



**University of Peloponnese**  
**Political Science & International Relations Department**  
**MA in Mediterranean Studies**

**Thesis**

**“The Impact of HydroCarbon Exploration in Cyprus’  
Exclusive Economic Zone (EEZ) on the Cyprus-Turkey  
Relations;  
A Regional Stakeholders Analysis”**

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## **DEVOTION**

To the person who  
Urged me to go higher all the times;  
Forced me to try harder every time;  
Taught me that there are no limits, but we put them as subjective lines;  
Stands by me all her life, from the time I met her.

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## ABSTRACT

The discovery of HydroCarbons (HxC<sub>Y</sub>) by Eastern Mediterranean countries is changing the relations and economics in the region in many and different ways that are still evolving.

A literature review took place regarding the Cyprus-Turkey relations in order to examine Cyprus' decision to proceed with explorations and drillings in its Exclusive Economic Zone (EEZ). This subject is linked both with areas of conflict and security, but also energy issues in the wider region. It is considered as a major issue that it is going to affect the existing situation among Cyprus and Turkey, while at the same time it is expected to change the developments in the Eastern Mediterranean region.

A conceptual framework is given and then the research question regarding the identification of the Critical Success Factors that would affect positively the Cyprus-Turkey relations in the case of HxC<sub>Y</sub> exploration in Cyprus' EEZ. A detailed stakeholder's analysis shows that there are many factors involved in this relation and consequently it is difficult to make predictions about the near and medium-term future mainly due to the unpredictability of the regime in Ankara.

Based on the findings of the research, which took place for a 3-months period in 2015, the continuation of the HxC<sub>Y</sub> exploration in Cyprus' EEZ strengthen its position and it gives a competitive advantage to Cyprus against Turkey; it provides credit to Cyprus's efforts for national security and for this reason, several steps and actions are proposed to Cyprus in order to maximize any profits and increase its advantage against Turkey in the near/mid-term period.

Energy cooperation, which is strongly related to economics, can ease tensions and even terminate conflicts of political nature provided that the involved actors have a sincere willingness to respect each other. In other case, it will continue to be a power game among main stakeholders which are Cyprus, Turkey, Egypt, Israel, Greece, the main poles like USA and EU and finally commercial companies involved in the exploration of HxC<sub>Y</sub> in the region.

**Keywords:** HydroCarbon, EEZ, Energy Security, Mediterranean region, Cyprus, Turkey, Relations, Critical Success Factors, Stakeholders

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# CHAPTER 1

## INTRODUCTION

### 1.1 General

In this study, the importance of HydroCarbon (HxCy) exploration in Exclusive Economic Zones (EEZ) and most particularly its implication on the involved countries is examined. It will be argued that the continuation of the HxCy exploration from Cyprus inside its EEZ will strengthen its position with regard to Turkey which means that it will give to the Cyprus Republic a competitive advantage versus Turkey.

The Critical Success Factors (CSF) that affect positively the Cyprus-Turkey relation in the case of HxCy exploration in Cyprus' EEZ will be identified and then prioritized/ranked by importance/contribution to the examined relation. In addition, a list of export options for the Cypriot government is also considered and it will be investigated whether political *or* economic/financial factors should be taken into consideration for the choice of such export options.

A literature review will take place and due to lack of information and data regarding the examined case, an empirical research is following by which answers to main questions related to this study will be given.

### 1.2 What/How/Why

For the analysis of the subject, it is useful to investigate and answer to some questions as: “What (the study is going to deal with)”, “How (the study will take place)” and “Why (to decide to proceed with such a study)”. For this reason, a synoptic review of them is given as following:

- a. *What*: It is well known that Cyprus has been in conflict and confrontation with Turkey during the last decades. For the purposes of this study it is necessary to remember that these two countries consider each other as an enemy for well-known reasons. In addition, it needs to be stated that the EEZ of Cyprus had not been arranged in the past, but only during last period countries like Greece and Cyprus have started working to settle their EEZ.

The proposed topic refers to the relation between two countries located in the Mediterranean region; Cyprus and Turkey. The decision of Cyprus' government to proceed with explorations and drillings in its EEZ is a major issue considering the existing conflict with Turkey during last decades, while at the same time it is expected to contribute to the development of the Eastern Mediterranean region and affect international relationships with other countries.

Reviewing the existing literature it is evinced that there are gaps in current knowledge and thus this study will identify the Critical Success Factors (CSF) that affect the Cyprus-Turkey relation in the case of HxCy exploration in Cyprus' EEZ and then to prioritize/rank them by importance/contribution to the examined case.

- b. *How*: The choice of a topic is a process based on experience and interpretation; from questioning the external world to studying it by doing social research in a scientific way (Fakiolas, 2014). For this reason, the topic of this study had been selected by following several steps starting from the general and going to the specific areas, mainly as following:

- Scientific Field: Mediterranean Studies.
- Subject Area: International Relations/Economics.
- Topic: Conflict.
- Method: Sectoral Analysis.
- Title: "The Impact of HydroCarbon exploration in Cyprus' Exclusive Economic Zone (EEZ) on the Cyprus-Turkish relations: A Regional Stakeholders Analysis".

Since there are not so much data and information in the current literature regarding the examined subject, an empirical primary research will take place and it is presented herein.

- c. *Why*: This study will emphasize on the implications which are derived from the fact that Cyprus had not settled all its EEZ before and from its recent decision to proceed with explorations and drillings in its EEZ. The Critical Success Factors (CSF) that affect positively the Cyprus-Turkey relation in the case of HxCY exploration in Cyprus' EEZ will be identified and classified by their importance. It is a major issue considering the existing conflict with Turkey during last decades, while at the same time it is expected to contribute to the development of the Eastern Mediterranean region and affect relationships with other countries.

It is a current issue where first steps have been made (i.e. definition of the EEZ, international call for quotations, disclosure, etc.) and the whole subject is still under progress.

Finally, this thesis is expected to contribute further to the understanding of current situation and thus to the available literature, since other previous studies were mostly referred to Greece's EEZ and not so much to Cyprus.

### **1.3 Structure**

It is believed that a short description about what will follow in the next chapters helps the reader to understand better the structure of the study itself.

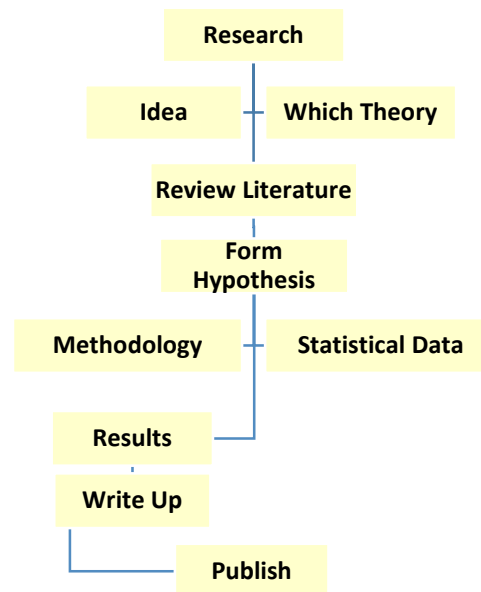
In the next Chapter 2, the framework of Analysis of the study is given. More specific, a literature review takes place including terms and definitions used in this thesis. A stakeholder's theory helps to understand the background and then a conceptual framework of this study is presented. Furthermore, the theoretical aspects of the research framework are given.

In Chapter 3, the empirical research of this study is presented. Data and findings derived from the primary research are given in details, while an analysis of the main actors/stakeholders is also taken place.

Finally, in Chapter 4 conclusions and results of the analysis are given followed by policy proposals and suggestions for the main involved actors like Cyprus and Turkey.

The methodology which was followed in this study is represented in the next scheme 1, in which all the examined fields -from the initial one until the results- are shown as a block-diagram.

**Scheme 1.1: Steps followed in the study**



(based on: Yfantopoulos, Nikolaidou, 2008)

The steps followed in this study are given in a proper sequence, while more details and further elaboration will be considered in the respective chapters of this study.

## **CHAPTER 2**

### **FRAMEWORK OF ANALYSIS**

#### **2.1 General**

In the beginning of this chapter, a review of the existing literature takes place and after a conceptual framework is given. Furthermore, the main research question is presented following by the research framework in which theory related to the primary research is given.

An effort took place to present the necessary and basics which are needed for this study, being lean but without compromising the quality of the analysis. It is well known that in order to have an effective research and valuable results, it is important to collect and build on strong material and terms which are only found after an extensive study and preparation on any specific field of literature and knowledge.

#### **2.2 Literature Review**

In this section, a recursion to definitions, terms and available literature of the examined subject will be presented. In the beginning, it is important to define the terms used herein and then to refer to the basic theoretical areas as found in the literature. A detailed and thorough literature review is considered as the *foundation for substantial useful research* (Boote and Beile, 2005). As per Merriam (2005, 69), “theory allow seeing what we would otherwise miss; it helps us anticipate and make sense”.

## 2.2.1 Definitions, Assumptions, Terms

As mentioned above herein, it is necessary to refer to definitions of the basic terms that are used in this study. Only the basic ones are chosen and few definitions are given as per available literature in order to have a variety of meanings and thus a better understanding of each term.

Thus, the basic terms used are as following:

**Table 2.1: Definitions of terms used in the study**

<b>Term</b>	<b>Definition 1</b>	<b>Definition 2</b>	<b>Definition 3</b>	<b>Definition to be used in the study</b>
<b>(H<sub>x</sub>C<sub>y</sub>)</b>	Any of a class of compounds containing hydrogen and carbon, as an alkane, methane, an alkene, ethylene, an alkyne, acetylene.	A substance (such as coal or natural gas) that contains only carbon and hydrogen.	Organic compound containing carbon and hydrogen occurring in petroleum, natural gas, coal.	Any of a class of compounds containing only hydrogen and carbon such as H <sub>x</sub> C <sub>y</sub>
<b>Exploration</b>	To look at (something) in a careful way to learn more about it: to study or analyze (something).	To travel over (new territory) for adventure or discovery.	To examine especially for diagnostic purposes.	The investigation of unknown regions.
<b>Exclusive Economic Zone (EEZ)</b>	The area of sea and seabed extending from the shore of a country claiming exclusive rights to it.	Water and sea bed around country's shores, to which claims exclusive rights for fishing, exploration, etc.	An area along a country's coastline to which a country claims exclusive rights for economic activities	Water and sea bed around country's shores, to which claims exclusive rights for fishing, exploration, etc.
<b>Impact</b>	The striking of one thing against another; forceful contact; collision.	Influence; effect	To have a strong effect on something or someone.	The force exerted by a new idea, concept, technology, or ideology.

**Table 2.1: Definitions of terms used in the study (continued)**

<b>Critical Success Factors (CSF)</b>	Limited number (usually 3-8) of characteristics or variables that have serious impact on the efficiency and viability of an organization or project. Activities associated with CSF must be performed at the highest level of excellence.	Key variables or conditions that have a tremendous impact on how successfully and effectively an organization meets its mission or the strategic goals of a program or project.	Organizations must perform the activities associated with CSF at the highest level to achieve their intended objectives and achieve competitive advantage.	Key variables or conditions that have a tremendous impact on how successfully and effectively an organization meets its mission or the strategic goals of a program or project.
<b>Relations</b>	The way in which two or more people, groups, countries, etc., talk to, behave toward, and deal with each other.	An existing connection; a significant association between things.	Connection between persons by blood or marriage.	The various connections between peoples, countries, etc.
<b>Stakeholder</b>	One that has a stake in an enterprise  One who is involved in or affected by a course of action	Any group or individual who can affect or is affected by the achievement of a corporation's purpose.	A person or group that has an investment, share, or interest in something, as a business or industry.	Any group who can affect or is affected by the achievement of a country's purpose.
<b>Regional</b>	Of or relating to a region of considerable extent; not merely local	Of or relating to a particular region, district, area, as of a country; sectional; local	Often, regionals. a regional competition or tournament	Of or relating to a particular region, district, area

Sources: <http://www.merriam-webster.com>,  
<http://www.businessdictionary.com>

<http://dictionary.reference.com>

It helps to conceptualize the meaning of each item/term, since it is subjective and thus it is very helpful to give a definition-or to pick up the most appropriate one- to a term.

In addition, it is also important to state basic assumptions that need to be known as following:

- The country is considered as an actor in the global nexus.
- It is possible for a country to achieve a better position on the global/geopolitical matrix than before or versus to another country.
- It is possible for a country to have a competitive advantage versus to another one.
- The competitive advantage is something that can be achieved and can be created; it starts from resources and capabilities of the organization-country.
- HydroCarbon ( $H_xC_y$ ) are important energy resources for a country.
- The main focus of this study is related to the  $H_xC_y$  and other types of energy are not taken into consideration at this stage.
- The continuation of an action (i.e. exploration) and the competitive advantage are measurable and they can be expressed by quantitative data (time, degree/level).

### **2.2.2 Critical Review**

It is important to *evaluate critically* the available literature and thus to be able to do a *work of synthesis* (Knopf, 2006). Information and data have been reviewed and analyzed from several sources such as papers in academic journals, publications from well-known sources of news both in printed and electronic form.

