

Summary: The discovery of large gas reserves off the coasts of Israel and Cyprus posed a number of dilemmas for Turkey. Its response reflected both resource rivalry and underlying political conflicts. Turkey and its neighbors need to avoid harsh rhetoric and brinkmanship. Instead, pending solutions of bilateral differences, they should consider interim agreements to reduce risk and allow exploration and production to go ahead in a more predictable environment.

Rivalry in the Eastern Mediterranean: The Turkish Dimension

by Mehmet Ögütçü

Political Context

The discovery of large gas reserves in the eastern Mediterranean in sea areas off the coasts of Israel and Cyprus posed a major challenge to Turkey both in terms of its relations with countries in the region and of its energy policy priorities.¹ These discoveries occurred at a time, 2009-2012, when Turkey's relations with Israel had sharply deteriorated and when renewed efforts to find a comprehensive solution to the Cyprus problem, under United Nations auspices, failed to produce a breakthrough. At the same time, Turkey's European Union accession process ran into further obstacles. Turkey's proclaimed foreign policy goal of "zero problems with neighbors" achieved some early political and commercial successes and led to closer relations with a number of Balkan and Middle Eastern countries but overall did not produce expected results, in part because of the turbulence following the uprisings in Arab states and the disappearance of a

number of Ankara's longstanding interlocutors in the region.²

Turkey's Energy Policy

Turkey aims to meet growing domestic demand for energy, spurred by economic growth, by developing a multitude of energy routes, in particular the "Southern Corridor" as a transit route for gas from Central Asia, the southern Caucasus, and the Middle East. This is intended to ensure that sufficient supplies reach Turkey itself for its own consumption and that the country becomes an "energy hub" for Europe.³

The government's main priority is to secure adequate uninterrupted energy supplies for its own citizens and industries at affordable prices. Turkey is expected to use 48-50 billion cubic meters (bcm) of natural gas this year and around 70 bcm by 2020, making it one of the largest natural gas consumers in the world. To strengthen energy security, Turkey seeks to diversify its sources of energy,

² As eastern Mediterranean's water temperature rises, Turkey should lead an OSCE-type initiative in the Middle East, Mehmet Ögütçü, *Today's Zaman*, June 7, 2012, http://www.todayszaman.com/newsDetail_getNewsById.action?newsId=258386

¹ For an analysis of these resources, see the accompanying papers by Brenda Shaffer, "Oil and Natural Gas Resources in the Eastern Mediterranean: Prospects for Energy Markets and Regional Developments," and Simon Henderson, "The Case of Israel," German Marshall Fund, June 2012. See also

³ The concept of a Southern Corridor to transport gas from Central Asia and the Caspian region to Europe through Turkey was put forward by the European Commission in its Communication "Second Energy Review: An EU Energy Security and Solidarity Action Plan," COM (2008)781, Final, November 13, 2008

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both geographically and in terms of types of energy. At present, Russia, Iran, Azerbaijan, Qatar, Nigeria, and Algeria are the main sources of Turkey's gas. Iraq's Kurdish Regional Government area will add to Turkey's gas supply in the future.⁴

In the interests of diversification, Turkey is also seeking to develop its nuclear energy industry to meet increased domestic demand for electricity. Ankara has encouraged competition between Russia (its preponderant supplier of oil and gas), China, and other countries for contracts to build nuclear power plants.

Turkey would have much to gain if gas from the eastern Mediterranean were transported to Europe through its territory. This would give Turkey access to a new source of gas at relatively low prices and could tip the balance in favor of going ahead with the still elusive Southern Corridor, where several projects are in contention. However, it is not yet apparent whether gas will be available for export in sufficient quantities to warrant the efforts needed to overcome present political obstacles to the construction of the Southern Corridor or to Turkish cooperation with Cyprus and possibly Israel.

