**conference**

**'Energy in the Eastern Mediterranean – Promise or Peril?'**

opening speech

by

**Deputy Prime Minister and Minister for Foreign Affairs Didier REYNDERS**

Egmont Palace, Brussels, 7 Nov. 2013

Dear Mr. Director general (amb. Otte),

Excellencies,

Distinguished members of the panel,

Ladies and Gentlemen,

The Levant Basin , in the Eastern Mediterranean, covers roughly the sea area in between Cyprus, Lebanon and Israel, touching Syria in the North, and Egypt in the South. In 2010, the US Geological Survey estimated that the waters of the Levant Basin contain approximately 3500 billion cubic meters of recoverable natural gas, and 1,7 billion barrels of recoverable crude oil. If proven, these reserves would be comparable to those of Algeria. That country currently has the 9th biggest proven reserves in the world.

The region around the Levant Basin is taunted by conflicts for many decades now. So what will the new energy discoveries bring? Will it lead to regional cooperation, political stability and thus a much-needed economic boost? Or will it only exacerbate existing tensions, and possibly create a new source of conflict, thus squandering the chance for an economic bonanza? **Promise or Peril?** That is the question that we are presented with today.

I would like to **congratulate very much** the Egmont Institute for bringing us together today to think about this important question. This conference is in fact merely the tip of the iceberg. It follows a series of 3 seminars on the subject, co-organized with the Atlantic Council. At this occasion, I would also like to thank the eminent experts for sharing their valuable insights in these seminars. And I look forward to hearing about the conclusions of their deliberations in a moment. I would also like to thank the high level panellists with us today for willing to share their wisdom with us. European Foreign policy would not be where it is today without the sharp strategic vision and direction of Mr Vimont. He is in many ways the father of the European External Action Service. And I think it would have been difficult to find a more renowned expert on energy in the Mediterranean than Mr Breuillac, representing the Total Group, which has contributed substantially to the organisation of today’s conference.

Ladies and gentlemen,

I cannot help but compare the situation in the Eastern Mediterranean with the very beginning of the European Union, the **European Coal and Steel Community**. Time and circumstances were very different, of course, but there is probably a common theme. On the 9th of May 1950, the French Foreign Minister Robert Schuman put forward his now famous “Schuman Declaration”. Barely 5 years after the Second World War, he put forward a vision of regional cooperation in two key sectors: energy, i.e. coal, and steel. These economic sectors were seen as vital for waging war and for economic growth. So close cooperation would firmly interlink the economic fate of the region and thus cement peace between the two historic enemies France and Germany.

The first President of the High Authority of the European Coal and Steel Community, was a fellow Belgian, Paul-Henri Spaak. His “Spaak Report” later led to the European Economic Community. Now, more than 60 years later, the EU won the Nobel Price of Peace. And the 9th of May, the day the Schuman declaration was published, is now Europe Day, celebrated by all Europeans.

So, is there a “Schuman Declaration” in the making to cement peace in the region? A declaration on the Middle East Peace Process? Or a declaration leading to a settlement of the Cyprus question? That is what I would call “the promise”. But there are many “perils”, and to disregard them would be unwise. In fact, a realistic approach should look to maximize opportunities and minimize risks for all involved.

Let’s start with the **European Union**. It is clear that the stability of EU’s Southern Neighbourhood has a direct impact on the EU itself. That prompts the EU to play an active role in promoting stability of the region. Regional cooperation does create stability. So we should think how the EU could support regional cooperation on energy production in the Levant Basin.

It is also a matter of credibility. How can the EU hope to bring peace and stability to the world, if it harbours one of the oldest frozen conflicts in its midst? The UNFICYP mission in Cyprus is currently the 3rd longest serving UN peacekeeping mission, and will turn 50 years next year, a sad anniversary.

Moreover, the conflict between EU Member Cyprus and NATO Member Turkey affects the cooperation between the EU and NATO. And the accession negotiations between the EU and Turkey. But there are hopeful developments. Cyprus’ newly elected President Anastasiades said his country would apply for the NATO Partnership for Peace programme. As such, Cyprus would be the last EU member to start a cooperation with NATO. In parallel, the EU opened recently a new chapter in the Turkey accession negotiations.

But the EU should also recognize its legitimate economic interests. The European Union is largely dependent on the import of energy resources, and is going through great lengths to integrate its energy markets and diversify its energy imports, bringing down prices for European and Belgian energy consumers, citizens and companies alike. The recent approval of the TANAP pipeline linking Azeri gas fields with the EU markets was an important milestone in this respect, and puts Turkey squarely on the map as an important energy hub for Europe.

Energy coming from the Eastern Mediterranean would certainly constitute another important milestone. According to the Cyprus National Hydrocarbons Company, Cyprus alone could account for 1/3 of the additional gas needs of the EU in the coming decade. EU policy makers cannot neglect this. But how can the EU make sure gas will be coming to the EU? And how can the EU support the necessary cooperation for that to realize?

Which brings me back to the subject of **regional cooperation,** and the opportunities offered by the gas discoveries to that end. In fact, if the countries of the region want to benefit from it, it seems they will be obliged to cooperate.

The **Middle East Peace Process** is a case in point. And those who were wondering before, the longest UN peacekeeping mission is the UNTSO mission in the Middle East. Thanks to the dynamic leadership of John Kerry, new peace negotiations are currently underway. And Belgium is also willing to lend its support to the economic chapter of the negotiations. As I said before, I am ready to organize a business conference for Belgian and European companies in Brussels aimed at lifting the Palestinian economy out of dependency on foreign aid. I discussed this with John Kerry and Tony Blair of the Quartet, to that end.