At first it is helpful to mention that energy is seen “as a re-emerging domestic and foreign policy field” (Kuzemco, 2014, 58) and energy policy of a country is considered “as a highly politicized topic” (Kaveshnikov, 2015, 585).

The eastern Mediterranean region has been facing challenges also related to the energy landscape. Since the economy is foreseen to grow further while at the same time the population of the region is expected to grow from 45.3 mill in 2010 to around 60 mill in 2030, energy demand should also increase significantly over the next years.



Based on current levels of consumption, regional energy (oil and natural gas) reserves are not enough to last for more than a few decades. However, latest discoveries of large HydroCarbon resources in Natural gas (NG) in the offshore Levant Basin are affecting the supply-side forecasts for the region. These discoveries have the potential to provide the necessary energy supply to meet growing regional demand and possibly even spur exports (EIA, 2013).

HydroCarbon exploration at offshore Cyprus is a continuous concern for at least a decade, but it has recently attracted greater attention since subsea drilling by Cyprus began south of the island in September 2011. This was when a long-running maritime dispute involving the Greek Cypriots, the Turkish Cypriots and Turkey reached crisis levels. Although the crisis subsided in the subsequent months, it is an issue that continues to fester.

Only the last years much of the HydroCarbons in this area have been discovered, since most of the resources lie in very deep waters which make it difficult and expensive to carry out exploration in the area. However, recent technological tools and equipment in combination with oil prices to have risen up dramatically encouraged oil and gas companies to invest for new explorations.

The delimitation of maritime zones is an issue extremely difficult, politically and even contentious one since it deals with sovereignty and economic interests. Articles in the Convention on the Law of the Sea 1982 (Articles 72 and 83) are related to the continental shelf and EEZ (the Agreement relating to the Implementation of Part XI is given at the Appendix A).

Cyprus ratified the United Nations Convention on the Law of the Sea (UNCLOS) in 1988 in which provisions on marine natural resources and EEZ are also included. Only in 2004 under the Law 64 (I) which refer to “Law to provide for the Proclamation of the Exclusive Economic Zone by the Republic of Cyprus” (the “EEZ Law”) and it was enforced retroactively with an effective date of March 2003 to allow delimitation of its EEZ with Egypt (Giamouridis, 2012, 21).

On the basis of the Exclusive Economic Law (Law no. 64(I) 2004 amended by 2014 Law), “Cyprus declared its EEZ, the outer limit of which shall not extend beyond 200 nautical miles from the baselines” from which “the breadth of territorial sea is measured in accordance with UNCLOS” (Himonas, 2015).

In the following table a short summary is presented regarding the agreements that Cyprus has concluded so far in the East Mediterranean region with its neighboring countries like Israel, Egypt, and Lebanon but not with Greece, Syria and Turkey and the Palestinian Authority.

**Table 2.2: Agreements between Cyprus and other East Mediterranean countries**

Country	Date of delimitation agreement/EEZ	Remarks
Egypt	March 2003 May 2006	Delimitation Agreement entered into force  Agreement about cross-median line HxCY resources
Lebanon	January 2007	Delimitation Agreement entered into force  Not ratified by Lebanon yet. Some difficulties still exist, due to ongoing dispute between Lebanon and Israel about their EEZ settlement
Israel	February 2011	Delimitation Agreement entered into force  Even though Israel not signed UNCLOS yet
Greece		Not yet (!)
Syria		Not yet
Turkey		Not yet
The Palestinian Authority		Not yet

In the following scheme 2.1, the Maritime Boundaries in the Eastern Mediterranean region are presented.

### Scheme 2.1: Maritime Boundaries in East Med



(source: [www.swissinfo.ch](http://www.swissinfo.ch))

In 2006 the Cyprus began prospecting for HydroCarbons in an exploration area of 51,000 sq km offshore Cyprus. As shown in the next scheme, the exploration area has been divided into 13 blocks and it is only part of the total Exclusive Economic Zone (EEZ) proclaimed by Cyprus.

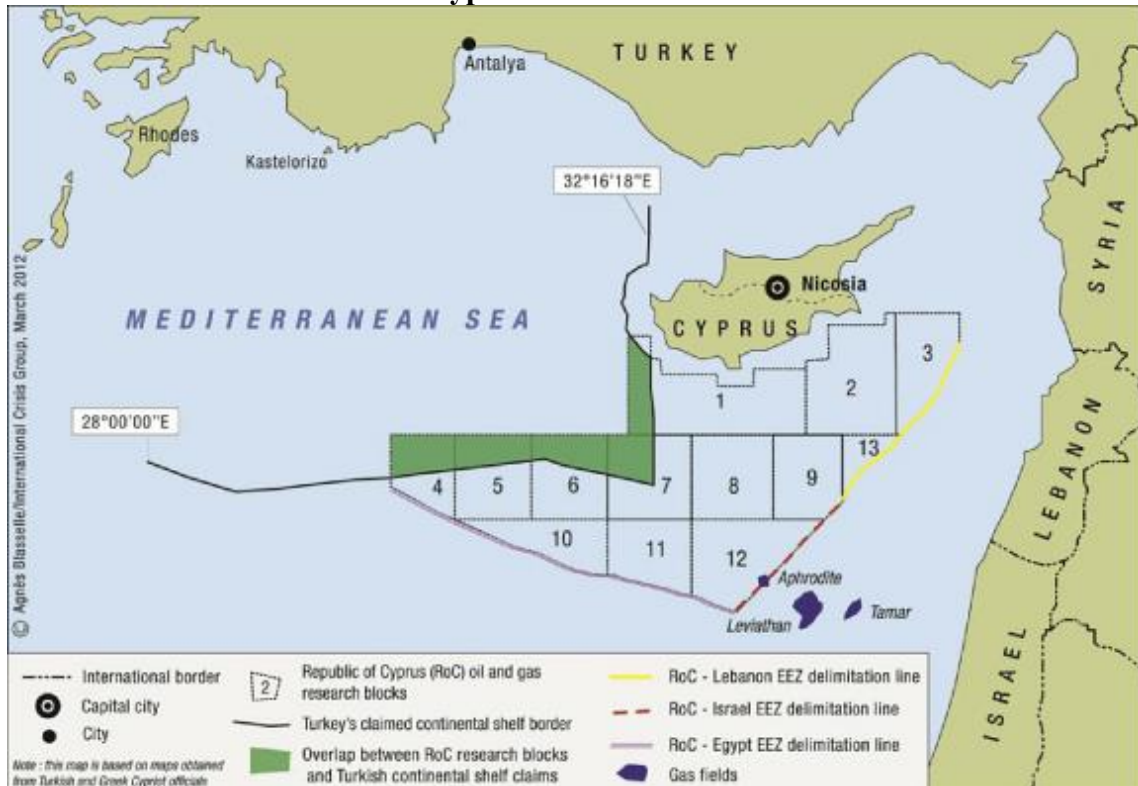
A short historical review is given as below ([www.mcit.gov.cy](http://www.mcit.gov.cy)):

- 2/2003 : EEZ delineation agreement signed with Egypt.
- 3/2006-5/2006: Two-dimensional (2D) surveys were conducted in all 13 blocks.
- 1/2007-3/2007: Three-dimensional (3D) surveys were conducted in Block 3.
- 1/2007 : EEZ delineation agreement is signed with Lebanon.
- 2/2007 : Based on available seismic data, Cyprus launched its first international tender for 3-yrs oil and gas exploration licenses. In this round, 11 out of the 13 blocks were offered (only Blocks 3 and 13 were excluded). At that time, there were only three bids submitted and just one company, Noble Energy was awarded a licence in Block 12.
- 10/2008 : A production-sharing contract was signed with Noble.
- 12/2010 : EEZ agreement signed with Israel.
- 9/2011 : The first exploratory drilling began.

12/2011 : Noble announced that it had discovered an estimated 5-8 tcf in the field known as Aphrodite (Noble Energy, 2014).

5/2012 : Deadline for submission of bids for the second licensing round; 15 participants.

**Scheme 2.2: Cyprus' Exclusive Economic Zone**



(source: [www.pgs.com](http://www.pgs.com))

Cyprus with Greece's support should take actions on difference levels (Ellis, 2014):

- Sustain and enforce the trilateral cooperation between Greece, Cyprus and Egypt announced recently. More specific, three countries signed the Cairo Declaration, by which commits they will try to continue their efforts *to mark out their maritime zones* since they consider that *the discovery of HydroCarbons could help cooperation in the Eastern Mediterranean* (Kathimerini, 2014). Egypt is one of the stakeholders in the Mediterranean region and with the biggest Muslim country in terms of population.

- Create and develop such a trilateral cooperation between Greece, Cyprus and Israel.
- Improve and develop cooperation with other major players such EU members; France's President Hollande mentioned that *the position of France with regard to the right of Cyprus to exploit freely the natural resources within its EEZ is clear and firm*, adding that *international law, and specifically the Law of the Sea, must be respected by all states including Turkey*.
- Promote the energy developments in the Eastern Mediterranean to third parties like US and support the fact that *the role of Greece and Cyprus in boosting Europe's energy security, which is also a key strategic objective for Washington*.

During the agreement that Greece has reached with Albania regarding the similar subject of specifying the in between sea areas, they did not characterize it as EEZ but as one "of multiple uses" mainly there was not an intention to confront with Turkey that had already declared in the past (during Chiler's period) the casus belli even for the case of Ionian-Adriatic Sea ([www.geomazis.gr](http://www.geomazis.gr)).

Turkey considers that the Northern part of Cyprus is of geostrategic importance for at least two reasons: it affects Greek-Turkish relations and it is of global geopolitical interest due to the location (Davutoglu, 2010, 179).

According to the Turkish Prime Minister Ahmet Davutoglu (2010, 176) a country that do not consider Cyprus into its geostrategic analysis and strategy, it cannot play an active role in the global and regional politics. He emphasizes the fact that such a small island is located in such an area where it directly affects strategic connections between Asia-Africa, Europe-Africa and Europe-Africa. However, he declared that Cyprus should be moved out of the "Greek-Turkish" equation, so then the two countries could agree to solve all the pending issues- as defined and recognized by Turkish' side.

Despite Turkey's recent activities in Cyprus' EEZ, that are mainly aimed at preventing Cyprus from exercising its sovereign rights in its EEZ, all licensed companies finally "proceed with their exploration programs, in line with the licenses granted by the competent authorities of the Government" (Himonas, 2015).

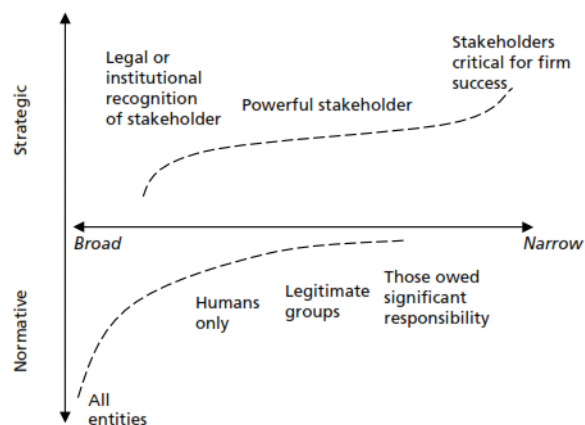
Finally, it is important to identify those Critical Success Factors (CSFs) that affect positively the Cyprus-Turkey relation in the case of HxCY explorations that have started in Cyprus' EEZ. As indicated in the previous Table 2.1, CSFs are those key variables that have a tremendous impact on how successfully and effectively an organization meets its mission and in the examined case how Cyprus can continue exploration activities in its EEZ leveraging such a success to its relations with Turkey. The existing literature does not give information about such CSFs and it is necessary to investigate further in order to find them out and for this reason a primary research is required to take place.

### 2.2.3 Stakeholders Theory

At this section, theory concerning stakeholders is given. As per Kaveshnikov (2010, 585), “One should remember that energy is business: it is primarily about prices, profits and recoupment of projects”.

Stakeholder theory, Freeman argues, is “a genre of stories about how we could live” generating “arguments or further narrative which include business and moral terms to fill in the blanks” on how corporations ought to be governed and how managers ought to act (Jensen, Sandstorm, 2011, 473). In the next scheme 2.3, it is shown how stakeholder definition can be distinguished:

**Scheme 2.3: Stakeholders definitions**



(source: Friedman and Miles, 2006).

It is necessary to apply and follow “a systematic identification of stakeholders and their interests in order to identify significant spheres of influence” (Friedman and Miles, 2006, 79). To study security of supply not together with security of demand makes weak the approach of the research and also “enhances risks for consumers in energy planning”. There is an “indissoluble link between both sides of energy security” and “a reliable energy policy should integrate concerns of all actors involved” (Kaveshnikov, 2010, 586).

One of the important things in order to manage the stakeholders properly is that “the interests of these groups must go together over time”. A cooperation or even a situation that “constantly trades off the interests of one group for another is doomed for trouble and failure”. It is well understood that considering “stakeholder interests as joint rather than opposed is difficult” and it is difficult to “find a way to accommodate all stakeholder interests” (Freeman, Harrison and Wicks, 2007, 10).