Turkey's Response to Gas Finds by Cyprus and Israel

Turkey has not concluded delimitation agreements in the Mediterranean and its offshore hydrocarbon exploration has been focused, until recently, on the Black Sea. It has now decided to shift the focus of its exploration efforts to the Mediterranean basin. Turkey objects to the conclusion of delimitation agreements by Cyprus with Israel, Lebanon, and Egypt for a number of reasons. It does not recognize the Republic of Cyprus and says that the proclamation of an exclusive economic zone (EEZ), the conclusion of delimitation agreements, and the granting of licenses for exploration and production should await a comprehensive solution to the Cyprus problem. Furthermore, it insists that the benefits of hydrocarbon production in sea areas off the coast of Cyprus should benefit both communities on the island. Turkey is not a party to the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and does not consider that UNCLOS should be the only point of reference when demarcating rights on the continental shelf or beyond.⁵

⁴ Turkey's energy economy and future energy vision, Taner Yildiz, Minister of Energy and Natural Resources, <http://www.turkishpolicy.com/dosyalar/files/13-18.pdf>

⁵ See accompanying article by Tullio Scovazzi, "Maritime Boundaries in the Eastern Mediterranean Sea," GMF, June 2012

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In response to the start of drilling in September 2011 by the U.S. company Noble Energy in Cyprus's "block 12," which abuts the large Leviathan field discovered in Israeli waters in 2010, Turkey threatened to send naval vessels into the area and ratified a continental shelf delimitation agreement with northern Cyprus.⁶ In November 2011, Turkey concluded a contract with Shell, covering sea areas off the coast of Antalya on Turkey's Mediterranean coast. This agreement may have been designed, in part, to lock the company into cooperation with Turkey rather than Cyprus.⁷ No commercially significant gas finds off the Mediterranean coast of Turkey have yet been found.

In April 2012, Turkey authorized the Turkish Petroleum Company (TPAO) to begin exploration for gas in six sea areas within the EEZ claimed by Cyprus, drawing protests from Nicosia. In May 2012, Cyprus launched a second tender for exploration rights in 11 blocks within its EEZ; Turkey objected to the move and indicated that it would blacklist the companies involved. The same month, Turkey sent jet planes to intercept an unidentified Israeli aircraft, which it claimed had made an incursion into northern Cyprus airspace. Israel uses warplanes and pilotless drones, as well as naval craft, to patrol its offshore natural gas fields. These developments illustrate the risk of escalation arising from rival claims in the eastern Mediterranean.

A New Alignment in the Mediterranean?

Against this background, Israel and Cyprus have stepped up their own cooperation. There has been a series of high level visits over the past year, culminating with the visit of Israel's Prime Minister Benjamin Netanyahu to the island in February 2012. Israel and Cyprus have signed agree-

⁶ See Michael Leigh, "Brinkmanship in the Eastern Mediterranean," GMF, September 23, 2011, <http://blog.gmfus.org/2011/09/brinkmanship-in-the-eastern-mediterranean/>

⁷ TPAO and Shell signed a Joint Operating Agreement covering offshore Antalya licenses AR/ TPO-XVI/4154, AR/TPO-XVI/4319 and AR/TPO- XVI/4320, on November 23, 2011.

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ments on defense cooperation, allowing Israel Defense Force combat planes and ships to utilize Cypriot airspace and territorial waters to protect Cypriot offshore natural gas fields.

In both Israel and Cyprus, there is great interest in the possibility of further developing cooperation in the production and marketing of offshore gas. Among the scenarios put forward are the possibility of exporting gas from the offshore fields of both countries to Europe through a pipeline to connect Cyprus and Crete. Other schemes favor the use of future gas supplies to generate electricity that would be exported to Europe by a new undersea cable to Greece. Such ideas, however, run far ahead of the current stage of exploration and production, and presuppose large investments in infrastructure as well as the will to cooperate. For the moment, the Israeli authorities seem unwilling to transfer responsibility for processing gas from Israel's offshore fields for electricity generated by the gas to another country.

For Ankara, the development of security and energy cooperation between Israel, Cyprus, and Greece is scarcely welcome. Beyond its different legal claims, Ankara looks askance at the prospect of closer cooperation among three countries that it views, to different degrees, as antagonists. While the notion of a new alignment between Israel, Cyprus, and Greece, with tacit support from Moscow, runs ahead of the realities on the ground, it is a prospect that cuts across a number of the objectives of Turkish foreign and energy policy outlined above. It could also complicate Ankara's relations with Moscow.

