



## THE CYPRUS LNG PLANT VS THE EAST MED PIPELINE IN THE CONTEXT OF GREEK-TURKISH AND GEOPOLITICAL TENSIONS

Panayiotis Tilliros

According to Mearsheimer, the eminent American international relations scholar, “what money is to economics, power is to international relations”. Indeed, the two major assumptions / tenets of rationality and maximization either of wealth or power underlie both the neorealist school of thought in international relations and neoclassical economics. The pursuit of rational maximization is encapsulated in measurable objectives.

Turkey’s “blue homeland” doctrine that is being implemented through coercive gunboat diplomacy and offensive power projection reflects precisely an almost anarchic international system where self-help appears to be the prevalent modus operandi of power politics. The current Russia-Ukraine-USA-NATO crisis is a case in point. The absence of an international authority to enforce international law is all too evident in the case of the Republic of Cyprus where the United Nations behaves like Pontius Pilate regarding the invasion and occupation of northern Cyprus, while the European Union (EU) is systematically turning a blind eye to the Turkish violation of Cyprus’s Exclusive Economic Zone (EEZ), as defined and recognized by the United Nations Convention on the Law of the Sea (UNCLOS). And this at a time when the EU is all too ready to impose sanctions on Russia, which is vehemently trying to prevent NATO from reaching its frontiers via Ukraine. Double standards are more than evident.

Material resources are a major determinant of power. The military rise of Turkey after the collapse of the Ottoman Empire was inevitable given the territory and resources granted to it by the western powers under the Treaty of

---

*Panayiotis Tilliros is an Economist, International Relations and Geopolitical Analyst, and Expert in Economic, Financial and Energy Security Issues. He currently works as a senior Economist at the Ministry of Finance, Cyprus. He is also a Research Associate at the Cyprus Center for European and International Affairs, which is affiliated with the University of Nicosia. His research interests and expertise focus on Economic and Financial Issues, Political Economy, International Political Economy, International Relations and Geopolitics, Energy Geopolitics, Energy Security and Energy Economics.*

Lausanne (24.7.1923) that superseded the Treaty of Sèvres (10.8.1920), since military strength is a function primarily of economic power and geopolitical position. With its defeat in 1922, Greece lost a huge part of its rightful historical legacy. It is to Turkey's credit that it capitalized on its assisted victory to become an industrial country in the G20, while Greece followed a repeatedly failing economic model. While Turkey exploited its resources, large internal market and geopolitical position to produce wealth and systematically expand its military assets, Greece did not draw the lessons from its mistakes and devastating defeat. Just over fifty years later Greece tragically repeated a similar fatal error in Cyprus that backlashed with a vengeance. History never forgives hubris committed twice. Greece, enclaved in an unjustified syndrome of Turkophobia ever since 1922, refused to defend Cyprus in 1974, even though it was the Greek military junta, which gave Turkey the long-awaited pretext to invade. The occupation of northern Cyprus by Turkey constitutes just as great a catastrophe as that in Asia Minor in 1922 in national terms with geopolitical repercussions that reduce national options. Greece's refusal to fight in 1974 under the much better balance of power terms of the time has compromised its very own security and pushed it into its current predicament where Turkey claims half the Aegean and vast expanses of its EEZ. If Greece had defended Cyprus as a guarantor power, almost certainly the Turkish "blue homeland" assertive foreign policy would never have arisen. The fall into the Thucydidean trap (as illustrated by Thucydides, the father of realism, in the famous Melian dialogue during the Peloponnesian War) of a revisionist and aggressive Turkey was inescapable, as Greece was not blessed with visionary leaders able to evaluate evident long-term trends, heed the call of history and protect foremost their own country's national interests. The shameful "Cyprus is far away", was uttered without taking into account that Turkey is also a very close neighbour of Greece and that the day of reckoning would not be long. The refusal to defend the EEZ of Cyprus or even of Kastelorizo brought about the "Turkish-Libyan memorandum", proving again that Turkish planning and perseverance supported by military power achieves results without having to fire a shot. If Greece ever demilitarizes its Aegean islands, sooner rather than later they will suffer the fate of Cyprus in 1974. Less than seven years passed from the withdrawal of Greek troops from Cyprus in 1967 till the Turkish invasion.

In contrast to Greece, Turkey has constantly set and steadfastly promoted measurable objectives as a national strategy, irrespective of party politics, such as the repossession of Cyprus based on the Nihat Erim Report of 1956, turning the Aegean into a disputed grey area, becoming the major actor in the East Mediterranean, establishing a military industry, developing into a nuclear power and joining the league of superpowers. Becoming an energy hub by controlling energy flows through a network of pipelines via Turkish territory and holding

Europe hostage to the extent feasible is also a major aim on the chessboard of the energy great game. This includes directing the natural gas reserves of the Eastern Mediterranean via a pipeline to Turkey.

