating, in particular, that "we hope that we will have even better political and economic relations with the US, not wishing to jeopardize good relations with other states."

The visit to Washington did not reap concrete results for Serbia. Surprisingly, unlike the case of Ukraine or Greece, no assurances were given by US officials that in the foreseeable future

American LNG will cross the Atlantic in sufficient quantity and substitute the current volumes of Gazprom's pipeline gas.

One might speculate that the preliminary testing of water showed limits of concessions that Serbian leadership was ready to put on the table. It could be the real reason why the heralded meeting with the US Vice-President Joseph Biden did not take place, and PM Vučić was greeted by National Security Advisor Susan Rice instead. No less telling was the fact that PM Vučić reiterated his previous statements that Serbia would maintain relations "with all sides", in an apparent desire not to rupture the existing relationship with Moscow.

However, the message of the Obama administration spread across the Southeast European countries was loud and clear: Russia should not longer feature on their list of energy providers, and a more pro-active diversification policy in search of alternative oil and gas suppliers should be pursued.

Serbia is viewed with suspicion by the West for its close and history-rooted ties with Russia. Consequently, the benchmark trip to Washington by the head of the Serbian government was regarded through the lens of its changing allegiances. PM Vučić was well aware that, according to public opinion polls, over 60% of the Serbs are critical towards the US, compared to 17% towards Russia. Later, having come back from Washington, PM Vučić found it necessary to dismiss assumptions of his "pivot to the USA" and underline that it is all about "diversification".

Actually, media criticism of the West-leaning policies by PM Vučić was limited and muted, because it is evident cash-strapped Serbian government cannot afford to realize investment-intense energy infrastructure projects all on its own. Serbia can bet only on assistance in terms of design, technology and, above all, finances on outside sources. It would welcome Western sponsors. No wonder, a source close to the PM's office, speaking privately, firmly stated that "Serbia has to show its intention to follow and implement EU common foreign policy."

Belgrade in an attempt to make new friends while not alienating old buddies has been sending positive signals in all directions. The need to diversify supply sources has recently brought PM Vučić's to Azerbaijan, also performing a balancing act by trying hard to be on good terms with both Washington and Moscow.

Serbian leader had important talks with top executives of the state energy monopoly SOCAR, apparently counting on sourcing Azeri gas when (or rather if) Baku manages to surge production from its Caspian offshore fields, and guarantee, which is even more crucial, uninterrupted supplies within contracted volumes.

Serbian diversification policy has placed the Slovakia-propelled EastRing pipeline project on its radar. This planned vertical infrastructure could provide additional security of supply once it is put into operation and linked to the Serbia-Bulgaria interconnector. The irony of this grand vision is that the Eastring designers are entertaining the idea of sourcing gas from Gazprom's TurkStream which will not fit into the American strategy of pushing Russia out of the European gas market.

Remarkably, during a recent visit to Budapest by European Commission Vice-President for the Energy Union Maroš Šefčovič acknowledged Russian gas continues to play an important role in Hungary's energy mix. While his main counterpart, Hungarian Foreign Minister Szijjarto expressed interest in taking part in the extension of TurkStream, which could take any form, in his view, either through Tesla, Eastring or a revived Nabucco.

These noteworthy statements by policy-makers prove that future configuration of the European gas infrastructure is not yet designed and carved into stone. Anything can happen, since many dramatic things already happened like the collapse of Nabucco, its offspring Nabucco West and South Stream.

Today, the European Commission has a fixed idea that every member state should have at its disposal at least three alternative sources of

energy, primarily, sources of gas. It makes sense within the context of diversification. The problem sticking out is the absence of three reliable purveyors, primarily for South Eastern Europe.

The cycle of violence and chaos is not yet over in Northern Africa. The terrorist Caliphate under the rule of ISIS is capable of blocking deliveries through Iraq and Syria. The de-sanctioned Iran and Qatar are focused on premium Asian markets. East Mediterranean hydrocarbon off-shore riches are not yet ripe for sufficient production volumes and are also earmarked for exports not westward but eastward. Unfortunately, it all makes SEE a hostage of the geopolitics of energy.

Off-Shore Hydrocarbons Could Re-Unite Cyprus

Finally, there is good energy news from Cyprus and for Cyprus. The American company Noble Energy announced that the discovery of natural gas near the island's south-east coast, in its Exclusive Economic Zone (EEZ), is of commercial use.

The discovery was made in 2011, in the block 12 of Aphrodite field. It has 127.4 bcm of gas. Noble's partners in that project are Delek Drilling and Avner Oil Exploration companies from Israel.

Now partners have to submit a plan for development and production, explain the technology and the timing, elaborate a plan for the commercialization of these reserves. The Government of Cyprus should subsequently approve it.

So far, other international oil companies have left their blocks having not found a commercial expediency in proceeding with drilling. In March 2015, an Eni-Kogas consortium announced that they have not found enough gas in their concessions, while earlier, in January 2015 they had already said not to have found any promising fields for prospection in blocks 10 and 11.

The disappointment with the state of Aphrodite field reserves is not the only cause of a hesitant attitude towards hydrocarbon projects in the off-shore zone in Cyprus. The other reason is the political situation and the persisting split of the island, the Northern part of it still being occupied by Turkey which is propping up the internationally unrecognized Turkish Republic of Northern Cyprus (TRNC). That situation generates disputes about the delimitation of EEZ in that part of the Eastern Mediterranean. As a result, there is no rush for prospecting hydrocarbon resources there, some energy majors reluctant even to study the perspective of producing oil and gas near Cyprus' coasts.

