

Taking the EU out of the EastMed pipeline quagmire

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The recent escalating tensions between Greece and the Republic of Cyprus on the one hand and Turkey on the other have shown how contentious the issue of energy is in the region. The planned EastMed pipeline is a case in point. But, paradoxically, adopting a ‘selective engagement’ approach and focusing on the energy and climate dimensions of the countries’ relations could be a starting point to rebuilding trust. A discussion on the future of the EastMed project in particular could present an opportunity to get all parties at the table and diffuse the situation. To play a constructive role in this, the EU must act in accordance with the spirit of the Green Deal and stop investing in the EastMed pipeline, and find ways to encourage Greece, Cyprus and Turkey to make the shift to renewables now and ditch offshore gas exploration altogether.

BACKGROUND: RISING TENSIONS

Geopolitical tensions and gunboat diplomacy continue to escalate in the Eastern Mediterranean. On 10 August 2020, in response to the signing of a maritime delimitation agreement between Greece and Egypt, Ankara sent a seismic research vessel escorted by warships to an area claimed by Athens and announced plans to resume drilling operations in disputed waters off of Cyprus. Greece responded by deploying its warships, too, while France dispatched warships and planes in support.

On 16 August, EU High Representative for Foreign Affairs and Security Policy Josep Borrell called on Turkish authorities to cease their illegal activities and “engage fully” in a “broad dialogue with the European Union”.¹ President Recep Tayyip Erdoğan claims that Ankara is open to dialogue. However, Turkey, emboldened by the

vacuum left by Washington, is unlikely to be deterred by the possibility of punitive measures, as it views the recent developments as a cunning plan from EU member states to exclude it from the potential economic benefit of gas projects in those waters.

Since then, the situation has deteriorated further. The US has announced that it will cease to block the sale of ‘non-lethal’ military goods to Cyprus, while Turkey has begun military exercises in Northern Cyprus. EU countries’ foreign ministers agreed at the end of August on a list of sanctions against Turkey’s energy sector. If the tensions persist, the list might be approved at the Special European Council Summit on 24-25 September, when European leaders will identify the ‘sticks and carrots’ to use in its approach to Ankara.

Although the Turkish survey ship returned to port on 13 September, the latest developments in the Eastern Mediterranean exemplify how toxic the issue of energy has become in the region. The planned EastMed pipeline, which would connect East Mediterranean gas fields to mainland Greece via Cyprus and Crete, has also been a major source of contention. Ankara slammed the project for not respecting the Turkish Cypriots’ rights over the natural resources of the island.

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The row between Greece and the Republic of Cyprus, and Turkey has deeper historical roots that go far beyond energy concerns, of course. But while there is a plethora of issues to be resolved, adopting a ‘selective engagement’ approach and focusing on the energy and climate dimensions of their relations could be a starting point to rebuilding trust. Paradoxically, a discussion on the future of the EastMed project could present an opportunity to get all parties at the table and diffuse the tensions, which are about more than the exploration and drilling of gas. It is also a more concrete and pragmatic move than convening the countries involved to discuss, for instance, the contentious delimitation of the waters or the reunification of Cyprus.

For the EU to play a constructive role in this, this Policy Brief argues that the Union should end its support for the EastMed project, and put the development and deployment of renewables at the heart of the regional energy map and its bilateral relations with Ankara. Keeping the gas buried would be also in line with the spirit of the Paris Agreement and contribute to future-proofing the societies and economies of the region.

STATE OF PLAY: WHY CHANGE COURSE?

To redraw the energy map along green lines, Greece and Cyprus, as well as other member states, including France (whose energy giant Total is involved in Cyprus’ offshore gas explorations), must be convinced to rethink their current position regarding gas explorations and drilling in the Eastern Mediterranean, and vis-à-vis the EastMed pipeline in particular. Admittedly, this is no easy feat in light of the following two factors:

- **Path dependency** makes countries struggle to react to the fact that fossil fuel production levels are too high to be compatible with the more ambitious Paris Agreement (PA) goal to limit the increase in global average temperatures to 1.5°C. Logically, investments that lock in gas use would aggravate the situation further.
- EU member states are fearful that they would be **sending the ‘wrong signal’** to President Erdoğan if they do not react to Turkey’s moves in the contested waters heavy-handedly.

Continental Europe should not sacrifice its energy needs at the altar of a fuel that will only aggravate climate change and slow down the transition to a green economy by continuing to swallow up public funds.