These developments have occurred against the background of general instability in the region following the Arab Spring, the deterioration in Turkish-Israeli relations, the re-ignition of the Kurdish problem, the escalating Syrian

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crisis,⁸ and the euro crisis. The disputes over resources have arisen at a critical time when Turkey has begun flexing its muscles as a regional power. Thus disputes in the eastern Mediterranean are not only about energy discoveries and how countries in the region share them; they form part of a multi-dimensional crisis, linked to conflicting sovereign and political claims among prominent actors.⁹ Overall deeper lines of division in the eastern Mediterranean between Egypt, Israel, Lebanon, Cyprus, and Turkey would put in jeopardy decades of alliances that have been the cornerstone of regional stability.¹⁰

Turkey's announcement that it would step up its patrols in international waters in the eastern Mediterranean has caused uneasiness in almost all littoral countries including Cyprus, Israel, Lebanon, Egypt, and Syria. The recent competition over the region's natural resources is fuelled by long-lasting political and religious quarrels including the Arab-Israeli conflict and Turkish-Greek hostility.¹¹ Traditional alliances are being replaced by new partnerships in line with changing perceptions of national interests in each country.

Relations with the United States

The latest gas discoveries in the eastern Mediterranean occurred at a time of change in Turkey's relations with the United States. After a difficult period, beginning with the breakdown of military cooperation over Iraq in 2003, there has been a marked rapprochement in recent years between the Obama administration and the Turkish governments led by Prime Minister Recep Tayyip Erdoğan. This rapprochement is founded on a number of considerations: close traditional links, their relationship as NATO allies and trading partners, cooperation against terrorism, Turkey's willingness to host radar facilities as part of NATO's missile shield, Turkey's efforts to play a moderating role in North Africa and the Middle East following the uprisings there, Turkey's front line position in absorbing shocks from Syria, and Prime Minister Erdoğan's calls, after

⁸ The upheaval in Syria is now having broader ramifications in a region where major powers are engaged in a wider struggle to redefine their traditional role, and former allies Turkey and Israel are jostling for influence in the eastern Mediterranean in the hope of controlling newly discovered energy resources.

⁹ "Rising Tensions in the Eastern Mediterranean: Implications for Turkish Foreign Policy," Ebru Uğurlu, Istituto Affari Internazionali, Working Paper 1204, March 2012.

¹⁰ "Mideast turmoil puts eastern Med power struggle in spotlight," January 15, 2012, Gözde Nur Donat and Mahir Zeynalov, Istanbul, <http://www.todayszaman.com/news-268589-mideast-turmoil-puts-eastern-med-power-struggle-in-spotlight.html>

¹¹ Cyprus, Israel move closer on East Med gas," in United Press International, August 26, 2011, http://www.upi.com/Business_News/Energy-Resources/2011/08/26/Cyprus-Israel-move-closer-on-East-Med-gas/UPI-62821314382019.

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initial hesitation, for the departure of President Bashar Hafez al-Assad.

Prime Minister Erdoğan has today become President Obama's chief interlocutor with the Muslim world. This development is particularly striking as Turkey's diplomatic relations with Israel have been reduced to second secretary level amid continuing recriminations, following Operation Cast Lead in Gaza in 2008-2009 and, above all, the Gaza flotilla incident, and as Turkey continues to oppose sanctions against Iran.

The United States is keen to shift responsibilities for maintaining stability to regional powers including Turkey and seeks to prevent further clashes between its two allies, Turkey and Israel.¹² The United States supports the EU's efforts to diversify Europe's sources of energy and to reduce dependence on Russia and the Gulf. The export of part of the newly discovered gas reserves in the eastern Mediterranean to Europe, when they come on stream in sufficient quantity, would help achieve this goal. As one U.S. diplomat has observed: "There are multiple pots of gold out there in the eastern Mediterranean. If equitable solutions are found, everybody, all of the countries and their citizens will gain; and if not, nobody is going to reap the whole benefits and a lot of that gold might just sit out there for a long time."¹³