Pipelines render the exporter hostage to the importer and give the intermediary states excessive power at the expense of both, as the repeated Russia-Ukraine gas pipeline crises have proven (2006, 2009 and ongoing). This is an important reason for the American opposition to the Nord Stream 2 pipeline with a transport capacity of 55 BCM/year of natural gas from Russia to Germany through the Baltic Sea. This was completed in September 2021 and though not yet operational it is being used by both sides to threaten each other in the current geopolitical standoff over Ukraine. The US claim of protecting Europe's energy security, which relies on Russia for around 40% of its natural gas, should certainly be evaluated against the interests of American LNG exporters to the old continent. Naturally, Russia, whose oil and gas constitute a significant part of its state revenues and budget, has been reacting by opening the "Eastern corridor" for the supply of China and Southeast Asia. Supplying the Chinese economy with Russian energy raises additional geopolitical and geo-economic issues for the USA to consider.

The Nord Stream 2 pipeline and the Russia-Ukraine pipeline examples indicate exactly the trap Cyprus will fall into with any type of pipeline, whether via Turkey or Egypt. Therefore, a pipeline transporting Cypriot (and other East Med) natural gas to Turkey should only be contemplated strictly after a fair solution of the Cyprus problem, which means a fully independent Cyprus, with no Turkish guarantees or armies on its territory, that would turn Cyprus into a satellite and lead to the destruction of Hellenism on the island as happened in Imbros, Tenedos and Constantinople.

The recent withdrawal of American diplomatic support for the East Med pipeline now also seconded by France, which has followed Italy, presents no problem as that project has never been in the best interests of Cyprus. The East Med pipeline was just an American-inspired tool in the first place regarding the energy great game of gas supplies to Europe, so that the USA could pressure Russia and Turkey, which has been flirting with Moscow with successful dexterity, thus achieving maximal benefits from both camps by using pendulum diplomacy. The East Med pipeline was a defunct project from the very beginning, an unwarranted pipedream both technically and economically. It was kept alive as a poor communications exercise that only aggravated Turkey and simply served certain private commercial interests receiving EU funding. No major company ever expressed any investment interest in the East Med pipeline and was even undermined by Greece itself (originally suggesting a pipeline via

Egypt and now gas liquefaction in Egypt) in a way that clearly ignores legitimate Cypriot interests.

Proponents of the East Med pipeline unrealistically believed that the project would forge an economic alliance and create vested interests that would leverage the defense and security of Greece primarily and Cyprus. This belief emanated from the heartland-rimland theory (Mackinder-Spykman) and a hope/desire to create a regional geopolitical structure or security sub-system that overlooked the complexity and fluidity of power competition. In addition, this view ignored the interaction between internal and external politics, changing priorities and superpower geopolitical and geoeconomic objectives that would render the East Med pipeline obsolete even within the logic of the aforesaid theory. Moreover, this opinion ignored the maxim that no country will fight another's war, especially in the case of Greece and Cyprus when the assumed "partners" refuse even to impose sanctions on Turkey. On the other hand, both Israel and Egypt have their own national and energy interests and it is not inconceivable that Israel may switch camps if Turkey delivers a better deal. There are already indications in this direction. Given the special relationship between the USA and Israel and the significance of Turkey for America, the East Med pipeline never had a chance despite the persistent efforts of its advocates to salvage it with "hydrogen fuel", which is not yet cost-effective with current technology.

American strategic interests in the region are shaped by geopolitical developments in the Middle East and Eastern Europe and will determine the newly-emerging balance of power in the Eastern Mediterranean region, with the energy outcome constituting a major component of the new set-up. Developments in Iran and Syria, where Russia has established a warm-waters presence, the security of Israel, and keeping Turkey content in the western camp, against the backdrop of the wider geopolitical game playing out over Ukraine right now, are major parameters in the American strategy. As for the perfidious Albion, its anti-Hellenic policies, dating back to its duplicitous change of camps in 1922 against its first-world-war ally Greece, notwithstanding the latter's self-destructive blunders and misjudgments, surpass even its age-old anti-Russian sentiment and stance. The United Kingdom is now leading the NATO effort to offer military assistance and guarantees to Ukraine, whereas it never considered honoring its guarantees and legal obligation to protect Cyprus against the Turkish invasion in 1974. The United Kingdom is currently even promoting the legalization of the de facto partition of the Republic of Cyprus, even though partition is prohibited by the constitution of the country and the London-Zurich Agreements. Based on the foregoing analysis, the gravest of all risks is for Cyprus to be left out of the new strategic equation being formed in

the area. Therefore, Cyprus must tread with wisdom on the precarious geopolitical tightrope both in terms of the Turkish occupation problem and its energy card. France's objections to Turkey's hegemonic ambitions in the Eastern Mediterranean offer the best possibilities to be taken advantage of.