Prior to the publication of the European Green Deal, EastMed was recognised as a Project of Common Interest (PCI) under the Connecting Europe Facility (CEF). Thanks to this status, CEF funds for the period between May 2018 and December 2021 amount to €34.5 million.

Although a final investment decision on the pipeline is not expected until 2022, the European Commission should not extend its support as this would run counter to the letter and spirit of the Green Deal and PA commitments. Continental Europe should not sacrifice its energy needs at the altar of a fuel that will only aggravate climate change and slow down the transition to a green economy by continuing to swallow up public funds. Not to mention that in this context of increasing geopolitical and political tensions, such a move only adds further oil to the fire.

In addition to contradicting the PA and Green Deal, the EastMed project might not be as profitable and economically sound as sometimes presented, for two reasons:

- The costs of extracting fossil fuel from the Eastern Mediterranean are very high because the deposits are buried deep under the seabed.² In fact, pre-2019 Mediterranean gas costs were arguably already high, making the future of the EastMed rather unsure.³ Hence, some argue that the main reason why the project has been pushed forward is geopolitical.⁴
- There is stiff competition from other energy suppliers to Europe. The glut of gas on the global market (pre-COVID-19) means that gas prices will probably remain low over the next few years (much like demand by the mid-2020s).⁵ This could render the EastMed project, which is set to cost an estimated €6 billion, commercially non-viable. Companies like ExxonMobil, Eni and Total have already postponed the appraisal of discovered wells and planned drillings in Cyprus.⁶

Struck by an economic (and climate) crisis, the EU cannot afford to spend more public money locking in fossil fuel infrastructure that will not yield the sought-after returns on investment.⁷

Geopolitical, political, environmental and economic considerations show that the EU would be wise to stay out of the EastMed project quagmire and provide environmentally and economically sustainable alternatives for the region’s energy future instead.

The impact of the COVID-19 crisis, the lukewarm attitude to fossil fuel as a solution in the low-emissions economy and the rise in Greek-Turkish tensions have opened a window of opportunity for the region to swiftly embrace the European Green Deal, ditch the EastMed project and focus on renewables. From long-term economic and environmental perspectives, the benefit of renewables is a no-brainer.

PROSPECTS: WHAT CAN THE EU AND THE THREE COUNTRIES DO?

The geography and climate of the three Mediterranean countries suggest a much-untapped potential for renewable energy generation. Looking at the two EU member states, however, it becomes clear that there is a crucial difference in how they embrace this potential. Greece has committed to reducing its emissions by 55% by 2030 in comparison to its 2005 rates, and also supplying 35% of its final energy consumption from renewables. It has redoubled its green efforts and set up certain stimuli, such as reducing the approval time of renewable energy projects from six years to under six months, and has adopted a system of public auctions that translates into lower prices for consumers.

On top of its solar potential, Greece could benefit from offshore wind farms considerably. Researchers argue that this technology could ensure national energy independence for a good quarter of a century.⁸ The Council expressed concern about the country's energy poverty and suggested that renewable energy projects be frontloaded to contribute to Greece's post-COVID-19 economic transformation.⁹ Not losing sight of those suggestions in future European Semester recommendations would send the right climate action signal to the rest of the EU and the world. Moreover, if the EU were to remove the EastMed project from the energy equation and explain the impact it would have on the Greek tourism industry alongside other gas projects, the public sentiment in Greece might swing fully toward renewables.

Cyprus, on the other hand, was *reprimanded* by the European Commission several times for its inadequate 2030 National Energy and Climate Plan, resulting in several back-and-forths. Eventually, Cyprus had to accept a 24% reduction in emissions, although it warned that it might not be successful. Regrettably, the island lives in an "energy impasse". Andreas Poullikkas, Chairman of the Cyprus Energy Regulatory Authority, deplors the "current wasteful and dead-end development model" and encourages his country's authorities to "bravely turn to green technologies".¹⁰

Cyprus has one of the highest rates of solar radiation in Europe, and its potential for photovoltaic (PV) systems on the island is enormous, similarly to the rest of the Mediterranean region.¹¹ As prices of PV systems continue to drop, this option should become more and more appealing. This year's European Semester Council recommendations rightly highlighted the need for Cyprus to tackle challenges related to the green energy transition and asked the country to invest in areas like renewable energy.¹² In addition to closely monitoring those recommendations, the EU should take the following actions:

- Ensure that the revision of the trans-European energy infrastructure (TEN-E) regulation 347/2013, expected for this year, is PA-aligned. Under this regulation, the Commission identifies the most important PCIs: projects that can apply for EU funding

and enjoy simplified permits. Not being future-proof (i.e. not PA-aligned), the EastMed pipeline should be removed from the updated PCI list. In parallel, to encourage Cyprus to reconsider its energy strategy, the Commission could carefully evaluate the ongoing initiatives under the European Islands Facility (NESOI) which, in turn, focuses on the energy transition; increase the Horizon 2020 (H2020) funding allocated to the island via that facility; and extend it under the upcoming Horizon Europe programme.