Policymakers in Ankara are sensitive to U.S. concerns that brinkmanship in the region should be avoided and that efforts should be made to tone down hostile rhetoric. Considering the historical importance of Israel for the United States, the intensity of the U.S.-Israeli political and strategic partnership, and earlier setbacks in U.S.-Turkey relations in recent years, Turkey is cautious about not crossing the threshold beyond which the United States would be forced to choose between it and Israel.¹⁴

The United States would like to keep the door open to regional approaches to energy cooperation in the eastern Mediterranean involving Turkey, when political circumstances permit. This has encouraged Turkish ministers to speak up in favor of cooperation schemes, with the major proviso that acute political problems, and notably the

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"apology" standoff with Israel arising from the flotilla incident, be solved first.

The Role of Russia

The discovery of gas resources by Israel and Cyprus may well affect Turkey's relations with Russia. The Russian government has backed the right of Cyprus to develop the gas fields in its EEZ. In turn, Cyprus has labeled Moscow "a shield against any threats by Turkey."¹⁵ Moscow has long been on good terms with Cyprus, which is an important channel for portfolio and foreign direct investments in Russia. Novatek, Russia's second largest gas producer after Gazprom, (which is a minority shareholder in Novatek) was among the companies bidding for exploration licenses in Cyprus's second tender, which closed in May 2012.

Policymakers in Moscow have no interest in seeing eastern Mediterranean gas, however modest the quantities initially available, and whatever the uncertainties about export prospects, become a potential competitor to Russian gas on European markets. Russia's maximal goal is to aggregate Cypriot and Israeli offshore gas volumes for transport and reselling via Gazprom on European and international markets. Gazprom recently concluded a preliminary (non-binding) agreement to purchase liquefied gas from Israel's Leviathan project.¹⁶ These moves form part of a strategy to encourage a global move from oil to gas, thus outflanking Saudi Arabia.

¹² http://www.todayszaman.com/newsDetail_getNewsById.action?load=detay&newsId=258386&link=258386

¹³ U.S. special envoy for Eurasian energy, Ambassador Richard Morningstar, speaking at the Investment Energy Summit hosted by *The Economist* in Athens in May 2012

¹⁴ Jay Solomon and Marc Champion, "U.S. Ties to Turkey Face New Strains," in *The Wall Street Journal*, October 8, 2011, <http://online.wsj.com/article/SB10001424052970204294504576617282941472812.html>.

¹⁵ Stephen Blank, "Turkey falls out with Russia: Another Sign of a Foreign Policy in Crisis," in *Turkey Analyst*, Vol. 4, No. 22 (November 21, 2011), <http://www.silkroadstudies.org/new/inside/turkey/2011/111121B.html>.

¹⁶ Gazprom is also one of the bidders for DEPA, the gas transmission pipelines in mainland Greece. If successful in that bid, Gazprom will strive to increase its intake of Cypriot and Israeli offshore gas, transport it (probably in liquefied form) to mainland Greece, and use DEPA pipelines to re-sell it on European markets.

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Turkey's involvement with Gazprom is such that it would be difficult to blacklist it for cooperating with Cyprus or Israel. At the same time, any show of force by Turkey against Cyprus, when a new round of drilling begins, could leave Ankara and Moscow at odds.

These developments may well affect the close ties between Turkey and Russia that formed part of the “zero problems with neighbors” policy and were even described by some Turkish observers as a “strategic partnership.”¹⁷ This relationship served as a demonstration to those in Europe who were opposed to Turkey's EU accession process that Ankara had other important options in its external relations. Nonetheless, Russia's close relations with Israel, Cyprus, and Greece, reflecting the presence of Russian population groups, the involvement of Russian companies in their economies, and, some would add, certain religious affinities, have posed a dilemma for Ankara. It is to be hoped that Turkey's wish to avoid a confrontation with Russia, together with counsels of prudence from Washington, will discourage further brinkmanship.