It is claimed that organizations (see countries) “that want to manage their external relations efficaciously should pay attention to such stakeholder integration mechanisms because they can offer them the leverage required to achieve their purposes” (Heugens, van der Bosch and van Riel, 2002, 56).

In order to be effective trying to create value for stakeholders it is necessary to understand and satisfy “their needs and concerns”. In other words, “managing stakeholder relationships effectively is less about stakeholders ‘attitudes and more about their behavior and their beliefs about the business” Freeman, Harrison and Wicks, 2007, 15).

As per Savage et al (1991, 65) there is a theoretical conceptual framework which can assist to deal and manage stakeholders. In the next scheme it is given a model which is based on Stakeholder’s capacity and willingness to threaten or cooperate with the corporation. This framework is given in the next scheme.

**Scheme 2.4: Managing stakeholders: types and strategies**

		Potential for threat	
		High	Low
Potential for cooperation	High	Stakeholder type 4 Mixed blessing Strategy: collaborate	Stakeholder type 1 Supportive Strategy: involve
	Low	Stakeholder type 3 Non-supportive Strategy: defend	Stakeholder type 2 Marginal Strategy: monitor

(source: Savage et al, 1991).

- The potential for threat is considered based on resource’s dependence, stakeholder’s potential to form coalitions.
- The potential to cooperate is considered based on stakeholder’s capability to expand its interdependence with the organizations and it is also linked with the external environment.

Finally, it is useful to mention that many stakeholder groups are afforded “a degree of protection in law” and “law is created from cases in an incremental and ad hoc fashion” (Friedman and Miles, 2006, 250). This is somehow what already is happening in the examined case of this study, where Cyprus has been claiming the implementation of the Sea Law while Turkey does not recognizes it (or it does on a case-by-case basis) as per its own criteria trying to serve its own national aims and targets.

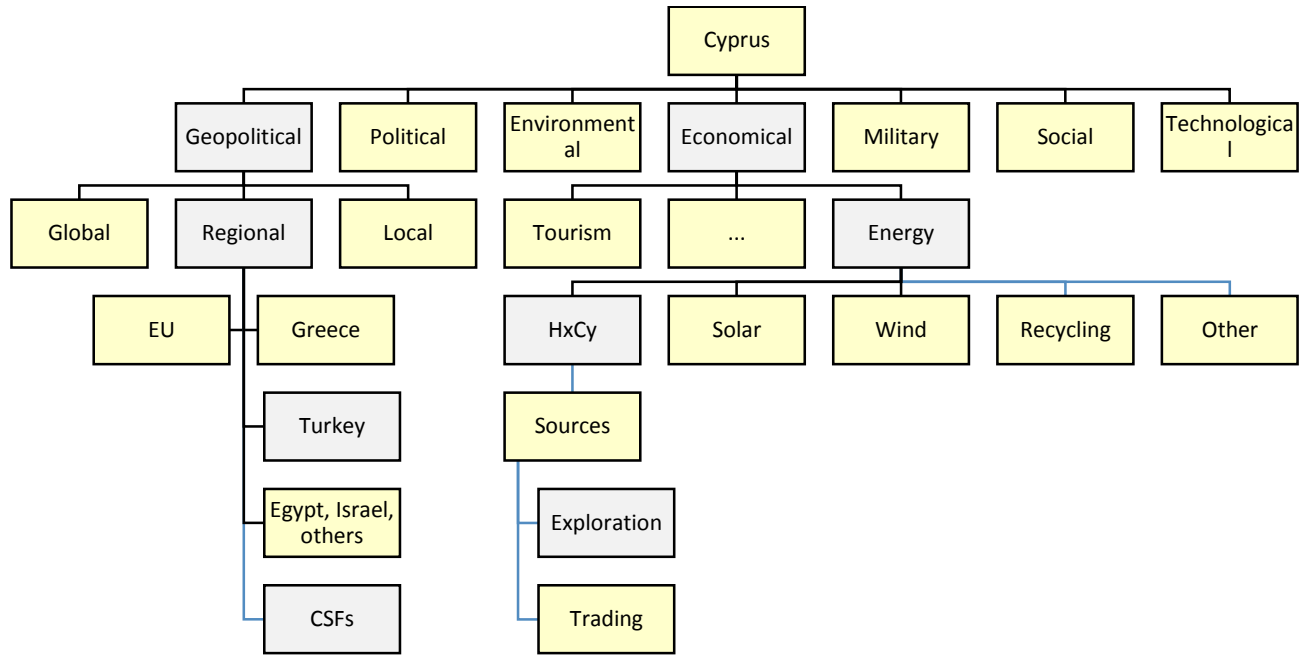
### **2.3 Conceptual Framework**

In order to analyze the selected subject in this study, an identification process of related areas and sub-subjects took place and it can be represented in a diagram/chart as in the following scheme. It is necessary to understand how a specific “area” is chosen among other available options and



then to proceed to the next lower level and dig into a more detailed, well-defined one for study and investigation.

**Scheme 2.5: Selection of area of interest**



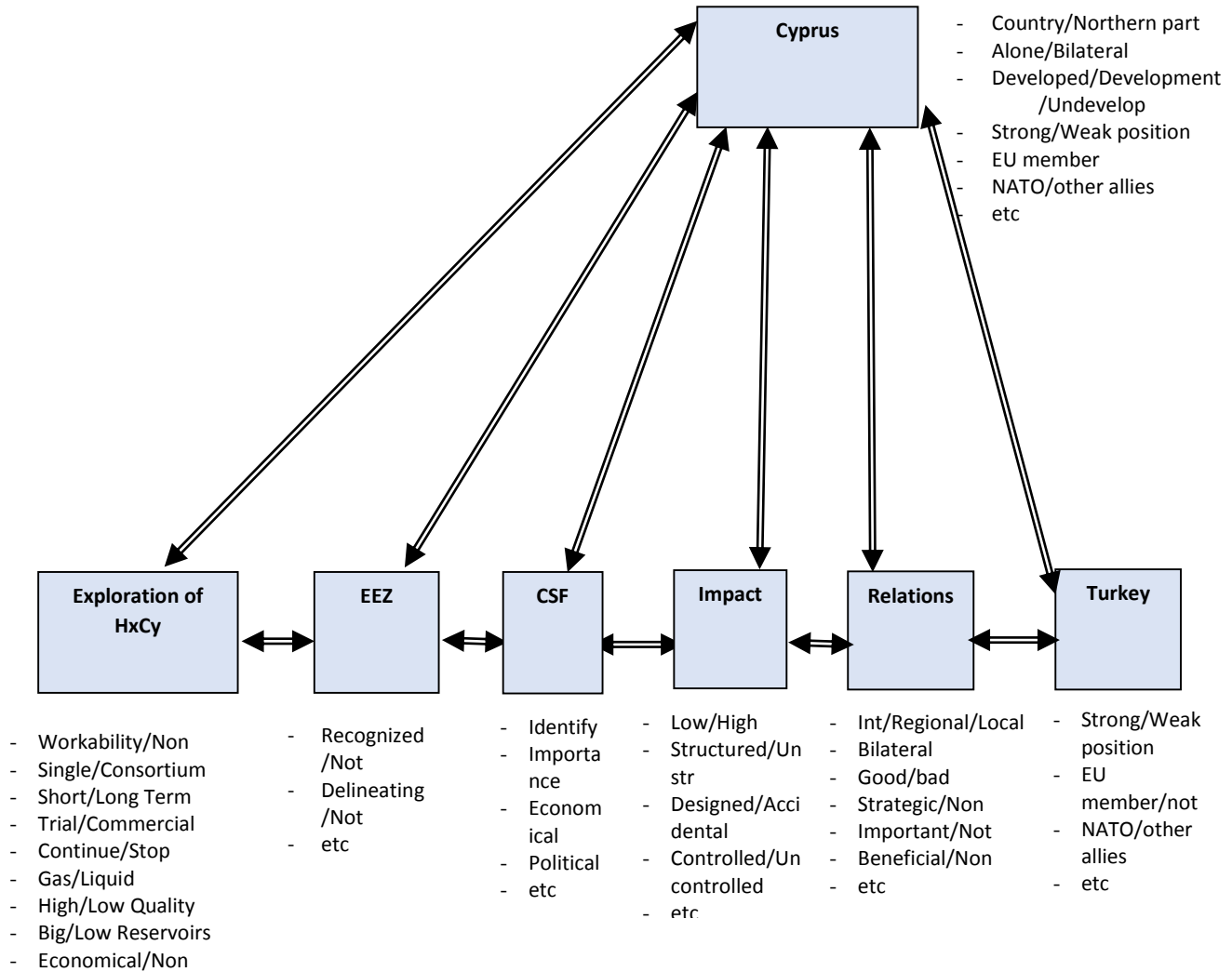
(based on: Chadwick, 2009)

The current study is mainly oriented to Cyprus and the analysis is based around this axis. In the above chart, the areas which are considered to be of interest for this study are highlighted with a different color; these are the areas that will be chosen for further analysis and be researched.

It is necessary that an investigation of each of the above items-terms will follow, in order to have an overall view of all of them and also to understand any possible correlation that might exist between them and then to focus on them. Thus, a conceptual framework for this study can be designed which will help to connect theory with research (Merriam, 2005).

For this reason, the next explanatory scheme 2.6 has been created, in which each term of the subject area is analyzed while possible interrelations are shown, also.

**Scheme 2.6: Analysis of terms vs related parameters**



(based on: Chadwick, 2009)

More specific, for each item-term all possible parameters than can characterize or affect or being affected are given in a very concise way.

Taking into consideration the above analysis, in order to study the relation between the “HydroCarbon Exploration” from Cyprus inside its EEZ and the “impact on its relations with Turkey” the following conceptual framework has been designed, as per the scheme 2.7:

**Scheme 2.7: Conceptual Framework [1]**

		<b>(-) Low</b>	<b>High (+)</b>
<b>H<sub>x</sub>C<sub>y</sub> Exploration</b>	<b>Continue (+)</b>		
	<b>Stop (-)</b>		
		<b>Impact on relations between Cyprus-Turkey</b>	

Such a matrix framework is usually helpful to combine two variables and look for their connection (function) which links them in a loose or tight way (correlating factor). In this case, for the variable of “HydroCarbon Exploration” from Cyprus inside its EEZ it has been seen that a further classification can be considered as “continue” or “stop”. Regarding the other variable “impact on relations between Cyprus-Turkey” the classification refers to “Low(-)” and “High(+)”.

## **2.4 The Research Question**

Further to the previous analysis, it is now necessary to address the Research Question and then to search for the useful data and information to answer it. As per Haverland (2010), the Research Question is considered *very crucial* even though *the least addressed part of the research process*.

In the current case, the Research Question can be defined as below:

Identify the Critical Success Factors (CSFs) that would affect positively the Cyprus-Turkey relations in the case of Hydrocarbon Exploration in Cyprus’ Exclusive Economic Zone (EEZ).

Other sub-questions related to the main one, which need to be answered and would be helpful to have them examined, can be described as following:

- Prioritization of the CSFs, which will be identified, in terms of importance and influence.
- Verification of the correlation between the two parameters: [HydroCarbon Exploration from Cyprus inside its EEZ] and [the relations between Cyprus and Turkey].
- Investigation of any relation-positive or negative- between these two basic variables.
- Determination of whether political or economic/financial factors should be taken into consideration for the choice of several options available for the implementation of any projects in Cyprus' EEZ and/or any exports from its territory.

## **2.5 Research Framework**

A research is usually necessary to help to deal with a “problem” which is also defined as “anything that perplexes and challenges the mind so that it makes belief uncertain” (Dewey, 1933, 13). So, at the end you have to “translate the general curiosity into a problem that can be addressed through research” (Merriam, 2005, 59).

According to Weiss (1995, 180), “qualitative interviewing it is important in a number of fields including social sciences”. In the literature is mentioned that “case study is not a methodological choice but a choice of what is to be studied” and “as a form of research case study is defined by interest in an individual case, not by methods of inquiry used” (Stake, 2005, 443). The case is a “bounded system” in which “phenomena are given and cases are opportunities to study the phenomena” (Stake, 2005, 451).

The form of research that will be implemented in this case is the qualitative research. “Interpretive research which is where qualitative research is most often located, assumes that reality is socially constructed” (Merriam, 2009, 8). This means that the researcher do not see the same reality, but they observe and then take actions. According to Creswell (2007, 20)

researchers do not find knowledge, they construct it, they “develop subjective meanings of their experiences”.

Some basic characteristics of the qualitative research are as following (Merriam, 2009, 14-16):

- It is important to understand the phenomenon of interest from the participants’ perspectives.
- The focus is on meaning and understanding.
- The researcher is considered the foremost instrument for data collection and analysis.
- The process of the qualitative research is inductive which means that the researcher collects data to construct concepts, hypothesis or a theory.
- The final product of the qualitative research is “richly descriptive”.

Qualitative research is a “situated activity that locates the observer in the world” (Denzin and Lincoln, 2005, 3). In order to discover which factors differentiate dropouts, then one need to interview the involved people and review related documents to the examined subject (Merriam, 2009).

According to Van Maanen (1979, 520),

Qualitative research is an umbrella term covering an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.

