

Turkey and Tensions in the Eastern Mediterranean

Eastern Mediterranean Energy and Regional Cooperation: 2021 Outlook

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After a year of heightened geopolitical tension in the eastern Mediterranean during 2020, the first six months of 2021 have witnessed a diplomatic momentum toward a regionwide détente. New political and economic conditions gave rise to a series of concurrent Turkish diplomatic overtures to Egypt, Israel, and Greece, respectively. There is now a window of opportunity to reset the eastern Mediterranean's contentious energy relations in a manner that could offer the region a new strategic equilibrium. While the marketing of eastern Mediterranean natural gas as liquefied natural gas (LNG) contributed greatly to the escalation of tensions in the region from 2015 to 2020, the current multilateral, LNG-marketing framework provides a potential platform to develop meaningful energy cooperation between Turkey and its eastern Mediterranean neighbours. The incorporation of Turkey into the marketing of eastern Mediterranean energy would ameliorate a significant grievance and create greater stakeholder interest in an equitable resolution of longstanding territorial sovereignty disputes between Greece, Cyprus and Turkey.

The 2021 Inflection Point in Eastern Mediterranean Energy Geopolitics

From 2015 to 2020, the eastern Mediterranean's offshore natural gas resources transformed the ter-

ritorial sovereignty disputes between Greece, Cyprus and Turkey from being primarily a local concern to becoming the pivot around which wider conflicts involving Europe and the Middle East and North Africa region began to revolve.

The transformation was kick-started by Eni's August 2015 discovery of the Zohr natural gas field off the coast of Egypt, the eastern Mediterranean's largest natural gas find. Heavily involved in eastern Mediterranean energy exploration and production, the Italian energy major is also the lead operator in Cyprus's natural gas development and the lead stakeholder in one of Egypt's two liquefaction plants. Following Eni's Zohr find, the company began promoting a plan to pool Cypriot, Egyptian and Israeli gas and use Egypt's liquefaction facilities to cost-effectively market the region's gas to Europe as LNG (Stefanini, 2016).

Commercially sensible from Eni's point of view, the plan was a geopolitical timebomb on account of its exclusion of Turkey from the marketing of eastern Mediterranean gas, undermining Ankara's own ambition to use its pipeline infrastructure to become an energy hub for Middle Eastern and Caspian Basin natural gas to reach Europe. Ankara further objected to the ongoing exclusion of Turkish Cypriots in the northern half of the ethnically divided island from the development of Cyprus's offshore natural gas, despite being the legal co-owners of Cyprus's natural resources. Finding no diplomatic recourse, as early 2018 gas discoveries in Cyprus accelerated the implementation of the Egypt-based LNG marketing scheme, Turkey opted for gunboat diplomacy to express its displeasure. Ankara began its coercive foreign policy posture with a February 2018 naval action to block an Eni drill ship from reaching its intended

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drill site in Cypriot waters, forcing the company to withdraw the vessel.

Turkey's gunboat diplomacy in the eastern Mediterranean also reflected a larger policy shift in Ankara that started two years earlier in 2016. While Turkey originally sought to expand its regional influence with a soft power policy dubbed "Zero problems with neighbours" that emphasized "political dialogue, economic interdependence and cultural harmony" (Republic of Turkey, 2011), Ankara abandoned that policy in favour of "coercive diplomacy," prioritizing the use of hard power instruments and the development of forward bases to expand Turkey's influence abroad. Curtailing Egypt's regional influence, as well as that of its close partner the United Arab Emirates (UAE), formed one of the main objectives of Turkey's use of hard power.