Anyway, the appetite for those reserves could turn to be a catalyst for political fixing of old problems. A combination of events in both parts of Cyprus and some regional developments are pushing towards a settlement.

"There are dividends from the reunification that should be used", Cypriot Finance Minister, Harris Georgiades, told Spanish *El País* daily.

The game changer could be the recent election of Mustafa Akıncı as President of TRNC. He's believed to be ready to work for a durable solution of the island's partition in order to find a way to reunite both parts of it.

His counterpart, the President of Cyprus, Nicos Anastasiades, is a known supporter of a political solution of the problem.

Just a few weeks after Mr. Akıncı was installed in his new position, he met Mr. Anastasiades. Both leaders share a common approach to the problem: they prefer to be humble, to try not to solve the problem of splinted Cyprus as a whole, but to proceed by small, practical steps. New crossing points will be installed; both parties will work to connect the electricity and telecommunication grid, etc. Both Presidents promised to meet regularly and to be personally involved in the restarted political process, with the UN Special Adviser, Mr. Espen Barth Eide from Norway, as a mediator.

Time is limited to find a solution, however.

Since 41 years have passed since the split of Cyprus, new generations in the two parts of the island have grown up knowing to be separated from their neighbors. There are not only every day problems waiting to be fixed. There is also heavy heritage from the 1974 drama.

How to settle the property question, related to houses or land, previously belonging to people who were forcibly turned refugees? When the Turkish army entered in Northern Cyprus, some 200,000 Greek Cypriots left the Northern territory fleeing to the South. Some 40,000 Turkish Cypriots moved in the opposite direction.

In the past decades, the Turkish Government encouraged some of its citizens, mostly from poor Anatolian regions, to settle down in Northern Cyprus. As a result, the land now has new owners, but some of Turkish Cypriots are not happy with the newcomers who represent a more traditional, not the local secular cultural tradition. Should one be surprised that many Turkish Cypriots are using new intercommunity connections and are sending children to English language schools in the South, also using healthcare, restaurants and other facilities there?

They are also somehow afraid of the Islamic trend in the society on the Turkish mainland.

The conjunction of all these factors, especially the desire to exploit hydrocarbon resources in the off-shore zone, could create a unique momentum for a political reconciliation.

It's Pipeline Diplomacy, Stupid!

It has all the properties of a nagging déjà vu for Greece when it watches the new round of pipeline clashing with each other, this time pitting Nord Stream versus Turkish Stream with Gazprom as the biggest sponsor of both of them. The memory has not yet faded into oblivion: was it Nabucco versus South Stream or vice versa? The shadow boxing between the two provided first-grade fodder for media speculations and fanned bellicose rhetoric by scandal-hungry journalists.

Today, there is another good pretext to look for conspiracies. On the sidelines of the St. Petersburg International Economic Forum 2015, it was not only Greek PM Alexis Tsipras who made the headlines by formally joining the Turkish/Greek Stream project but the consortium of European gas companies comprised of German E.ON, British-Dutch Shell, Austrian OMV, and Russia's Gazprom.

The Big Four signed a set of Memorandums of Intent aimed at expanding the existing Nord Stream pipeline system which connects Russia and Germany through the Baltic Sea by laying two additional lines.

When constructed, which is technically feasible (studies by the European consortium, which is operating the system, were undertaken some years ago and proved to be positive) the four-line Nord Stream will acquire a double throughput capacity, that is up to 110 bcma from the current 55 bcma.

If couples with the planned Turkish Stream with the officially announced capacity of 47 bcma earmarked for the European markets, it looks like an evident overkill.

Is there anything that we have not been told? The challenge that the expansion of Nord Stream presents to Greece amounts to the following: extra gas needs in Europe in the years to come, given the IEA forecast of a modest 2% demand growth per year, could be well covered by the additional two lines, thus making no business sense in realizing the Turkish Stream to its full potential with the 47 bcma running through Greece to other European destinations. Gazprom might build only one line to supply Turkey the same amount of gas it now receives along the western route going through Ukraine, Romania, and Bulgaria. And then stop short.

Nevertheless, some energy pundits subscribe to the conspiracy theory, claiming that Nord Stream expansion is simply a bargaining chip and a leverage Moscow would like to use against its opponents in the European Commission. It also might serve its purpose to make the Turkish negotiators known for their tough tactics and

intransigence more conciliatory. Should this be the cunning trick masterminded in Gazprom, then Turkish Stream, on the contrary, might end up in full size while Ankara would have to be satisfied with somewhat modest price concessions from Russian monopoly, which remains the stumbling block in bi-lateral cooperation.

Subsequently, Greece would become the entry gate to the EU. It would automatically upgrade Greece's status on the continental energy market, making it at least look like a major gas hub for South East Europe. As reported by Greek internet outlet *Energia*, the former South Stream consortium of energy companies, comprised of Italy's ENI, France's EDF and Edison, expressed interest in building an extension of Turkish Stream across Greece further on to other markets.

Although, this is not made too public, points out *Energia*, since neither of the companies is eager to disclose preferences at a time of hostilities targeting Russia.

In sum, the battle royal for the European energy market is in full swing, and some elements of secret pipeline diplomacy are definitely part of what is happening.

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