Probably the largest business project identified so far would be the development of the marine gas fields just 36 km offshore Gaza. This would bring in a billion USD investment, make the Palestinian economy energy-independent, and create opportunities for energy-demanding industries. These include cement and steel, but also the production of drinking water out of seawater, a rare, life-saving commodity in the area, as you know. A reinvigorated Palestinian economy would certainly add to the stability and security of Israel.

So far, the discovery of the gas offshore **Cyprus** has led to increased tensions with **Turkey** over the delineation of their respective Exclusive Economic Zones, and over the distribution of eventual export income to both communities on the island. I am clear on both countries’ rights to explore and exploit their natural resources. But tensions could easily intensify. So I am heartened to see that an alternative, more collaborative course might just be around the corner. The UN-chaired negotiations on the Cyprus question are scheduled to restart this month, and these include direct talks between Cyprus and Ankara. I cannot but fully support the courageous steps the leaders from both sides are taking to take cooperation further.

What could be the **motives that drive regional energy cooperation**?

**Turkey** has a large and rapidly growing economy, in constant need of new energy sources. The country could also be looking to reinforce its position as an energy transit hub between Asia and the EU. Turcas, a Turkish energy company, recently proposed to build a pipeline bringing Levant gas to Turkey, and possibly further to the EU. As the proposed trajectory of this pipeline would most likely need to pass the Exclusive Economic Zone of Cyprus, international cooperation is necessary. It is difficult for me to imagine that a project of such a scale is feasible without a clear agreement on the EEZ delineation. It would be interesting to hear the opinion of experts on this point.

**Cyprus** from its side made a strategic decision to build an LNG facility on the island for its gas exports. The quicker the gas flows, the better. The island greatly suffered from the financial crisis, and I hope the enormous efforts of the Cypriot government and the people, with the support of the EU, will lead to recovery soon.

In any case, the island would gain from the energy investments and jobs these bring in. Its electricity prices are currently among the highest in the EU, so the gas would bring a much-needed long-term development boost to the economy. Perhaps the production of drinking water out of seawater would become a possibility here as well.

Moreover, world gas prices could go down on the longer term due to the development of shale gas and the discovery of large natural gas sources. So the sooner LNG exports start, the more profitable the project is. But an LNG facility is capital-intensive. So, the more gas is available to fuel the facility, the better. This points into the direction of cooperation between Cyprus and Israel.

**Israel** is way ahead in developing its gas fields. Its biggest fields, Leviathan and Tamar, are neighbouring Aphrodite, the first and only Cypriot gas field to date. Moreover, Israel has decided to export up to 40% of its production. So why not cooperate on a joint LNG facility, and share the huge investment costs? Governments on both sides sent out promising signals to that end, and I hope more will be said on this subject later on today.

But there are other options being considered in Israel as well. I mentioned the pipeline to Turkey before. Maybe Cyprus can be persuaded to join such a project if a settlement can be found on the Cyprus question? I put this question before the high-level panellists and the experts in the room.

Israeli companies also have plans to use a floating LNG facility. That would enable Israel to put LNG on the market quickly, in order to benefit from the current high LNG prices. Would cooperation be possible for Israel and Cyprus on such a floating LNG project as well? I don’t know. It's another question for the room.

In all, it looks like the countries of the region are intrinsically bound to each other if they want to develop gas resources beneficially for their country, their economy, and their citizens. Each country has a key to the solution and neither can act entirely alone. But I shouldn’t forget about Egypt and Lebanon, as these countries have a big stake in regional energy cooperation as well.

The latest estimates on the reserves in **Lebanese** waters look very promising: close to 3000 billion cubic meters of gas and 865 million barrels of oil, much more than previously thought. I support all sides in a way out of the political challenges, so the licensing round can start as quickly as possible.

For Lebanon as well it will be important to kick-start production as soon as possible. It too has an evident interest in cooperation on pipeline or LNG projects. It too has a key to the solution of the riddle. The delineation of the Exclusive Economic Zone between Israel and Lebanon remains unresolved. It is difficult to imagine a pipeline to Turkey, or big investments in the area, without a resolution of this issue. So talks should be underway between both countries, and I hope to see white smoke in a not too distant future. That would be a truly historic achievement, considering the difficult circumstances.

That brings me to **Egypt**. Egypt is currently going through a fundamental political transition, but that should not divert its attention from the economy. A sound economy is key to internal stability. I discussed these issues at length during my visit to Egypt in August this year. Energy plays a vital part.

Notwithstanding considerable gas reserves, Egypt is scheduled to import gas later this year in order to meet rising energy demand. In the meantime, the country has considerable spare LNG capacity that could potentially be used by the future gas producers in the Levant Basin. Would a pipeline from the Levant Basin to the Egyptian LNG facilities be conceivable? I put the question before you.

**To** **conclude**, there are many questions surrounding the exploitation of energy in the Eastern Mediterranean. And many questions can most likely only be answered in the future, as exploration, drilling and political discussions are ongoing. It is clear that there are important risks, as EEZ disputes might lead to open conflicts.

But it is even so clear that the energy discoveries also hold an enormous promise for all countries, communities, companies and citizens involved. But for that promise to be realised, regional cooperation will be necessary. It is in fact a pre-condition to reap maximum benefits from the newly found resources. And each country holds a necessary piece of the puzzle.

It occurs to me that a maximal solution might involve part of all the options discussed before. An interconnected network of LNG facilities and pipelines throughout the region will increase flexibility for all producers and consumers alike.

Regional cooperation in challenging times demands visionary statesmen. Just like the EU had Robert Schuman before, and his declaration. And maybe, just maybe, such a declaration is currently being written as we speak, somewhere in an office in Nicosia, Ankara or elsewhere in the region.

I thank you for your attention and wish you a stimulating and enriching conference.

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