- Ensure that the Commission's Annual Action Programme for aid to the Turkish Cypriot community targets first and foremost the development and deployment of renewables. The Commission announced in August 2020 that the Programme would support the greening of the community's economy and the preparation and financing of key infrastructure projects and environmental protection activities.¹⁵ While this is a step in the right direction, the Commission should carefully monitor the use of funds allocated to boost these technologies.
- The EU should pressure Cyprus to ratify the Protocol concerning Specially Protected Areas and Biological Diversity in the Mediterranean, and set up and promote protected areas.

From long-term economic and environmental perspectives, the benefit of renewables is a no-brainer.

Despite its dependence on (mainly Russian) energy imports, Turkey also has untapped renewable energy potential. EU-Turkey cooperation in this field is, however, less developed than their cooperation on fossil fuels, and relies mainly on EU financial support. After this August's developments in the region, including the EU's failure to reduce the tensions, a different approach should be attempted:

- The EU should offer Turkey more financial support for the development and deployment of renewables upon the ratification of the PA. The successor to the enlargement-related Instrument for Pre-Accession Assistance II, expected to enter into force next year, should consider promoting renewable energy and energy efficiency as a priority sector.
- Energy is one of the negotiation chapters of Turkey's EU accession *acquis* that is vetoed by Cyprus. However challenging it might be, as a show of good faith from the EU and its commitment to fight climate change, Cyprus should be nudged to lift its veto on this chapter once Ankara has ratified the PA. Besides approaching the lifting of the veto as a climate-

conscious act, the EU could make that political decision more palatable for the Republic of Cyprus. As an example, the EU should consider extending and increasing the H2020 funding allocated to Cypriot energy transition projects by NESO under the upcoming Horizon Europe programme, pending a review of the ongoing initiatives. Removing the veto would encourage Ankara to meet the EU 2030 renewable energy targets, in line with the acquis.

- The EU and Turkey are both on the brink of failing to meet the Aichi Target 11 of the Strategic Plan for Biodiversity 2011-2020 of the Convention on Biological Diversity (i.e. the protection of coastal and marine areas). The strategic plan, implemented through the Aichi Biodiversity Targets, will expire this year, but biodiversity loss continues in EU countries and Turkey. The failure of the world to meet Target 11, as well as the other 19 biodiversity targets are set to be reviewed in a few months by world leaders at the 2020 UN Biodiversity Conference and a new set of targets will be discussed. Given that lack of progress to halt biodiversity loss and the threat that it poses to the planet's life-support systems, the EU and Turkey would be sending a positive message if they committed to leaving gas buried in the Mediterranean to protect an already vulnerable region.

This historic U-turn would bring reputational gains to Ankara by signalling that the country has embarked on the unstoppable green transition. These gains might then also translate into improved conditions for European investments in Turkey. Furthermore, a U-turn would be aligned with the EU's objective of boasting a high level of environmental protection, following the principle of sustainable development (Article 37 of the Charter). It would also be in line with Articles 191 and 192(1) TFEU, which stipulate that the Union shall contribute to the preservation, protection and improvement of the quality of the environment; promote measures at the international level to tackle regional problems; and combat climate change in particular.

CONCLUSIONS

Fossil fuel is and will remain a source of tension in the Eastern Mediterranean. It is mere smoke and mirrors that prevent countries in the region from greening their energy mix and investing in their future. It also diverts the international community's attention away from the fact that the decades-long reunification talks in Cyprus are not progressing, even though success in that front would enhance the regional security and stability significantly.

The EU would therefore be wise to end its financial and rhetoric support for the EastMed project. While doing so, it should throw its weight behind the energy transition of these three Mediterranean countries; countries that are blessed with untapped potential for renewable energy generation. This move would not only be positive from an environmental and climate perspective but also strengthen their national energy security and benefit their consumers and economies.

The European Green Deal is thus the key that could open the door to a bright and green regional future and help reduce historical political and geopolitical tensions along the way.

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