The selection of the sample in a qualitative research is normally not a random one. It is usually purposeful and small (Merriam, 2009). For this reason, in this particular research it was designed that the sampling would be a purposeful and most particular it will be according to the snowball effect which is a is a non-probability sampling technique. This means that the sample group appears to grow like a rolling snowball where one interviewee recommends another one and thus you continue with the interviews.

Regarding the size of the sample, since the sampling is purposeful then “the size is determined by informational considerations” and if the purpose is to maximize info, then “the sampling is terminated when no new info is forthcoming” (Lincoln and Guba, 1985, 202).

According to Stathakopoulos (1997, 63), secondary data are characterized those data that had been selected in the past for other purposes and not to solve this particular problem which is analyzed herein.

Interviewing is usually one of the best “primary data collection strategies in qualitative studies”. Collecting proper and good data in an interview is “dependent on your asking well - chosen open ended questions” (Merriam, 2009, 17).

# **CHAPTER 3**

## **EMPIRICAL RESEARCH**

### **3.1 General**

In this chapter, the data and results of the primary research which took place are presented and analyzed. Then, the stakeholders' analysis is following in which the main actors involved in the examined study are included and a short description is given. Finally, the most basic findings of the research are outlined at the end of this chapter.

### **3.2 Data Analysis**

#### **3.2.1 Collection**

According to Merriam (2005, 267), most qualitative researches “employ semi structured interviews”; or else, a section of the interview might be “quite unstructured and informal”.

The criteria used for the selection of the candidates for the interview can be summarized as following:

- Direct connection with subjects such as energy, exploration, diplomacy, academia, government positions.
- Nationality of one of the stakeholders examined (Cyprus, Greece, Turkey, Israel, US, Russia).
- Having an academic degree, post-graduate studies in the field of energy, engineering, international relations, public affairs.
- Members of institutions related to the energy issues.

Based on the previous analysis, the identity of the research which took place is presented as following:

- Research: Qualitative.
- Type/Method: Interview (one - to – one and electronic).
- Type of Interview: Semi structured.
- Sampling: Purposeful sampling and most particular snowball effect.
- Size of sample: As mentioned above in section 2.5; the sampling is terminated when no new info is forthcoming.
- Selection criteria: relevant to the field, highly educated (academic degree and over), ethnicity of Cypriot, Greek, Turkish, other.
- Period: beginning of May – end of July 2015 (3 months).

Based on the above, an initial template of the research had been prepared with axis of discussion. In order to “test” it and “validate”, two pilot interviews took place and few corrections happened related to the wording used in the text. The final template as it was used for the qualitative research is presented in the Appendix B.

All interviewees had to deal with the same set of questions, in the same order of sequence in the same manner. The type of interview is the semi structured one with open questions that allow the responders to structure their reply and have the freedom to suggest new terms, meaning and methods.

The interviews took place mainly in two ways:

- One to one with personal meetings which had been prearranged with the interviewees at a place and time convenient for both parties. For this reason, the interviewees had been approached well in advance either through e-mail or telephone contact by which they were informed about the topic under research and the request to them to participate in the qualitative research for this purpose.
- Using the recent “technologies available” (Fontana and Frey, 2005, 721). Due to the fact that some of the interviewees were located abroad, it was necessary to take advantage of the technology and particular the internet. Thus, they had been



requested to answer to the questions and axis of discussion of the template, which was the same that was used in the one – to – one interviews.

Apart from the interview approach, information and data have been also collected from documents, which is a term widely used to refer to “printed and other materials relevant to a study”, including public records, personal documents, publications, papers, etc. (Merriam, 2009, 86). All of them were searched and found either on-line or at places like libraries.

### **3.2.2 Analysis**

The answers and data that were collected during the interviews have been transferred to a new word document since it would be helpful to have them all together under the same file in order to analyze and organized them properly and efficiently.

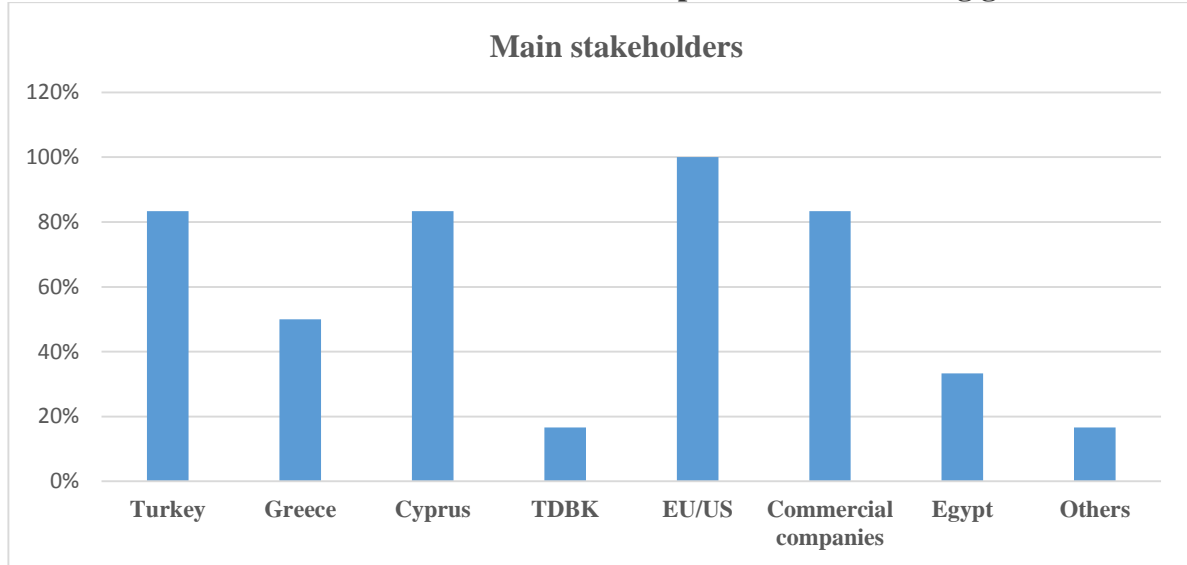
Interviewees were asked to name the main stakeholders involved and affecting the exploration of gas fields in the Eastern Mediterranean and subsequently to deal with the gas quantities discovered in the field.

The results are presented in the following chart as per scheme 3.1, in which EU and US are considered as the most influenced actors in such cases, since they have been mentioned by almost all the interviewees.

Following, Cyprus and Turkey are those countries that are supposed to affect more Cyprus in its actions related to the HxCy exploration and furthermore in finding choices on how to export any quantities from its territory in the near future.

At the same time, commercial companies like those participating in the license part, exploration activities, etc. are also considered that they play an important role in the final plan. Finally, other players mentioned during the interviews are countries like Israel, Greece, Egypt and the Northern part of Cyprus.

**Scheme 3.1: Main Stakeholders involved in the exploration and trading gas in East Med**



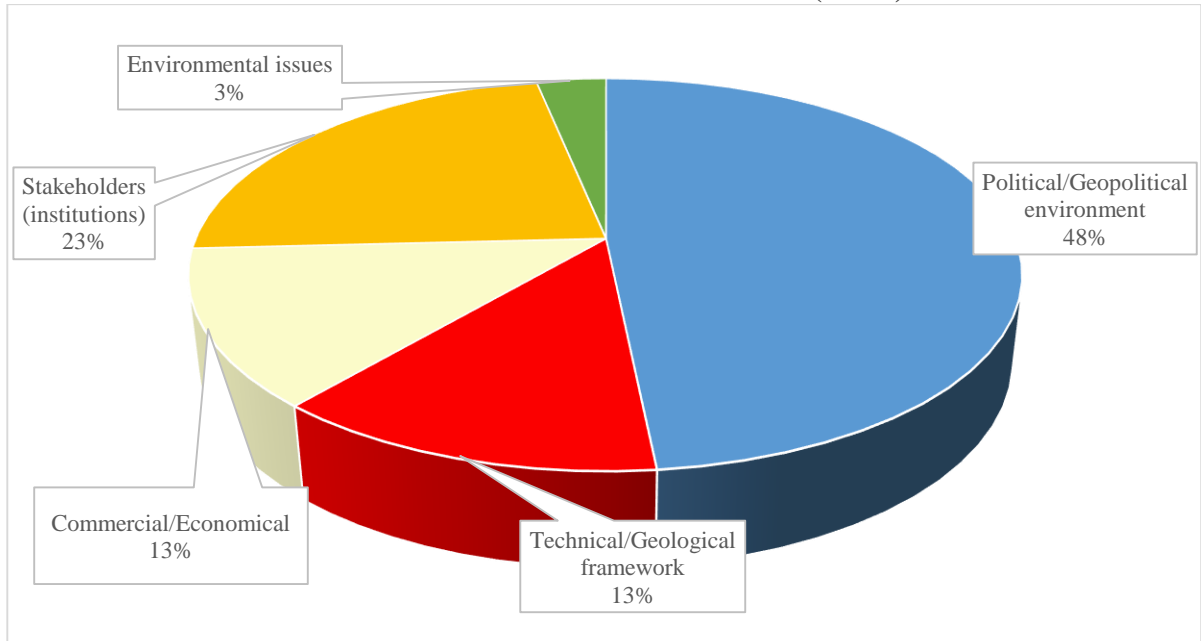
(Source: Author, 2015).

Another axis of discussion during the qualitative research was related to the Critical Success Factors (CSFs) that affect positively the Cyprus-Turkey relations in the examined case. The interviewees were requested to name these CSF and then to rank them in a priority list or scale of importance as per their own consideration.

The results showed that most of the responds are related to the political/geopolitical environment as the most important success factor. Considering the complex environment that Cyprus is located at Eastern Mediterranean does not create much surprise, while at the same time pinpoints the need to continue any efforts towards to the peaceful settlement of regional conflicts and tensions in that region.

Furthermore, stakeholders as institutions like EU and UN are believed to be important factors that can affect the progress and success of the projects and any exports in the region. Technical and geological issues, like the depth of the sea, the morphology of the surface, whether onshore or offshore facilities are all considered by the responders as critical parameters for the preparation, design and evaluation of projects in the gas fields in the Eastern Mediterranean region as per the survey took place during the period May-July 2015.

**Scheme 3.2: Critical Success Factors (CSFs)**



(Source: Author, 2015).

Another question that posed to the interviewees during that survey was to suggest whether political or economic/financial factors should be taken into consideration for the choice of several options in gas exports from the country. Based on their feedback, some of answers that were given are as following:

- “Combination of economic and security reasons”; this was the answer that had given more than the others.
- “Combination of ROI and Risk”; which is close to the above answer.
- “It is a political decision, since economics change (please refer to the prices that they have been recently changed)”.
- “Geopolitical reasons”.
- “For sure, it has to be an economic solution”.
- “Export destinations become options after taking into account both political and economic factors”.

Regarding the possible options the Cyprus to export gas, in the following table are presented several answers from the responders during the survey:

**Table 3.1: Answers from interviewees regarding better options for Cyprus to export gas**

Answer 1	Answer 2	Answer 3	Answer 4	Answer 5	Answer 6
Pipeline to Jordan	From netback view: Egypt could give the best ROI/netback. However, there is a risk since climate is not the best. It looks the most reasonable option but not sure if it can be finally done.	LNG is not recommended due to small qties.	The LNG looks problematic. There is a need for infrastructure.	LNG at Vasilikos: it adds power to Cyprus (having the infrastructure at your own land). There is space available at Cyprus.	The ideal would be that CY-TR-ISR to cooperate closely.
Pipeline to the Palestinian Administration in the West Bank.	From the risk view: the LNG looks preferable, which is not possible to be done (taking into consideration existing amount of gas).	CY-Greece pipeline: Does US support it, since it could compete and replace Russian gas?	Alternative ways for development needed and the needs for infrastructure that make sense to export the NG.	Pipeline to Cyprus due to the distance and geopolitical reasons.	LNG or pipeline is a function of qties (need to be high).
Pipeline to the Gaza Strip.	If qties 3 tcf or more, then LNG. Thus, taking into consideration existing amount of gas it does not look a choice (and additionally Noble does not have any experience with LNG).	Exports to Egypt: yes (+) while Exports to Turkey: neutral (-).	Pipes and LNG are f(qty, market prices).  Export to Greece is not recommended because it would have serious technical problems (deep sea, seismic region, distance, etc) and thus a huge cost	If you want to add value to Turkey, then you decide to pass the pipeline through it. Thus, the question is whether it can go to Greece.	Israel-Cyprus-Greece electricity interconnector is a political issue.
Pipeline to Turkey.	Pipeline to Greece: no way. Huge cost, big risk.  Turkey: it could be an option (in theory) but Turkey would increase its power in the region.	Exports to Palestine is not recommended for Israel.	Export to Egypt: yes, because of existing unutilized infrastructure and Egypt is looking for NG to support its growth plans. It is feasible. Sisi needs supporters/allies.	Depends on negotiations for the solution of the Cyprus problem	

While energy supply is important for the economic growth of a country, there is a correlation between energy use and GNP. Since GNP is not the only factor “of level of civilization or quality of life in a country”, it is necessary “when planning for energy needs of a nation to consider alternative socioeconomic models, with emphasis on the socioeconomics and not only the economics” (Sonnino, 1977, 142).