Turkish President Recep Tayyip Erdogan's strong backing of the Muslim Brotherhood set Ankara and Cairo on a collision course following the Egyptian army's 2013 ouster of the short-lived Muslim Brotherhood-led government, and former General Abdel Fattah el-Sisi's 2014 election as Egypt's president. Cairo expelled Turkey's ambassador while Ankara declared Egypt's ambassador *persona non grata*. Turkey provided refuge for high level Muslim Brotherhood members to continue their activities. The acrimonious rupture in relations between Ankara and Cairo led to a widening geopolitical split. The two countries provided military backing to opposing sides in Libya's civil war. Concerned about the threat of Turkey's rising influence in the region, Egypt initiated a process of developing strategically significant, trilateral economic and security cooperation with Greece and Cyprus. The LNG marketing scheme formed one part of Cairo's larger regional approach. In this context, Ankara viewed the LNG marketing scheme as part and parcel of a growing multinational effort at containment, and Turkey engaged in a series of acts of gunboat diplomacy from 2018-2020 in the eastern Mediterranean to attempt to counteract that development (Tanchum, 2020a). Contrary to Ankara's desired outcome, the actions served to push Cyprus, Egypt, Israel and Greece into closer coordination. Turkey became even more severely constrained in its ability to defend its interests by a common front composed of the region's current natural gas producers and Greece. The alignment created a set of interlinked security partnerships that has been in-

creasingly supported by Italy, France and the United States, each of whom has significant economic investments in eastern Mediterranean gas.

To mitigate its risks after the 2018 run-in with the Turkish navy, Eni partnered with France's energy giant TOTAL in all of its operations in Cyprus. Turkey subsequently sent four of its own exploration and drill ships, along with their naval escorts, to disputed waters around Cyprus throughout 2018 and 2019. France consequently deepened its naval cooperation with Cyprus and Greece. France also enjoys significant security partnerships with Turkey's Middle Eastern rivals, Egypt and the UAE, being Egypt's third largest weapons supplier and maintaining a naval base in the UAE. As part of France's larger competition with Turkey for influence in Africa, France cooperated with both in support of the forces of General Khalifa Haftar in eastern Libya against the western Libyan Government of National Accord (GNA) supported by Ankara.

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Confronting an alignment of European and Middle Eastern actors, Turkey viewed its future political and economic influence across the entire Mediterranean region as being at stake. Multilateral energy cooperation among Turkey's regional antagonists was formalized with the 2020 inauguration of the Eastern Mediterranean Gas Forum (EMGF), an international organization for developing the region's natural gas, founded by Italy, Egypt, Greece, Cyprus, Israel, the Palestinian Authority and Jordan. France was subsequently admitted as a member in the Cairo-headquartered EMGF in March 2021 with the US granted permanent observer member status. Turkey remains excluded from the so-called OPEC of eastern Mediterranean gas.

Seeking to break its isolation, Turkey concluded a maritime boundary agreement in late 2019 with the GNA government in Tripoli and intervened militarily on its behalf, successfully reversing the course of the Libyan civil war by June 2020. Turkey's Libya intervention was also part of Ankara's larger programme

to develop forward bases in Africa, the goals of which included offsetting Egypt's regional power. In September 2017, Turkey opened a base in Mogadishu, Somalia, close to the Gulf of Aden, the eastern entry into the Red Sea corridor. Two months after Turkey opened its Mogadishu base, Ankara attempted to challenge Egypt's Red Sea dominance in the heart of the corridor by acquiring Sudan's Suakin Port for the construction of a dual-use civilian and naval facility (Tanchum, 2020b). Turkey's efforts to secure the port for its navy were thwarted by the April 2019 ousting of President Omar al-Bashir, an ally of Turkey. The end of the Sudanese strongman's 30-year rule gave rise to a new government financially backed by Egypt's Emirati and Saudi partners to the amount of \$3 billion.

Turkey recouped its strategic losses in Sudan with its Libyan intervention, which resulted in Turkey having a naval presence in the GNA coastal stronghold of Misrata and a Turkish air force presence at the recaptured al-Watayah air base, located 27 km from the Tunisian border. After two years of unsuccessful gunboat diplomacy around Cyprus's waters and buoyed by its success in Libya, Turkey pushed the envelope in early August 2020 by extending its maritime tactics against fellow NATO member Greece. Ankara sent an exploration vessel, escorted by a group of five naval warships, to the contested waters near the Greek island of Kastellorizo, which is at the heart of the Greece-Turkey maritime boundary dispute. Turkey's action led to a full-blown stand-off between the Hellenic and Turkish navies in late August 2020. At the height of the tensions, the Egyptian Navy and the UAE Air Force conducted concurrent joint exercises with the Hellenic Navy and Air Force, respectively, in the eastern Mediterranean as a show of support for Greece.

