

Following an invitation by Energy Stream CMG GmHSitz

The following text is Angus' speech addressing the 5th Eastern Mediterranean Energy Conference, in Nicosia, Cyprus as delivered in May 2014

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The Conference:

THE GEOPOLITICAL ISSUES FACING THE DEVELOPMENT OF THE EASTERN MEDITERRANEAN'S HYDROCARBON RESERVES

Title:

The Geopolitics of the Eastern Mediterranean gas upstream: impact on European and Western Energy security

Good morning Your Excellencies, Ladies and Gentlemen, Colleagues.

Before I talk about the issues facing the EU and the west and how these might be played out or affect the Eastern Mediterranean, like previous speakers, I wish to thank the organisers for the opportunity to both present and moderate some of this conference's sessions.

In so doing, I must once again acknowledge the hard work of Antony Livinios and Demetra Egan and their team in gathering such a well informed and diverse group of experts in such a pleasant venue; a well sited hotel, excellent speakers and a convivial atmosphere, what more could we ask?

Well, perhaps in answer to my own question, and as we have already heard – some challenging questions might enliven the discussion. And this is the place to air them.

To that end, and in the short time available to me, I will share some thoughts and pose some questions relating to the topic, from a geopolitical perspective.

First let's look at the European energy situation as it now stands. Here we must, of course, consider Russia and its problems with Ukraine. Not a new issue, but one brought in sharp and possibly calamitous focus by recent events. And as we have seen in the recent past, where gas is concerned, whatever happens in Ukraine impacts upon European energy security.

After a slow start, events in Ukraine appear to be fostering a shift in the balance of European thinking; perhaps as we might witness in the outcomes of next Monday's G7 energy conference. But until then, the big question is 'will the EU really do anything serious to alleviate its dependence on Russian gas?' Indeed can it emotionally, economically and effectively?

By association, we can therefore ask, 'how will this impact on demand for the Eastern Med's hydrocarbons?' Indeed 'will it?' Will the timings of development of the region's resources mean that the growing Ukraine/Russia crisis might be over before this region's resources are available to make a difference?

Before I address the European question further, a few quick words about the other half of the topic set for this session in the conference. The west, and by that I take this to mean the western hemisphere – Europe outside the EU, North Africa and North America.

The supply situation of the western hemisphere should bring comfort to the EU, but it does not. Surrounded by an abundant and in some cases growing source of supply, the EU has allowed itself to become dependent on Russian gas. And yet, even without the potential of gas from the Eastern Med immediately to hand, we have Norway, Algeria and Tunisia with the US and Canada looming on the horizon to the west; Nigeria, West and East Africa further south and Iraq, Iran, Azerbaijan and just conceivably Turkmenistan to the east. And we even have indigenous gas, both conventional and unconventional, within the EU's borders.

Many of the big issues are of course above ground:-

Are EU states, collectively, or independently, politically capable of addressing the energy supply issues that might shortly confront them?

Will fracking be allowed to help alleviate a potential supply crisis? Could it?

Will sustainable energy be fast tracked (and what does 'fast tracked' mean?)?

Will gas markets within the EU remain attractive to gas producer states, especially as it continues to proclaim a shift to a reduced carbon economy?

In a previous conference I spoke in disbelief that EU member states, blessed by world standards with enviable measures of sustained economic well-being, peace, and stability, and as just noted, surrounded by an abundance of energy, can seriously contemplate mass power cuts, brown outs and major disruptions to their electricity supplies. But that is the world in which we live.

If the EU finds itself able to find a common gas security stance across its nations, how does the timing work? Russian gas could cease to arrive immediately, as was amply demonstrated in 2009. Alternative supply and the means of deliver are not immediately available and, even in an ideal world, will be years away.

One geographical fact that comes out of all of this is that the Eastern Med sits geographically well-sited to help alleviate Europe's energy security uncertainties. That help, whatever the exact size of the gas deposits deep below the Mediterranean, will be moderated by both timing and politics.

Not just the 'new' politics resulting from what is happening in Ukraine or even Egypt to the south and Syria to the east, but also what one might term the 'traditional' political issues of the region. I do not need to spell them all out, and all are serious, but perhaps from an energy security perspective for Europe, the most pressing are those of Greece and Turkey; Turkey as a growing regional power; and Israel Palestine.

Nothing happens in isolation. So the questions arise, especially in the case of the Eastern Med states, with their history of political difference:

Is there the will to allow development and then co-operation in the monetisation of the region's sub-surface resources?

Will Europe's energy needs become a catalyst?

Turning to the Southern Gas Corridor: here the Eastern Med and the Caspian producers can either co-operate or compete with each other. Either way, they will still be in competition with other regions and other sources of energy for 'their' markets.

Specifically for Europe and the Southern Corridor, this adds an unwelcome degree of uncertainty and raises a number of questions. For instance:

Will political rivalries allow Turkey to take a major role, or will it become the 'Ukraine' of the Southern Corridor?

Will sufficient resource be found to make any sub-Mediterranean pipeline linking into the Southern Corridor in either Turkey or Greece viable?

Will the Southern Gas Corridor be viable without Eastern Mediterranean input?

and

Will supply competition and political pressure from either the US or Russia have an impact?

Colleagues, while it might appear that I am trying to oppose or diminish the development of the Southern Gas Corridor, I am not. Indeed, I am quite optimistic. But that optimism is contingent upon its producers and consumers alike being able to face the changes and challenges impacting on it both locally and globally.

This means that for the Southern Gas Corridor to be successful, strong political will needs to be shown. At the same time this will needs to be matched with flexibility in thought and approach. The Southern Corridor can only succeed if it is supported politically by European States and the EU on the one side, the Eastern Med and Caspian producers on the other, and between them, the transit states such Georgia, Turkey and Greece. All must join in common commercially based cause.

That this is happening is self-evident and to a large part the role of the commercial partners in Shah Deniz must be recognised. As must the political push of both Azerbaijan and the EU.

Angus' speech above was addressing the 5th Eastern Mediterranean Energy Conference, in Nicosia, Cyprus in May 2014.

It was well received by the invited guests including representatives from the EU National Governments and Industry experts and Academics.