Cyprus energy policy should provide to potential investors a stable and clear regulatory environment that could attract and keep them in the country and thus strengthen country’s geopolitical position in the region. It has been found that foreign companies, either as direct investors or through cooperative schemes with local players are considered as one of the critical success factors that affect the relation between Cyprus and Turkey.

A contributor to the formulation of a state’s policy is also the research since it “produces knowledge” and the utilization of this knowledge to generate policy does not happen the same way in every country (Khodr and Hasbani, 2013, 640). Thus, the findings of the research which took place need to be considered under the concept of Cyprus’ differences and specifics regarding the way that new ideas and decisions are adopted.

There have been several cases in which the decision to start and build a project related to the energy (i.e. pipeline Baku-Tbilisi-Ceyhan, BTC) was taken based on political and geopolitical parameters and reasons and not economical-financial ones, since the later did not support the continuation of the project (Nourzhanov, 2006).

As per Himonas (2015), Permanent Secretary of the Ministry of Energy, Commerce, Industry and Tourism, if a solution is not found in the Cyprus problem then it is impossible to see any cooperation with Turkey. Regarding export options for Cyprus, he mentioned that apart from the local market it can be also said that “the preferred monetization option is regional pipelines” and that Egypt “has been identified as the main export target for the project, together with the Cyprus domestic market”.

Furthermore, George Zodiates (2015), Director of Energy and Marine Policy Division, Ministry of Foreign Affairs, Cyprus mentioned that “Cyprus needs to continue trying to convenience Turkey on the advantages it stands to gain from adopting a policy based on international law and

from contributing to the settlement of the Cyprus problem; a settlement that could allow the Turkish Cypriots to share the benefits of Cyprus' natural resources and wealth.

Finally, it would be helpful to mention the basic bias and assumptions related to the qualitative research that took place. Thus, the most important ones can be summarized as following:

- The interviewees are considered experts in their field (academic, professional, social, governmental) and thus they add value to the procedure and the expected aim of the research; to fulfill the research targets.
- The interviewees say the truth when they respond to the axis of discussion. According to Weiss (1995, 125-126) “people will not endanger themselves to contribute to social research” so they may tell part of the truth but the whole truth to the interviewer.
- There is an ongoing belief among critical researchers – mostly those who are related to the postmodern and post structuralism – that “individual’s view of themselves and the world were even more influenced by social and historical forces than previously believed” (Kincheloe and McLaren, 2005, 304). As per Fontana and Frey (2005, 696),”interviewee is a person, historically and contextually located” who is “carrying unavoidable conscious and unconscious motives, desires, feelings and biases”.
- While a convenience sample has been used, it is necessary that the designer of the research ensures that it contains adequate range on critically important dimensions (Weiss, 1995, 182).
- In all interviews that took place, the interviewer tried to be neutral without encouraging the responders “to provide material supportive to our thesis” (Weiss, 1995, 182).

### **3.2.3 The main actors**

In the following sections, the main stakeholders being active in the Eastern Mediterranean area are described in a critical way and in relation to the energy issues in the region.

### 3.2.3.1 Cyprus

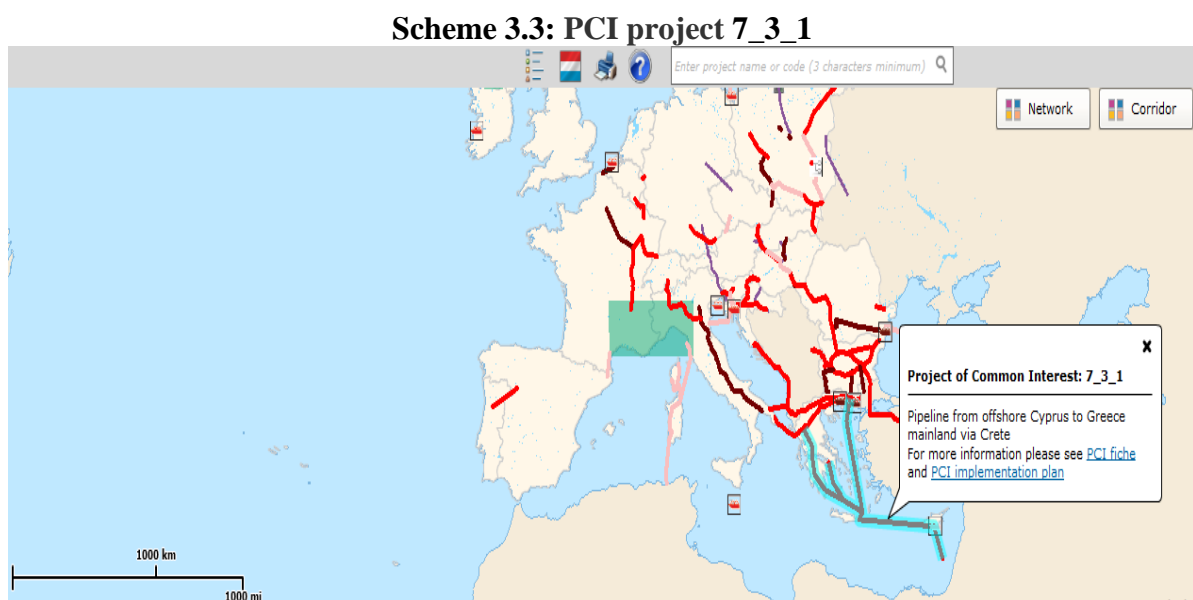
The well-known long standing problem with the Northern part of the island still remains unsolved between the country and Turkey and it is the Cypriot problem that dominates the relations of the two countries for the last 40 years.

The recent economic problems after the global financial crisis weakened country's ability and brought up additional problem for the state to deal and overcome.

Cyprus's EU membership helps the country a lot in order to be able to raise issues and claim for its rights through European institutions and organizations.

At the same time, regional conflicts in Mediterranean and Middle East upgrade its geostrategic importance, but also reminding to other stakeholders (i.e. Turkey) how important is for a power to be physically present on the island. Thus, it encourages the concerned stakeholder to sustain its forces on the island and prolong its presence more.

Recent HxCy reserves in the sea bring energy as an additional asset for Cyprus to deal in the global scene, but also attract the interest of the others to negotiate with. As per the EU's Projects of Common Interest (PCI), one of the important project which is related to Cyprus is also the project 7.3.1 which is currently known as Eastern Mediterranean Pipeline.



(source: [www.ec.europa.eu](http://www.ec.europa.eu), 2015).

This project is one of the PCIs included in the cluster of gas infrastructures and associated equipment for the transportation of new sources of gas from offshore fields in the East Mediterranean. The project is a part of the Priority Corridor Southern Gas Corridor (SGC) and it concerns the Pipeline from offshore Cyprus to Greece mainland via island Crete (EC, 2015).

### **3.2.3.2 Companies**

It is important to mention the role of international companies being present in the energy sector and more specific the oil and gas exploration. It is well understood that the lobbying and contribution of those participant companies seriously affects the strategy chosen and the final progress.

Regarding this case, three blocks in the Cyprus's EEZ were given to ENI-Korean Gas Joint Venture (JV) and two blocks to Total. This means that EU was now participating and it was considered as a big geopolitical presence. TK would had to think twice now before decides to act against the interests of these companies.

Regarding Russian companies, it is Gazprom's strategy "to diversify its supply routes to the European market and to undertake various exploitation projects, thus enhancing its role as a major energy sector". However, few efforts of the Russian giant to participate in Cyprus's new explorations did not finally succeeded.

### **3.2.3.3 Egypt**

The improved Turkish-Egyptian relations came to a sudden halt upon the unexpected, yet popular, ouster of Morsi by the Supreme Council of Armed Forces "SCAF" on July 3, 2013. Erdogan then characterized Morsi's overthrow as an interruption to the democratic transition and mentioned that the Turkish government "cannot accept a regime that has undertaken a military coup". The months after Morsi's removal marked an historic deterioration of bilateral ties (Sheira, 2014).



One major issue for Cyprus (and Greece) to seriously consider is the fact that the ally between Israel-Egypt-Turkey looks to be no longer the same. Based on the Cairo Declaration that recently signed between Greece, Cyprus and Egypt, it is clearly mentioned the *importance of the respect of the sovereign rights of the Republic of Cyprus in its EEZ* and Turkey is being asked to *terminate all seismic exploration within the maritime zones of Cyprus and to avoid similar activities in the future* (www.kathimerini.com).

The Arab Gas Pipeline (AGP) runs from El –Arish in Egypt through Jordan and into Syria and from there it has a spur to Lebanon; further thoughts are that the pipeline to finally connect with Turkey, but the unstable environment in Syria does not support such an option in the next coming years. In the following scheme 3.4, the AGP is shown between Egypt and Israel.

**Scheme 3.4: AGP between Egypt and Israel**



(source: www.pipesinternational.com, 2010).

The latest turmoil that occurred in Egypt brought some kind of instability and thus further reduced flows. Furthermore, there is another export pipeline from Egypt to Israel which states from El-Arish to Ashkelon but the available quantities have been recurrent over the last few years (EIA, 2013).

### 3.2.3.4 EU

Kaveshnikov (2010, 585) mentions that many researchers consider the energy security of the EU “as a Common Foreign and Security Policy (CFSP) question” (Mauring and Schaer 2006, Triantaphyllou 2007). The policy of the EU is targeting to minimize its dependency “to irregularities in energy supplies due to the growing dependence on energy imports from or via politically unstable regions” (Kaveshnikov, 2010, 586).

According to the Article 102 TFEU, it is prohibited the abuse of a dominant position which may affect trade between Member States. The implementation of this provision is defined in the Antitrust Regulation (Council Regulation No 1/2003), which can be applied by the Commission and by the national competition authorities of EU Member States (EU Commission, 2014).

As per EU Commissioner in charge of competition policy Margrethe Vestager (2015):

*Gas is an essential commodity in our daily life: it heats our homes, we use it for cooking and to produce electricity. Maintaining fair competition in European gas markets is therefore of utmost importance. All companies that operate in the European market – no matter if they are European or not – have to play by our EU rules.*

EU’s polycentric system of governance is not supporting to “swift and bold power projection abroad”, having a type of territorial control which is rule bidding through the extension of “acquis communautaire”, dealing with neighbors that they are aspiring to become EU member states, like Turkey (Zielonka, 2011). EU is not acting as a coordinated actor, but most of the times the member states act for themselves in order to support their own national policies and interests either directly or including actions through the EU’s mechanisms and institutions.

The EU perspective was finally a pretense for the Islamic government of Turkey in order to strengthen its political position inside the country and also to clean up political pending issues mainly with the military elite of the country. The EU perspective is not on the top of the priority list of Turkish’s Foreign Policy while it was not never a real political, economic and social priority. Due to the failure of Turkey’s zero problem strategy that Davutoglu designed last years,

there are not many left both in Washington and Brussels that they consider Turkey as a model country (Giannakopoulos, 2014).

Together with the Israeli reserves, an energy strategist shaft consisting of Israel-Greece-Cyprus is more than twice the global energy consumption of gas, measured in trillions of cubic meters (tcm). Today the EU imports around 83% of its oil needs and 57% of its gas, regarded as the world's largest importer of HydroCarbons (Mazis, 2012).

The EU can provide “a transparent and predictable regulatory environment” for a foreign investor in Cyprus while United States could assist in reducing any political risk which exists and countries like Israel and Cyprus are much concerned, as already mentioned in this study (Henderson, 2013, 17-18).

### **3.2.3.5 Greece**

Several changes are taken place in the regional energy map during last years; they are also intensified by Greece’s actions to become a member of such a map mainly through two ways: research and exploitation of possible deposits in sea and land territories of the country and also close cooperation in the energy sector with other countries in the region and mainly with Cyprus, Israel and Egypt. Based on such a perspective, Greece is seeking at the same time to finalize the delineating of its EEZ with its neighbor countries: Egypt, Italy, Albania (Giannakopoulos, 2014).

It is important to note that the Imia conflict during the decade of 1990 between Greece and Turkey are considered as Turkey’s success, since Greece was forced to bring down the Greek flag in an island which is of its absolute sovereignty (Giallouridis and Laggidis, 2010). The main point for a country to become a regional power is not its hegemonic character, which means other countries’ agreement to power this force. On the contrary, such a power needs to ensure that other countries take serious account of the clearly expressed or indirectly messages (Kut, 2002). Turkey's threats to use military force to neutralize Cypriot missiles S-300 in the event that Cyprus would install the system finally resulted in the cancelation of the whole effort. The threats from Turkey to act revealed the unequivocal consequence and belief in its followed policy (Lesser, 2002).

Greece is seen to be following an unstable, accidental energy policy which looks that is being affected by any new government in place – as almost every political aspect in the country. The country has been swinging between US’s and Russia’s amicable projects without a continuation in the long-term.

Several gas projects which were of Greece’s strong interest have been canceled and they are not going to happen; i.e. South Stream. The country has been included in the design of the TAP (Trans Adriatic Pipeline) which will bring gas from the area of Azerbaitzan to Europe (see below scheme 11). The TAP will start from Kipoi at the borders of Turkey and Greece and it will be connected with the Trans Anatolian Pipeline (TANAP) (see below at section 3.3.3.8 for Turkey).