The striking demonstration of Middle Eastern solidarity with Greece caught Ankara off guard and was soon followed by the 15 September 2020 signing of the "Abraham Accords," normalizing relations between the UAE and Israel, profoundly reshaping the eastern Mediterranean-Middle Eastern strategic architecture. For eastern Mediterranean energy geopolitics, the capstone to these 2020 turning point events was the 21 February 2021 visit to Israel by Egypt's Minister of Petroleum and Mineral Resources, Tarek El Molla. In the first public visit to Israel by a senior Egyptian government official in five years, El

Molla's discussions with his Israeli counterpart Yuval Steinitz sent a strong signal that, bolstered by Israel's 2020 normalization of relations with the UAE and three other Arab countries, Egypt's energy relationship with Israel would form a solid foundation for multilateral energy cooperation in the eastern Mediterranean through the EMGF framework.

Turkey has realized the ineluctable need to recalibrate its policy toward its eastern Mediterranean neighbours to ease its isolation

As Ankara pursues its strategic goal of transforming Turkey into an interregional power that can set the terms for a new pattern of connectivity between Europe, Africa and Asia (Tanchum, 2020b), Turkey has realized the ineluctable need to recalibrate its policy toward its eastern Mediterranean neighbours to ease its isolation. Throughout spring 2021, Turkey has made a series of diplomatic overtures to Egypt that resulted in the early May visit to Cairo by Turkey's Deputy Foreign Minister and other Turkish officials (Daily Sabah, 2021a). Although the Cairo normalization talks were still at an exploratory stage, the breakthrough meeting was the first visit by a senior Turkish delegation since 2013.

Parallel efforts between Turkey and Israel resulted in Turkey's 23 April 2021 issuing of an invitation to Energy Minister Steinitz to participate in Ankara's June 2021 Antalya Diplomacy Forum (HDN, 2021a). Steinitz's 2017 visit to Turkey was the last visit by a senior Israeli official. The Turkish invitation to the Israeli Energy Minister just one month after El Molla's visit to Israel reflects Turkey's desire to find a new pathway towards eastern Mediterranean energy cooperation. Although Ankara rescinded its invitation to Steinitz in response to Israel's strikes on Gaza during the 10-21 May war between Israel and Hamas, Turkey's underlying motivations for rapprochement with Israel remain. The 2021 Gaza War further highlighted Turkey's need for rapprochement with Israel as Ankara remained on the sidelines of regional events, while Egypt played a central role in brokering an Israel-Hamas ceasefire in close cooperation with the United States. A change

of government in Israel (at the time of writing, Israel's opposition parties have signed a coalition agreement enabling them to form a new government) could be utilized by Ankara as an opportunity to put Turkey-Israel relations on a new footing.

During spring 2021, Ankara has been concurrently engaged in substantive dialogue with Athens through both senior diplomatic and military channels. Despite the challenges, the ongoing dialogue resulted in Turkey's Foreign Minister Mevlut Cavusoglu visiting Athens on 31 May 2021 for a summit with his Greek counterpart Nikos Dendias in which the two announced a 25-item cooperation agreement between Turkey and Greece. Designed to improve relations, Turkey agreed to new forms of cooperation in the fields of trade, environment, tourism and energy (HDN, 2021). Although the details remain to be released, the change in tone in Ankara's approach with the major eastern Mediterranean regional powers, as well as the concrete efforts to enhance cooperation in commerce and energy, have created a conducive environment for the comprehensive incorporation of Turkey in the development and marketing of eastern Mediterranean natural gas as LNG.