Implications

The changing balance of power, the moving alliances between regional actors, the clash of interests among them and the new dynamics of natural gas have created additional risks of conflict in the eastern Mediterranean region. Under these circumstances, Ankara's immediate priority should be to avoid harsh rhetoric and recourse to military means to express its disapproval of Israeli and Cypriot initiatives in the eastern Mediterranean. As Alon Ben-Meir argues, one of the criteria to test Turkey's leadership competence is “its capacity to balance its relations with the powers in its diverse neighbourhood without trading one bilateral relation for the other.”¹⁸ Accordingly, Turkey needs to employ soft power with a view to shaping the regional environment along non-confrontational, and where possible, co-operative lines.

Ankara should nurture its close relations with Moscow and Washington in order to persuade Cyprus and Israel to exercise a similar degree of restraint. Given the current preoccupation of the international community with the situations in Syria and Iran, Ankara should ensure that

¹⁷ Rivals become partners?, Mehmet Ögütçü and Danila Bochkarev, September 21, 2009, *European Voice*, <http://www.europeanvoice.com/article/2009/09/rivals-become-partners-/65924.aspx>

¹⁸ Alon Ben-Meir, “Mending a Strained Alliance,” in *Huffington Post*, October 23, 2009, http://www.huffingtonpost.com/alon-benmeir/mending-a-strained-allian_b_332062.html.

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nothing occurs in the eastern Mediterranean that could divert attention from efforts to tackle the crisis in Syria and the Iranian nuclear question.

Without prejudice to an eventual comprehensive solution of the Cyprus problem, Ankara could consider the possibility of moving towards limited interim agreements with Cyprus. Such agreements could provide for arbitration by the International Court of Justice or another body of delimitation disputes. An interim agreement could be sought on the transport of gas from Cyprus's EEZ to Turkey, partly for sale to Turkey and partly for export to Europe through the Southern Corridor, when this becomes operational. As a confidence-building measure, Cyprus could be invited to further consider the proposal for the establishment of an escrow account to receive gas revenues, to benefit both the Greek Cypriot and the Turkish Cypriot communities.

In the absence of mutually agreed maritime boundaries, the possibility of joint development of offshore energy resources, or at least a more coordinated approach, should be considered without prejudice to respective positions on long-standing political problems. As a further step, the possibility of cooperation between Turkey, Israel, and Cyprus on exploration, production, and transport of gas from the eastern Mediterranean could be explored by third parties.

Considering the current standoff between Turkey and Cyprus, and bitter recriminations over the Gaza flotilla incident, such suggestions may appear unrealistic. However all three parties concerned have an interest in overcoming present difficulties, especially in light of far more pressing problems in the region. The Turkish energy minister, Taner

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Yildiz, has been quoted as saying: “We could easily develop projects for drilling for gas in the eastern Mediterranean including Cyprus and Israel, but they have killed nine of our brothers. Neither oil nor gas is more important than the life of one of our brothers.”¹⁹ While this shows the depth of feeling in Turkey over the *Mavi Marmara* flotilla affair, it also shows a certain openness to new forms of cooperation when present difficulties have been overcome.

In the short run, Cyprus, Israel, and Turkey need to avoid harsh language and, in particular, to avoid military incidents at sea or in the air that carry the risk of escalation. It is particularly important that the Cyprus EU presidency, beginning on July 1, should not be the occasion for renewed recriminations. Cyprus itself faces a major challenge in handling the responsibilities of the presidency in the midst of the sovereign debt crisis, to which it is particularly exposed. Turkey has shown signs in recent months of taking a low-key approach to the Cyprus presidency. This should be encouraged by the EU and the United States. Turkish representatives have themselves pointed out that Turkey’s most important interactions with the EU are through the European Commission, the European Parliament, the High Representative of the Union for Foreign and Security Affairs, and the European Council President rather than the six-month rotating presidency. Measured steps to de-escalate recent tensions can reduce risks of incidents and improve the investment climate. This should bring closer the day when citizens throughout the region will enjoy the benefits of its newly discovered hydrocarbon wealth.

About the Author

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¹⁹ For an English version of the speech by Yıldiz, see *Today’s Zaman*, March 11, 2012, <http://www.todayszaman.com/news-273972-israeli-gas-deal-tied-to-resolution-of-mavi-marmara-dispute.html>