**Scheme 3.5: TAP project**



(source: [www.tap-ag.com](http://www.tap-ag.com), 2015).

The European Commission, Parliament and Council have given TAP Project of Common Interest (PCI) status under the new guidelines for Trans-European energy infrastructure (TEN-E).

TAP has been selected as a PCI for its role in opening up the Southern Gas Corridor, one of 12 so-called energy corridors identified by the EU as priorities for the achievement of European energy policy objectives.

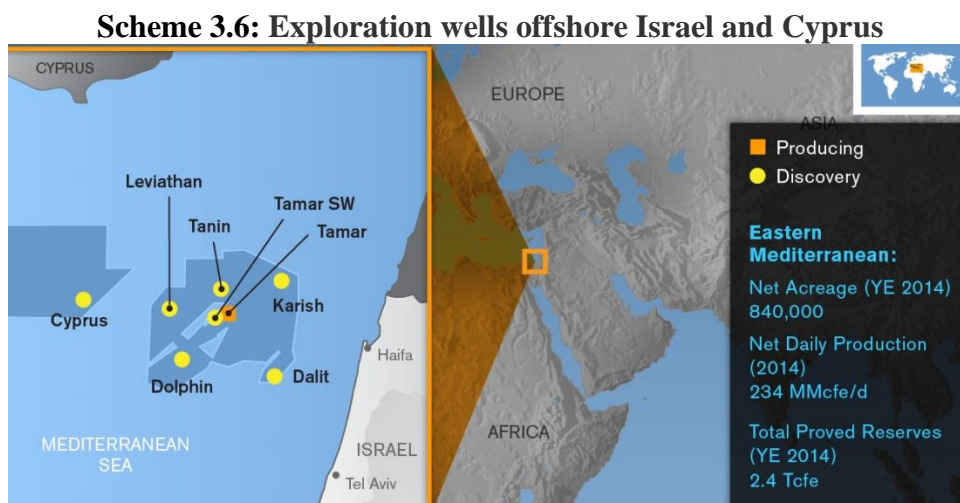
### 3.2.3.6 Israel

The relations between Turkey and Israel are characterized by timelessness which is found back to the decade of 1950 and it is based on consistency and identification of their vital interests.

Israeli diplomacy invested immense effort in promoting ties Turkey but finally Turkey showed little interest in any strategic relationship with Israel. The developments of the 1990s contributed to the Israeli-Turkish relations to be transformed. The strategic partnership between Turkey and Israel has been not a classic balance of power play since both countries are jointly stronger militarily than any regional alliance. It is rather a relationship between two "status quo powers" (Bir and Sherman, 2002).

The game-changer was a significant discovery in October 2010 of a big natural gas field offshore of Israel in Levantine Basin where Israel discovered an enormous gas field in what it declares is its Exclusive Economic Zone (EEZ). The Tamar natural gas field off the coast of northern Israel is expected to begin yielding gas for Israel's use.

The Tamar has been proved with gross mean resources of 10 trillion cubic feet (tcf), while the Leviathan represents the largest exploration success in Noble Energy's history, with gross mean resources of 22 tcf of natural gas. Commercial sales from Tamar already started in March 2013 (Noble Energy, 2015).



(source: Noble Energy, 2015).

Apart from the currently known gas quantities, it is also believed that there are more undiscovered gas reserves in the Israeli territory and that the Leviathan's base is much larger than we know today. According to a US Geological Survey in 2010, it is estimated that gas reserves in the Leviathan's base of around 1.77 tcm are yet to be discovered. It is seen that Israel is becoming energy independent having enough to cover its own local needs for the next twenty years and then to consider commercial cooperation with other neighborhood countries to export gas (Source: Darbouche, El-Katiri, Fattouh, 2012).

It is said that the state of Israel have not supported so much foreign investors including the gas sector, since aside from sell licenses, the politicians did nothing to develop the gas fields and they have not incurred any economic risks. While at the same time, Israel had appointed the Sheshinski Committee which was tasked with recommending ways to breach the government's contracts with the energy companies in order to confiscate a far larger share of their future profits.

The Sheshinski Committee, and the 2011 law regarding windfall energy profits broadcasted on the basis of its recommendations, taxed energy profits at a rate of between 52% - 62% rather than the 27% corporate rate. The negative effect for the investors was that the increased taxes were applied retroactively to the license holders.

There is a strong opposition from the Israel's security services to "the location of export facilities outside Israeli territory" since they prefer the infrastructure to be "firmly placed under Israeli sovereignty" and raising objections to the option of "joint liquefaction with Cyprus on security/military ground" (Darbouche, El-Katiri, Fattouh, 2012, 26-27).

It is necessary to refer to several obstacles when considering the gas export options from Israel to the markets. The main of these are summarized as following (Shaffer, 2011):

- There are still gaps in Israel's energy policy regarding exports of NG.
- There is currently an oversupply in the NG and LNG markets.
- EU is considering several options to lower costly projects.
- European market seems to prefer to avoid transit states.

- Both Greece and Turkey do not have the proper infrastructure to accept additional quantities of NG at the moment.
- Europe's NG infrastructure is not interconnected properly to assist Israel to expand in many markets.

Finally, the problematic relations between Israel and Arab countries need always to be taken into consideration since this is strongly affecting the full participation of the constructors and global players to cooperate with Israel since they do not want to harm their business relation with the Arab world doing business in the Middle East region.

Considering the several opportunities for Israel in the Eastern Mediterranean region, private sector could take advantage for "trade and enhanced cooperation". However, "politics have so far trumped them" and "energy cooperation has been hindered by severe political difficulties of varying degrees" among the neighbor countries in that region (Sachs and Boersma, 2015).

### **3.2.3.7 Russia**

It is known that "the Kremlin's interests in the Eastern Mediterranean are deeply tied to the Middle East and Russia's national interests". Russia and the EU are very closely "linked in terms of the energy sector" (Delanoë, 2013, 84).

Policy differences between EU and Russia "are based not just on interests and material capabilities, but also on varying understandings of energy, its role in society and how it should be governed". Furthermore, "Russia's new approach to energy governance as different to the EU understates the degree of ideological contestation within and between EU institutions" (Kuzemco, 2014, 59).

There is a serious interest of Russia regarding the Turkish energy market and any alternative solutions about transfer of the natural gas through Turkey. Especially after its blockage from the embargo and the cancelation of the South Stream (transfer of Russian Natural Gas through Turkey and Bulgaria to Europe) Russia would be very interested to reach politically with Turkey something that would bring unpredictable energy alliances in the region (Houliara, 2014).

Russia is considered one of the dominant energy powers in the region since it has been playing a significant role in providing gas to Europe for the last years. At the same time, Russia's strong interest does not allow Turkey to gain a major role as an energy hub; but whenever is needed both countries cooperate together in order to design and implement the proper strategy that will serve their aims (Marketos, 2013, 89).

Russia's interest in Mediterranean affairs and particularly on the island of Cyprus was always active and it has been recently increased by "making Cyprus a new Russian foothold in the Eastern Mediterranean". The military presence of the Russian Navy and at the same time long lasting relations in the economic field can show Russia's active involvement in the region.

Thus, Russia had expressed its real interest in participating in the explorations of the Aphrodite gas field and the one in Block 9. However, both projects were not finally in favor of Russia (Delanoe, 2013, 87-88):

- "Development rights of Block 12 have been granted to a consortium led by the U.S. Company Noble".
- Russian focused on negotiations over the development of Block 9 between a consortium led by the French company Total and the Russian Novatek and GPB Global Resources, the latter belonging to Gazprom, collapsed in December 2012 after the Cypriot authorities were denied their request to upgrade the French-Russian offer.

### **3.2.3.8 Turkey**

Turkey is showing today – as also in the past- in its foreign policy and security policy the Syndrome of the Sovereign, which is linked with the visible and announced effort to develop its influence- political, cultural, and economic, security to all the open – and also prone to the Turkish pursuits- geographical area (Giallouridis and Laggidis, 2010).

The Trans-Anatolian Natural Gas Pipeline (TANAP), is a natural gas pipeline from Azerbaijan through Georgia and Turkey to Europe. It will be a central part of the Southern Gas Corridor, which will connect the giant Shah Deniz gas field in Azerbaijan to Europe through the South Caucasus Pipeline (SCP), TANAP and the TAP. This project is of strategic importance for both



Azerbaijan and Turkey. It will allow first Azerbaijani gas exports to Europe, beyond Turkey. It will also strengthen the role of Turkey as a regional energy hub. Construction of the pipeline began formally in March 2015 and is expected to be completed in 2018. From there, TAP will continue onshore, crossing the entire territory of Northern Greece, its longest stretch, then onwards east to west through Albania to the Adriatic coast (see next scheme 3.7):

**Scheme 3.7: TANAP project**



(source: [www.tap-ag.com](http://www.tap-ag.com), 2015).

Some of the basic parameters that characterize the country can be summarized as following:

- Internal problems related to the democratization progress.
- Power game against the secular elite of the country (Kemalists).
- Assession to the EU and obligations to be fulfilled. Turkey’s interests look not to be in line with those of EU while at the same time the country considers itself as more powerful than in the past and thus it does not see reasons to compromise or to abide by international rules and laws. On the contrary, Turkey many times try to produce law and thus to place new rules in the regional affairs (Filis, 2014).

- Turkey may have problems as a candidate for membership at the EU since it is acting in opposition to EU's efforts to put pressure on Moscow through economic sanctions and reduce Europe's dependence on Russia's natural gas (Pravda, 2014).
- Kurdish minority in combination with new conflicts at its Southern borders with Syria.
- Arab Spring and Turkey's failure of applying Davutoglu's "zero problem" dogma with its neighbor countries.
- Islamic State issue and international pressure on Turkey from its allies to be actively involved against ISIS.
- Migration flow from Syria seriously affects the country and its economy/demographics.

Turkey continues to play successfully the card of its geopolitical location by exacting and getting gradually from its western allies all those concessions that they finally reinforce their role as a regulator in the wider region. It would not be an exaggeration if Turkey's treatment by powerful western countries is characterized as appeasement policy with all the known negative connotations.

The ability of Turkish foreign policy to design long-term and to follow its strategic targets with stability makes the country capable to claim the role of a regional superpower in the greater area. *The "new role" of Turkey constitutes the most important advantage, which is exchangeable in many levels against the West, independently whether this advantage of the Turkish foreign policy constitutes a potentially nugatory expectation* (Giallouridis and Laggidis, 2010).

The deafening silence of the US during Oct.14, while the intensity continues in the Cypriot EEZ, reflecting the reluctance of the Obama administration to collide with the anchor, while the latter is a reluctant hand, but for the time necessary partner in the fight against ISIS, the leading US strategic objective. Washington has consistently bring home and reiterates that it recognizes the right of the Cyprus Republic to conduct surveys for gas and oil in the EEZ, but does not go in sharing responsibility for the intensity observed. The representative of the State Department on several occasions declined to criticize Ankara limited to a vague appeal to avoid actions which could increase tension in the region. He noted that "the US continues to believe that deposits of oil and gas on the island as all resources should be shared fairly (equitably) between the two

communities in the context of a comprehensive settlement." The choice of the word "fairly" is not random, but an elaboration competent official, according to which any gains arise should be shared according to the percentage of the population. In any case, on this occasion, the American approach is directly influenced by the need for more efficient management of the threat of Islamic State overshadowing 'other issues' (Athanasopoulos, 2014).

It is also said that Turkey is not considered so much useful to US whenever US is located in a broad confrontation with the radical political Islam (Nahmani, 2003). Turkey is seen trying to implement its neo-Ottoman doctrine and for this reason deterministically behaves in a revisionist manner in the Mediterranean. Moreover, Turkey has been trying to ignore the international law and the Treaty of UNLOS II, Montego Bay 1982, (which it has not voted for its ratification). However, the new doctrine of Turkey is finally considered not so much strong while at the same time Cyprus demonstrated "an appropriate policy on the issue of HxCy"; the results has put Turkey against "the regional powers and international poles of power of the active geopolitical supra-system" (Mazis, 2015).

According to Giallouridis and Laggidis (2010, p. 165), there should be continuously and steading pressures by Greece and Europe on Turkey to change its aggressive behavior in Aegean and Cyprus; otherwise such a change will not come from nowhere.

As per the New York Times, Turkey is "the winner in the ongoing standoff between Russia and the European Union" and the country managed to "gain advantage of the conflict and secured long-term energy supplies at discounted prices" (Pravda, 2014).

### **3.2.3.9 USA**

US seems to redirect their interests in other areas (i.e South East Asia) while they will be soon energy self-sufficient due to the shale-gas developments in their country. Thus, Turkey is trying to fill the gap in the region and the most important took for its foreign policy will be the demonstration of power (Inbar, 2014).