The Mediterranean Market as the Mechanism for Eastern Mediterranean Energy Cooperation

The Egypt-based LNG scheme still remains the most feasible option to market eastern Mediterranean gas in the 2020s and beyond. However, the plan's originally intended market is not viable. Most proposals for marketing eastern Mediterranean gas are anchored in the unfounded assumption that the EU27 constitutes the market area for eastern Mediterranean natural gas. This assumption originated in the geopolitical objective of relieving Europe's inordinate reliance on Russian natural gas exports, and has engendered a misplaced focus on the EU27 energy market. The proposed 1,250-km, undersea East Med Pipeline to transport gas from Israel, Cyprus and Egypt via Greece to the European Union, which is commercially unviable because of its European end-market destination, bears witness to the persistence of this obsolete paradigm. The eastern Mediterranean's anticipated surplus supply is not sufficiently large to warrant investment in such large-scale pipeline infrastructure to transport gas to major EU27 markets.

The market for eastern Mediterranean natural gas is not Europe, but rather the nations around the entire Mediterranean Basin, including Turkey. Between 2020 and 2040, the Mediterranean Basin will experience demand growth for natural gas, driven by the non-EU nations along its southern and eastern rims. The collective growth in gas demand in these areas will be a robust 3.2%, outpacing the 0.3% annual growth rate in the EU-nations of the northern Mediterranean rim (OME, 2018). The timeline for reaching the 2040 demand estimate is unlikely to be significantly impacted by the COVID-19 pandemic. Although estimates for the pace of post-COVID-19 demand recovery vary, the International Energy Agency estimated that global energy demand will recover to its 2019 level sometime between 2023 and 2025 (IEA, 2020). The rapid rise of commodity prices during spring 2021 suggests that a very early time frame for demand recovery is likely.

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The trends of rapid urbanization and development in the North African nations will result in a 2040 natural gas demand in the southern and non-EU eastern regions of the Mediterranean of an estimated 253.5 billion cubic metres (bcm). Without any significant new discoveries, the eastern Mediterranean's total surplus supply for export from Egypt, Israel, Cyprus and Gaza in 2040 would be about 40 bcm (Butter, 2020). The eastern Mediterranean's comparatively small volume of surplus gas for export means the Mediterranean Basin market area is the most commercially viable market. In terms of global LNG markets, the eastern Mediterranean's 2040 export surplus of 40 bcm would represent only 8.3% of 2019's global LNG trade. Insufficient to make the region a major player in global LNG markets, eastern Mediterranean gas would be competitive in Mediterranean Basin markets on account of the cost savings from the shorter transportation distances. Eastern Mediterranean natural gas would have a market in the Mediterranean Basin

and would have a competitive advantage in transportation costs over non-Mediterranean suppliers.

Conclusion

In addition to 2020's transformative geopolitical developments, Turkey announced the discovery of its own natural gas reserves off its Black Sea coast. Turkey's Sarakaya gas field contains an estimated 405 bcm, a volume roughly equivalent to eight years of Turkey's domestic demand (*Daily Sabah*, 2021b). The initial output, expected in 2023, is only 5-10 bcm annually, representing 10-20% of Turkey's gas demand. Turkey becoming a natural gas producer in its own right helps reframe the circumstances for Turkey's admission as a member of the EMGF. Turkey has underutilized gas storage facilities that could be efficiently incorporated into the Mediterranean-wide marketing and delivery of eastern Mediterranean gas through Turkey's EMGF participation. Turkey's meaningful involvement in LNG marketing to the Mediterranean Basin would help the market function more efficiently while replacing geopolitical antagonisms with stakeholder cooperation.

Turkey's recent overtures to Egypt, Israel and Greece provide a window of opportunity to find a pathway for Turkey to participate in the marketing of eastern Mediterranean gas under the rubric of the Eastern Mediterranean Gas Forum. The Union for the Mediterranean (UfM) is well-positioned to play a constructive role to help facilitate this outcome, as the UfM is a forum to which all the concerned European and Middle Eastern parties already belong. Defining a pathway for Turkey to participate in the marketing of eastern Mediterranean natural gas would remove a significant grievance that has torpedoed progress toward a negotiated settlement of the Greece-Turkey maritime boundary dispute and the Cyprus problem. The replacement of grievances with stakeholder interests in energy cooperation could provide added inducement for all sides to find negotiated solutions to both these enduring disputes.

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