In the light of the above the best monetization option for Cyprus natural gas is the construction of a land-based LNG Plant. This is where the true interests of the country and its people lie in all the project dimensions, social, economic, and financial, including maximal geopolitical leverage and effective deterrence. First, LNG has the characteristics of oil and therefore it can be sold in markets all over the world where there is demand and better prices. Expert projections show rising world demand for LNG. Natural gas and LNG will be in demand far beyond 2050. LNG use as a fuel in road (heavy truck traffic) and maritime traffic has been rising rapidly, and it is gradually entering railroad traffic too. LNG is not only cost-effective but also an environmentally friendly substitute for diesel. Thus, EU policies on gradual decarbonization and promotion of renewable energy sources will not affect the development of Cyprus gas reserves, which is a matter determined by the companies involved based on economic criteria. In any case, gas is a greener fuel.

Second, the development of the energy sector around the LNG plant with the necessary infrastructure and ancillary industries will create thousands of high value-added jobs across the entire industry value chain that will increase the Gross Domestic product (GDP), while diversifying the economy. Diversifying the economy is frequently raised by the credit rating agencies, the necessity of which became all too clear with the severe impact of the Covid-19 pandemic on the tourist sector. Third, a dynamic energy sector will create inter-sectoral synergies, multiplier effects and economies of scale. Fourth, it will provide a much-needed industrial base and infrastructure, rendering the economy more competitive and less vulnerable to external shocks.

Moreover, the power generation sector will produce cheaper electricity with a greener fuel of lower energy intensity (consumption) and higher energy efficiency and productivity, contributing to a carbon neutral, net zero economy and EU environmental targets. Gas-produced electricity may also be sold in the future through the Pan-European electricity transmission network highways (EuroAsia and EuroAfrica interconnectors).

In addition, the cost of the LNG terminal is lower than that of the discarded East Med pipeline and of a comparatively much lower investment risk. Furthermore, the LNG terminal combined with LNG bunkering for fuel supply to ships will help the Cypriot economy literally take off. Finally, the LNG plant will enable regional

cooperation by creating common economic, commercial, and strategic interests among a much greater number of neighbouring countries (Syria, Jordan, Lebanon, Israel and others), as well as other international actors than the East Med pipeline ever could. In this respect, effective economic diplomacy can be pursued through the East Med Gas Forum.

Exxon-Mobil expressed its interest in the past for the construction of an LNG Plant in Cyprus and certainly other multinational energy giants, already involved in the Cyprus gas exploration and development program, like Total, ENI, Qatar Petroleum, Chevron and Shell could be interested, in addition to other international investors. The display of interest is not surprising given the real possibilities to attract and liquefy the prospective gas findings of neighbouring countries like Lebanon and Syria. Israeli gas may also be drawn in provided the planning and construction of the Cyprus LNG Plant is accelerated, as time is a crucially significant variable in this matter. These highly promising prospects require the government to pursue fast and with determination its exploration and production program, avoiding the dithering, ambivalence and hesitation of the last decade that have caused missed opportunities ever since the discovery of Aphrodite in 2011.

Certainly, Turkey, the Turkish Cypriots and neighbouring countries can become shareholders in the Cyprus LNG Plant. Existing gas reserves, gas in place and expected new discoveries fully justify an energy strategy based on an LNG Plant. Using a geology-based assessment methodology, the US Geological Survey estimated that the Levant Basin contains mean recoverable resources of 1.7 billion barrels of oil and 122 trillion cubic feet (tcf) of natural gas. According to the US Energy Information Administration these prospects underscore that Cyprus, given its substantial EEZ in the Levant Basin, "has the potential to significantly alter its energy sector". The LNG Plant is a winning strategy that embodies all the features of long-term viability. It will turn Cyprus into an energy center and possibly even a hub if managed with wisdom. The LNG Plant is not just a project. It is a survival strategy both national and economic. The Cyprus government must now redesign its energy policy and summon the will, the vision and the courage to place the interests of the Cypriot people above all.