The US seem to view current developments for Cyprus and Eastern Mediterranean region under the fact that the situation is very fluid and they could never possible to reprobate directly any

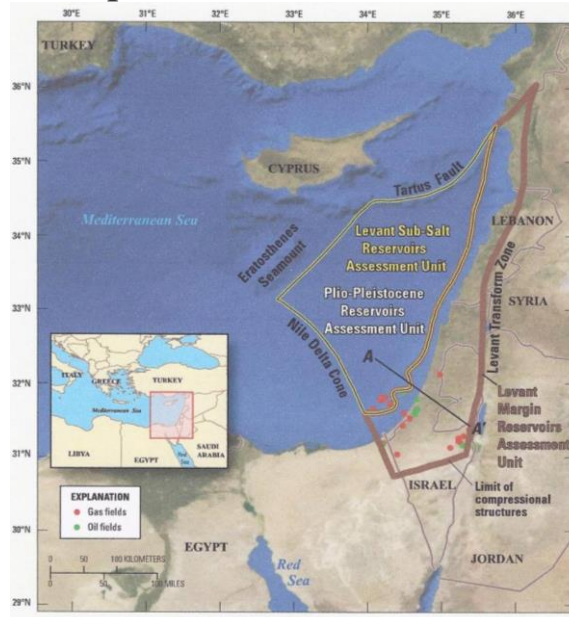
Turkish action- at least since the crisis is not upgraded to a military. US is looking at the “big picture” in Middle East and this can be described with: Iraq-Syria-ISIS (Athanasopoulos, 2014).

The exploitation of the HydroCarbons has brought up a more close cooperation between Cyprus and Israel and between Cyprus and Egypt, while a future pooling of the Cyprus’ deposit “Aphrodite” which abuts with the Israel’s EEZ can be proved important for the protection of Cyprus’ interests (Giannakopoulos, 2014).

### 3.2.3.10 Others

Based on the above analysis, only few countries still need to be mentioned since they are geographically located in the Eastern Mediterranean area. These countries are Lebanon, Syria and the Palestinian Authority which are all geographically located in the Levant zone.

**Scheme 3.8: Exploration wells offshore in Levant zone**



(source: Noble Energy, 2015).

Cyprus started negotiations with Lebanon and they finally concluded into an agreement about the middle line after years. Lebanon and Israel are having a dispute over Israel’s maritime border

with Lebanon; Israel claims that the lines delineated in a Lebanese proposal are significantly further south than those recognized by Israel and determined in previous deals.

Neither country maintains diplomatic relations so the matter would be sent to UN for arbitration. In addition, Lebanon is a signatory to UNCLOS, while Israel is not.

A significant new option of Syria as a major source for Russian-managed gas flows to the EU has emerged. If Syrian regime of Al-Assad finally survives, then Russia is expected to be in the position as savior to play a decisive role in developing and exploiting the Syrian gas (Engdahl, 2012).

Palestinian Authority do not seem to have a real valid involvement due to the well-known bad situation where a humanitarian crisis happens for the last years.

### **3.3 Findings**

It is understood that the international community supports the right of the Republic of Cyprus to explore for oil and gas, but it has also strong expectations that HxCY revenues to be shared in the event of a solution to the Cyprus problem (Faustmann, Gurel, Reichberg, 2012).

However, Ankara sees the maintenance of Turkish military superiority in Cyprus as a vital interest for Turkey. Therefore, Turkish leaders reject any proposal for a solution which would be in favor of complete withdrawal of the Turkish army (Lesser, 2002).

Kaveshnikov (2010, 585), said that “one should remember that energy is business: it is primarily about prices, profits and recoupment of projects”. As per David Koranyi (Snow, 2015) it was not possible “to build a common gas development vision in the Eastern Mediterranean, partly because support for doing so from outside the region has been woefully insufficient”. According to him “US energy diplomacy was hampered by the changing situation in Turkey, and European energy diplomacy wasn’t even there”.

There have been several cases in which the decision to start and build a project related to the energy (i.e. pipeline Baku-Tbilisi-Ceyhan, BTC) was taken based on political and geopolitical

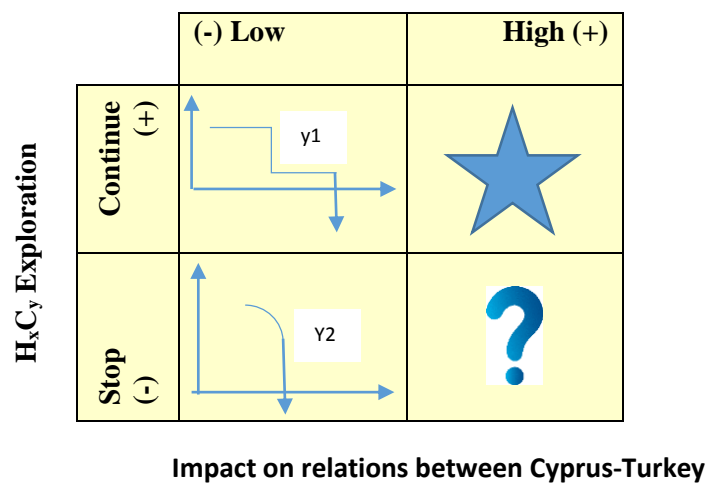
parameters and reasons and not economical-financial ones, since the later did not support the continuation of the project (Nourzhanov, 2006). As per Shaffer (2013, 114) it has been seen an inclination from the state to “use disruption of natural gas supply in order to promote foreign policy goals” which is supporting the idea of political domination when decisions are taken in energy policy of a country.

The best scenario to overcome obstacles is to create “a regional market for this new gas” since “Eastern Mediterranean gas should be used there, with Europe as a secondary market since those countries have other alternatives to Russia they can pursue” (Snow, 2015).

Taking into consideration the previous analysis and based on the literature review -as it was given at the paragraph 2.2, some first results-findings can be presented as following.

As it was mentioned before, the aim of the conceptual framework was simply to contribute and help the investigation of Cyprus’ position versus Turkey in regards to the continuation of the HxCY Exploration from the state inside its EEZ.

**Scheme 3.9: Conceptual Framework [2]**



(based on: Chadwick, 2009)

At this point it is useful to refer to the Research Question again, as it was mentioned in the section 2.4 earlier:

Identify the Critical Success Factors (CSFs) that would affect positively the Cyprus-Turkey relations in the case of Hydrocarbon Exploration in Cyprus' Exclusive Economic Zone (EEZ).

Based on the previous results, the continuation of the HxCY Exploration from Cyprus inside its EEZ finally affects its relations with the neighbor country Turkey and the more intensive efforts are taken towards the exploration of HxCY in Cyprus' EEZ the higher impact on the relations between the two countries. Furthermore, this helps Cyprus to strengthen its position with regard to Turkey and thus it provide a competitive advantage to Cyprus. However, it may worsen Cyprus' position in the region against Turkey since there might be unforeseen actions from the side of Turkey that can lead to tension of their relations. It is possible to mention that a more clearly positive result for Cyprus from the continuation of any exploration activities in its EEZ would definitely benefit if several conditions happened that can be summarized as following:

- Cyprus should have support from its partners in the EU community; otherwise, it would be difficult to survive into the new complex environment globally.
- The country needs to recover from the recession quickly and thus to build self-confidence and get respect from other nations about its capabilities and strengths.
- Cyprus need to decide and have a clear vision about how possible it to have the "Cyprus problem" solved or not, as per its own expectations as have been declared.
- Cyprus (and Greece) should do not underestimate Turkey's intentions and declarations especially nowadays that Turkey is facing many challenges with is neighbors.

Based on the results of the qualitative research the CSFs that would affect positively the Cyprus-Turkey relation in the case of HxCY in Cyprus' EEZ can be summarized in terms of importance as following:

- Most of the responds are related to the political/geopolitical environment as the most important success factor.
- Stakeholders as institutions like EU and UN are believed to be important factors, also.
- Geological issues like the depth of the sea, the morphology of the surface
- Technological issues as whether the facilities are onshore or offshore

- Commercial and economic issues, related to exploration costs, current and future prices in the Oil and Gas markets, incentives and taxation policy from the government, participation of the government into joint venture schemes with private companies, etc.
- Environmental issues related to the exploration of H<sub>x</sub>C<sub>y</sub> and its environmental impact, social reactions, sustainable projects.

Such factors are believed by the responders as critical parameters for the preparation, design and evaluation of projects in the gas fields in the Eastern Mediterranean region.

It is useful to consider few options in a timeline view, so it can help one to understand the possible choices for Cyprus and necessary actions for the state to move on in the future (Darbouche, El-Katiri, Fattouh, 2012, 25-30). For this reason, a short/medium term approach and a long term one had been considered as following:

- Short/Medium term approach: due to the current status of Cyprus' political relations with its neighbor's, the liquefaction seems to be the only feasible option for gas exports for the country. Thus, there can be two subsequent options:
  - a. Develop a joint liquefaction facility with Israel. This would help Cyprus to dispose of enough gas to synergies for its own LNG export projects. In addition, it would be EU's interest since PCIs are already a reality and it also would assist strengthen EU's security through diversification of sources. However, such a choice require huge investments while gas prices have been weakened radically during 2015.
  - b. Participate in a construction scheme to build an export terminal in the Jordanian Free Economic Zone at Aqaba. This would help Jordan to get gas supplies through pipeline and thus serve also local needs.
  - c. Continue efforts to participate into energy schemes, which to a great extent are "partnerships of an economic nature, can ease tensions, freeze or even terminate conflicts of a political nature" (Himonas, 2015). For this, any critical consideration of CSFs is essential to be carried out by the government of Cyprus.



- Long term approach: The regional geopolitical complexity in the Eastern Mediterranean is already affecting the progress in export gas in the area and as soon as regional conflicts are resolved then the pace of development will be increased significantly.

According to Himonas (2015) “bilateral and regional cooperation” especially in the energy sector would be possible to ‘contribute to the creation of a peaceful and stable environment in the Eastern Mediterranean” but “a pre-requisite for such cooperation is the acknowledgement, recognition and respect by all the countries in the region of the existence and exercise of rights and jurisdiction of their neighbors in the maritime areas”. For this reason any possible cooperation between Cyprus and Turkey can happen if Turkey recognizes the Republic of Cyprus which will be also along with the solution of the Cyprus problem.

As per Zodiates (2015), Cyprus needs to “continue trying to convenience Turkey on the advantages it stands to gain from adopting a policy based on international law and from contributing to the settlement of the Cyprus problem”; by this, it could possible for the Turkish Cypriots to “share the benefits of Cyprus’ natural resources and wealth”.

## **CHAPTER 4**

### **CONCLUSIONS**

#### **4.1 Theoretical Findings**

In the middle of three continents and important trading activities any counterproductive tactics, from wherever they come, are condemnable. Moreover, in polarized situations of social and economic instability extreme ideologies are thriving and affecting especially young people.

Actions that Greece and Cyprus take in pursuit of broader partnerships, initially to start a climate of mutual understanding, and then to design the conditions for foreign investments are deemed good. Without having any given differences in the Eastern Mediterranean region, the main challenge is to turn to normality amid intense pressure on societies and regimes.

By invoking international law, being on military alert, strengthening strategic alliances with regional players, and harmonizing with the geostrategic interests of the US and EU (as well as the economic interests of large international companies) in the region, Athens and Nicosia are taking cautious and systematic steps during a difficult period hoping to find more substantial backing among their allies and partners.

It is important to note that the “deep state” in Turkey is ready to accept and follow a European perspective only a la carte and only a la turque which does not touch the “hard” national and secular cell of Kemalism (Giallouridis and Laggidis, 2010).

Based on the analysis herein, it can be said that any continuation of HxCy Exploration from Cyprus inside its EEZ can strengthen its position with regard to Turkey and this could be supported under conditions like the solidarity of the EU and support from US, the close cooperation with the neighboring counties of Israel and Egypt, the participation of international companies in available business plans in country’s territory and finally the continuation of the efforts of Cyprus towards the Cyprus problem which will eventually allow the Turkish Cypriots to benefit of Cyprus’ natural resources and wealth.

Doing business in a complex global environment could not be different in the case of Cyprus and the several options available for its energy policy. We have examined current environment – both internal and external- and then possible scenarios for the country’s gas sector.

The findings of the research show that when considering several options in gas handling, the decision is taken based not only on economic/financial factors but also political ones. Most of the interviewees responded that there should be a combination of economic and security reasons while for others it is a political decision, since economics usually changes as it also happened recently when oil and gas prices have been weakened a lot during the year 2015.

The responders named the Critical Success Factors (CSFs) and the results showed that most of the answers demonstrate the political/geopolitical environment as the most important success factor that needs to be taken into consideration in the complex environment that Cyprus is located at Eastern Mediterranean. It is not surprising since it reinforces the necessity to continue efforts towards to the peaceful settlement of regional conflicts and tensions in this region.

Other CSFs that have been identified from the research are stakeholders as institutions like EU and UN, geological and technological issues, commercial and economic issues related to the exploration and markets, involvement of the Cyprus government and finally environmental issues related to the exploration activities.

A decision making model for Cyprus could be a function ( $f$ ) of several parameters such as

$f$  [Profitability of the project (=g(quantities available for export, market prices of NG, costs for recovery-extraction, technology, external incentives from the state of institutions)), Contribution to the country’s growth, Energy security of the country, Stability in the region]

Based on the analysis presented in this study, it has been suggested that the LNG option seems to be one of the most realistic and promising options for Cyprus to cooperate with its neighbor country Israel provided that the state of Israel can relief any concerns about security and sovereignty. Then, the onshore liquefaction at Cyprus would be decided whether it would be related to the existing field of Aphrodite or others to come on stream in the coming years.

The other option for building FLNG in the Mediterranean or Red Sea could alleviate Israel's fears and provide additional paths to new markets such as Asian avoiding the transportation through the Suez Canal.

According to Zodiates (2015), Cyprus has decided to explore the possibility of exporting NG discovered in the Aphrodite field to Egypt through an underwater pipeline, while NG from the Aphrodite field will also be brought to mainland Cyprus for power-generation purposes. He also mentioned that the government of Cyprus "does not exclude prospects for energy cooperation with Turkey in the future provided that the Cyprus problem is first settled" which is a pre-condition.

Based on the literature and the analysis took place, the decision making for a country whether to proceed with an investment or project in the energy sector might be a combination of several parameters such as political or economic, geographical, historical, social, technological. It is also related to each country, since each one designs and follows its own energy policy and it will have differences from those of other neighbor countries.

## **4.2 Policy Proposals**

The recent discoveries of H<sub>2</sub>C<sub>2</sub> in the territory of Israel and Cyprus, with a good probability in the future for countries like Lebanon and Greece to follow, offer substantial opportunities to further deepen relations between them. Even though current quantities do not seriously affect global correlations, however the power of the closest markets shows the importance of energy as a synergist factor and this is important to be taken under consideration by the governments and authorities in the region.

Greece hardly can substitute Turkey in the planning of Israel and Egypt; however, it can be proved as a reliable partner whose opinion continues to have a casting value in regional affairs. Greece has shown that can achieve tangible results through practical agreements.

Experienced diplomats note that Cyprus need to continue to build regional alliances with Israel and Egypt but at the same time to emphasize the development of its exploration program. During this period, time seem to be working in favor of Cyprus, while the same sources estimate that it is not easy for one company to lease drilling platform to carry out research in an EEZ internationally recognized as belonging to the Republic of Cyprus.

A healthy situation is only the balance of power (Moliviatis, 2003). According to Mazis (2015), Cyprus should follow “a constituent policy aiming at the full exploitation of its energy mixture” which may involve international cooperation with commercial energy companies. In addition, “a regional multilevel alliance with regional actors such as Greece Israel and Egypt will promote the regional geopolitical balance, something which has being mostly achieved by now”.

Greece needs to continue to raise the issue of the “Cyprus problem” during meetings with Turkey and remind them that it will play a determinant role in Turkey’s accession development in EU. The legitimacy of the State of Cyprus is the last bargaining chip held by the Greeks against Turkey (Giallouridis and Laggidis, 2010).

Other Stakeholder’s analysis (such as Egypt, Israel, EU, US, else) may follow in another study since it cannot be thorough analyzed during this essay.

Finally, few areas in which small difficulties could exist are as following (Petrakis, 1999):

- Biased research and how free-value is the researcher when interpreters facts (morality, ideas, beliefs, etc.).
- Social facts are not observable most of times.
- Social sciences belong to the School of Interpretation and thus it is not easy to produce unconditional trues.
- Time restrictions.

In this study, a continuous effort has been placed to avoid or eliminate such limitations as much as possible; it can be said that the result is quite satisfactory and that such parameters-limitations did not affect much the work, the research and the final outcome.

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## **APPENDICES**

## APPENDIX A

# UNITED NATIONS CONVENTION ON THE LAW OF THE SEA

### Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982

*The States Parties to this Agreement,*

*Recognizing* the important contribution of the United Nations Convention on the Law of the Sea of 10 December 1982 (hereinafter referred to as "the Convention") to the maintenance of peace, justice and progress for all peoples of the world,

*Reaffirming* that the seabed and ocean floor and subsoil thereof, beyond the limits of national jurisdiction (hereinafter referred to as "the Area"), as well as the resources of the Area, are the common heritage of mankind,

*Mindful* of the importance of the Convention for the protection and preservation of the marine environment and of the growing concern for the global environment,

*Having considered* the report of the Secretary-General of the United Nations on the results of the informal consultations among States held from 1990 to 1994 on outstanding issues relating to Part XI and related provisions of the Convention (hereinafter referred to as "Part XI"),

*Noting* the political and economic changes, including market-oriented approaches, affecting the implementation of Part XI,

*Wishing* to facilitate universal participation in the Convention,

*Considering* that an agreement relating to the implementation of Part XI would best meet that objective,

*Have agreed* as follows:

*Article 1*

*Implementation of Part XI*

1. The States Parties to this Agreement undertake to implement Part XI in accordance with this Agreement.
2. The Annex forms an integral part of this Agreement.

*Article 2*

*Relationship between this Agreement and Part XI*

1. The provisions of this Agreement and Part XI shall be interpreted and applied together as a single instrument. In the event of any inconsistency between this Agreement and Part XI, the provisions of this Agreement shall prevail.
2. Articles 309 to 319 of the Convention shall apply to this Agreement as they apply to the Convention.

*Article 3*

*Signature*

This Agreement shall remain open for signature at United Nations Headquarters by the States and entities referred to in article 305, paragraph 1(a), (c), (d), (e) and (f), of the Convention for 12 months from the date of its adoption.

*Article 4*

*Consent to be bound*

1. After the adoption of this Agreement, any instrument of ratification or formal confirmation of or accession to the Convention shall also represent consent to be bound by this Agreement.
2. No State or entity may establish its consent to be bound by this Agreement unless it has previously established or establishes at the same time its consent to be bound by the Convention.

3. A State or entity referred to in article 3 may express its consent to be bound by this Agreement by:

(a) Signature not subject to ratification, formal confirmation or the procedure set out in article 5;

(b) Signature subject to ratification or formal confirmation, followed by ratification or formal confirmation;

(c) Signature subject to the procedure set out in article 5; or

(d) Accession.

4. Formal confirmation by the entities referred to in article 305, paragraph 1(f), of the Convention shall be in accordance with Annex IX of the Convention.

5. The instruments of ratification, formal confirmation or accession shall be deposited with the Secretary-General of the United Nations.

#### *Article 5*

##### *Simplified procedure*

1. A State or entity which has deposited before the date of the adoption of this Agreement an instrument of ratification or formal confirmation of or accession to the Convention and which has signed this Agreement in accordance with article 4, paragraph 3(c), shall be considered to have established its consent to be bound by this Agreement 12 months after the date of its adoption, unless that State or entity notifies the depositary in writing before that date that it is not availing itself of the simplified procedure set out in this article.

2. In the event of such notification, consent to be bound by this Agreement shall be established in accordance with article 4, paragraph 3(b).

#### *Article 6*

##### *Entry into force*

1. This Agreement shall enter into force 30 days after the date on which 40 States have established their consent to be bound in accordance with articles 4 and 5, provided that such States include at least seven of the States referred to in paragraph 1(a) of resolution II of the Third

United Nations Conference on the Law of the Sea (hereinafter referred to as "resolution II") and that at least five of those States are developed States. If these conditions for entry into force are fulfilled before 16 November 1994, this Agreement shall enter into force on 16 November 1994.

2. For each State or entity establishing its consent to be bound by this Agreement after the requirements set out in paragraph 1 have been fulfilled, this Agreement shall enter into force on the thirtieth day following the date of establishment of its consent to be bound.

## *Article 7*

### *Provisional application*

1. If on 16 November 1994 this Agreement has not entered into force, it shall be applied provisionally pending its entry into force by:

(a) States which have consented to its adoption in the General Assembly of the United Nations, except any such State which before 16 November 1994 notifies the depositary in writing either that it will not so apply this Agreement or that it will consent to such application only upon subsequent signature or notification in writing;

(b) States and entities which sign this Agreement, except any such State or entity which notifies the depositary in writing at the time of signature that it will not so apply this Agreement;

(c) States and entities which consent to its provisional application by so notifying the depositary in writing;

(d) States which accede to this Agreement.

2. All such States and entities shall apply this Agreement provisionally in accordance with their national or internal laws and regulations, with effect from 16 November 1994 or the date of signature, notification of consent or accession, if later.

3. Provisional application shall terminate upon the date of entry into force of this Agreement. In any event, provisional application shall terminate on 16 November 1998 if at that date the requirement in article 6, paragraph 1, of consent to be bound by this Agreement by at least seven of the States (of which at least five must be developed States) referred to in paragraph 1(a) of resolution II has not been fulfilled.



## *Article 8*

### *States Parties*

1. For the purposes of this Agreement, "States Parties" means States which have consented to be bound by this Agreement and for which this Agreement is in force.
2. This Agreement applies *mutatis mutandis* to the entities referred to in article 305, paragraph 1(c), (d), (e) and (f), of the Convention which become Parties to this Agreement in accordance with the conditions relevant to each, and to that extent "States Parties" refers to those entities.

## *Article 9*

### *Depositary*

The Secretary-General of the United Nations shall be the depositary of this Agreement.



## *Article 10*

### *Authentic texts*

The original of this Agreement, of which the Arabic, Chinese, English, French, Russian and Spanish texts are equally authentic, shall be deposited with the Secretary-General of the United Nations.

IN WITNESS WHEREOF, the undersigned Plenipotentiaries, being duly authorized thereto, have signed this Agreement.

DONE AT NEW YORK, this twenty-eighth day of July, one thousand nine hundred and ninety-four.

(source: [http://www.un.org/depts/los/convention\\_agreements/texts/unclos/closindx.htm](http://www.un.org/depts/los/convention_agreements/texts/unclos/closindx.htm))

## APPENDIX B

### TEMPLATE OF THE QUALITATIVE RESEARCH

1. Tell me about **your experience** with the exploration of Cyprus in its EEZ (Experience and behavior question) [around 1-2 paragraphs].
2. What is your **opinion** about **the Turkey's reaction** against Cyprus' announcements for exploration in its EEZ? Can you please elaborate on this? (Opinion and values question).
3. How do you **feel** about this (i.e. happy, anxious, confident, etc.)? (Feeling question).
4. Can you please **name the main stakeholders** involved and affecting this relation? (Knowledge question).
5. **How** it would be possible for Cyprus **to deal** with this subject with Turkey (Ideal position question)?  
(*Sub-question: Do you see any danger/risk?*)
6. Can you name/think the Critical Success Factors (**CSF**) that are involved/strongly affecting our subject (as defined in the title)? (name 5 of them).
7. Can you **prioritize/rank** them? (Opinion question).
8. Further to the aforementioned CSF, a List of export options for both Cypriot government is given below. We would like to decide/suggest whether **political or economical/financial factors** should be taken into consideration for the **choice of below options**.

List of export options:

Pipelines

- To Jordan
- To the Palestinian Administration in the West Bank
- To the Gaza Strip
- To Turkey
- To Greece
- To Egypt, reversing the El Arish to Ashkelon

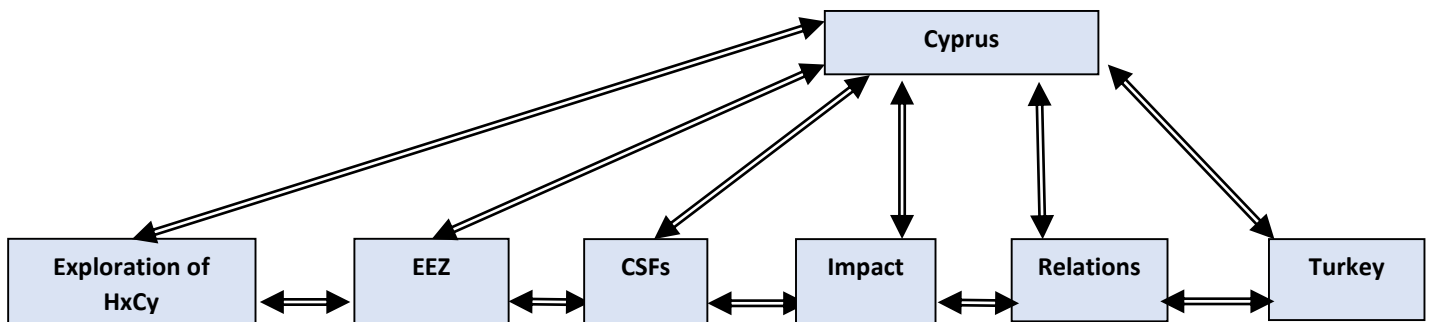
## LNG

- Using spare Egyptian LNG capacity
- LNG Plant on the Israeli Red Sea coast near Eilat
- LNG plant on the Jordanian Red Sea port of Aqaba
- A Floating LNG (FLNG) plant in the Mediterranean offshore Israel
- LNG plant at Vassilikos on the southern coast of Cyprus
- LNG plant on the southern coast of Turkey

## Others

- Country(x)-country(y)-country(z)-country(w) electricity interconnector (if an option, then please name the countries)
- CNG, Compressed Natural Gas ship

9. Can you **give short meanings** to the below terms: “Impact” and “Relations” (Knowledge question)



10. Can you please **suggest other person(s)** that I can interview them? Please, give contact details.
11. Can you **suggest sources of information** that would support this research/investigation? (Knowledge question).
12. **Demographics** (Background/demographic question)  
Name:  
Position:  
Age:  
Education:  
Working experience (in HxCy field):  
Working experience (yrs):  
Nationality: