



GREECE AND THE ENERGY GEOPOLITICS OF THE EASTERN MEDITERRANEAN

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INTRODUCTION

The tectonic changes that have been shaping the Near East since the beginning of the Arab Spring in early 2011 may have overshadowed the significance of the disintegration of Turkish-Israeli relations. However, the widening divergence in interests between Turkey and Israel¹ provided the geopolitical impetus for the development of a rapprochement between Greece and Israel that quickly developed into a multidimensional geostrategic alignment.

Whilst the depth and speed of the sudden flourishing of Greek-Israeli relations that followed the *Mavi Marmara* incident of May-June 2010 may be unprecedented, this is hardly the first time that Athens and Tel-Aviv have tried to mend fences. Even before the full diplomatic normalisation of their relations in 1990, there had been several attempts by the Israeli Foreign Ministry to normalise relations with Athens.

What is notable about these Cold War-era efforts is that Greece's refusal to fully normalise its relations with Israel rested on serious national security interests ranging from the protection of the Greek minority in Egypt to the diplomatic support of Arab states in the United Nations (UN) framework with regards to the Cypriot Question. As a result, Athens remained paralysed in the face of the geopolitical repercussions of a Turkish-Israeli alliance.

This situation persisted in the early post-Cold War period, when the 1994 Greek-Israeli defence agreement was abandoned. In December 1994 Greece and Israel had signed an unprecedented military cooperation agreement that called for the exchange of military information, the conducting of joint air and naval exercises as well as the procurement of Israeli weaponry for the Hellenic Armed Forces. This agreement was suddenly reversed by then Prime Minister Andreas Papandreou despite the nearly unanimous support of the defence pact by the Greek General Staff. As Ekavi Athanassopoulou notes, 'the

agreement faced a strong reaction from many in PASOK who opposed it along the lines of the party's traditionally pro-Arab policy. Reaction also came from the Arabs... Andreas Papandreou received a personal phone call from Syrian President Assad who expressed his disappointment over Greece's agreement with Israel. As a result the accord was never implemented and the idea of cooperation with Israel was shelved'.² In all probability the Turkish-Israeli alliance, which primarily targeted Syria, would have flourished regardless of Greek reactions once the Assad regime opted to abandon the Golan Peace Talks.

Nonetheless, the demise of the defence agreement with Greece removed any significant Israeli hesitation from the pursuit of a strategic alliance with Turkey after the collapse of the Labour-led government of Shimon Peres and the Oslo peace process in the spring of 1996.³ Although the alliance was directed against Syria it also significantly influenced the balance of power between Greece and Turkey as it afforded Ankara several strategic advantages, including advanced Israeli weaponry, improved training for Turkish Air Force pilots and the upgrading of Turkey's intelligence gathering capability.

Moreover, the perceived boost to Turkey's regional standing allowed Ankara to increase the effectiveness of its coercive diplomacy vis-à-vis Greece and Cyprus during the 1998 crisis over the deployment in Cyprus of the Russian-made S-300 air defence system. As Efraim Inbar records, 'Turkey's threats to eliminate the Russian-made S-300 surface-to-air (SAMs) system if deployed in Cyprus were credible, partly because of its Israeli connection... Syria bowed to superior Turkish power and determination in October 1998. Greece and Cyprus were similarly intimidated into not deploying the S-300 missiles two months later.'⁴

However, although the alliance remained strong well into the late 2000s, the increasing distrust which poisoned the Turkish-Israeli alliance after Erdogan's rise to power in 2003 grew to a state of perfidy after Hamas's take-over in Gaza in 2006 and was further aggravated following Israel's rejection of Turkey's 'Peace Plan' for the Golan Heights and the continued flourishing of Turkish-Syrian cooperation in the 2008-2011 period.⁵ Despite this gradual degradation, it was not until the *Mavi Marmara* incident in June 2010, which resulted in the death of several Turkish citizens who attempted to break Israel's blockade on Gaza, that the Turkish-Israeli alliance was finally ruptured. The result was the effective collapse of bilateral diplomatic relations, the mutual recalling of each country's ambassadors and the imposition by Israel of an arms embargo on the export of military equipment to Turkey.

GAS IN THE EASTERN MEDITERRANEAN



The Beginning of Greek-Israeli Rapprochement (2010-2011)

The collapse of the Turkish-Israeli alliance provided both the impetus and the opportunity to George Papandreou, the Greek Prime Minister at the time, to initiate an ambitious policy of rapprochement with Tel Aviv. The signing of an agreement in December 2010 between Cyprus and Israel that delimitedated their respective EEZs in defiance of Turkey's objections further encouraged Athens to pursue closer ties with Tel Aviv. Joint military exercises took place throughout 2011, and in September a new bilateral military agreement was signed.⁶ That agreement was a crucial step, achieved despite the doubts of many in the Israeli defence establishment, including Defence Minister Ehud Barak, about formalising cooperation between the two militaries. Indeed, Mr. Barak was reported to be 'the leading voice inside Netanyahu's inner circle calling for a rapprochement with Turkey'.⁷

At around the same time, Noble Energy, a US oil & gas company that had discovered the large Tamar and Leviathan fields inside Israel's EEZ in 2009 and 2010 respectively, was fulfilling its contractual obligations towards the Cypriot Republic under a 2008 exploration and production sharing agreement in Block 12 of the Cypriot EEZ. At the end of September 2011 Turkey's *Piri Reis* oceanographic vessel and an accompanying corvette approached Noble's platform that drilled on Block 12, five miles from the border with Israel's EEZ. The Cypriot daily *Fileleftheros* reported that an Israeli army attack helicopter remained over the platform for an extended period of time signalling to the Turkish navy that it was protecting the drilling rig.

The following day, several Israeli F-15s flew over the entire Cypriot FIR (Flight Information Region) and across Turkey's southern FIR flank, while the Israeli navy increased its patrols and presence in the proximity of the drilling area.⁸ The fact that Israel was prepared to militarily protect Noble's exploratory activities – *even before* Israel's Delek Energy group was allowed (in December 2011) to buy-into Noble's Production Sharing Agreement on Block 12 – is indicative of the importance Tel Aviv attributes to Cypriot energy resources. However, this should not be interpreted as a sign that Israel is willing to share Greece's responsibilities for the security of Cyprus. Israel's evolving military interest in Cyprus may extend *ad maxima* to the future export infrastructure that Noble and Delek *may* construct, as well as the defence of Israel's own maritime borders with Cyprus.

THE DEVELOPMENT OF GREEK-ISRAELI RELATIONS UNDER ANTONIS SAMARAS

Less than two months after the signing of the Greek-Israeli defence accord, the political situation in Athens changed dramatically. Papandreou was forced to resign following a massive rebellion from his own parliamentary group after he announced his intention to put the country's Eurozone membership to a referendum.⁹ A new coalition government headed by Loukas Papademos, the former Vice Chairman of the European Central Bank, and supported by the votes of both former arch-rivals PASOK and ND was sworn in with the specific purpose of negotiating the biggest debt haircut in recent economic history and transitioning towards an early general election before mid-2012. The results of the two consecutive general elections in May and June 2012 magnified the country's political volatility, with few analysts prepared to suggest that the eventual coalition led by Antonis Samaras would survive for more than a few months.

By October 2013, when Prime Minister Samaras visited Jerusalem, the government had gone a long way to dispel the pessimism of the summer of 2012. Given the government's in-tray in June 2012, few would have expected sustaining the rapprochement with Israel to be a significant foreign policy priority. However, since taking office, the continued improvement and deepening of Greek-Israeli relations has been a hallmark of Samaras's diplomacy. This was true even before he became Prime Minister; Samaras was Foreign Minister when Greece finally recognised the State of Israel in 1990, and understands the importance of Israel's influence in Washington, DC both in terms of supporting Greece's diplomatic positions and attracting investment from Israeli and Israeli-American businesses.

By the time Shimon Peres made the first-ever visit of an Israeli President to Athens in August 2012, Samaras was in a position to fully implement the vision of a fully-fledged strategic partnership ranging from increased commercial relations – 400,000 Israeli tourists visited Greece that summer – to joint naval exercises in the Aegean Sea which were completed a few days before Peres arrived in Athens.¹⁰

In a joint press conference, President Karolos Papoulias emphasised that 'the convergence of interests in the Eastern Mediterranean allow for the establishment of a strategic relation with the Republic of Cyprus considering that the discovery of significant underwater natural gas deposits and the transport of Israeli and Cypriot natural gas to Europe via Greece change the geo-economics and geopolitical framework in the greater region'.

The Israeli President expressed his support for two ‘small states who can achieve great things’, and later confirmed the promise of strategic energy cooperation built around a network of gas pipelines connecting Israel, Cyprus and Greece. ‘I am sure’ he said that ‘in the future we could see such a network’ adding that such a development ‘is required by geography and commanded by economics’.¹¹

For both heads of state, energy is the cornerstone of this strategic rapprochement, especially since Prime Minister Netanyahu suggested a pipeline connection via Cyprus to Papandreou in July 2010. The two sides have even attempted to sign a MoU and institutionalise their energy cooperation by also including Cyprus. The MoU was scheduled to be signed in March 2012 but was cancelled at the last minute due to a government reshuffle in Cyprus, but all three Energy Ministers continue to speak positively about the prospects for trilateral cooperation. In his address to *The Economist* Energy Summit in late-March 2012, Israeli Minister Uzi Landau revealed the importance he attributed to the ‘axis’ – as he called it – between Greece, Cyprus and Israel, in Tel Aviv’s geostrategic thinking, as ‘an anchor of stability’ in a ‘Middle East, that is now caught in a tremendous earthquake, stretching from the Atlantic to the Persian Gulf and beyond’.¹²

The purpose of Peres’s Athens visit was to confirm Landau’s geostrategic vision, but it made little progress on the way such energy cooperation would come about. What the visit did achieve was the agreement to establish joint Greece-Cyprus-Israel working groups that would identify energy projects of common interest and attempt to bridge the gap between expectations and realities regarding the formation of an energy ‘axis’. As a result, two working groups were established in November 2012 to evaluate the feasibility and subsequently undertake the promotion of two major energy initiatives: the EuroAsia High

THE EUROASIA INTERCONNECTOR PROJECT



Source: *Quantum Energy*

Voltage Direct Current (HVDC) electricity cable, and the South Eastern Mediterranean Energy Corridor which will examine all alternative export options for the transportation of Cypriot/Israeli gas to the EU via Greece.¹³

The EuroAsia Interconnector HVDC cable project, which is considered far more mature and technically feasible than any underwater pipeline connection among the three countries, is being promoted by a trilateral consortium consisted of Greece's PPC/DEH (Public Power Co.), Israel's Electricity Co. (IEC) and DEHQuantum Energy, which is also the project's operator.

Cyprus-based Quantum Energy is a Joint Venture Co. made up from PPC, Quantum Energy and Cyprus Bank that was established in 2011 in Nicosia. Quantum Energy and IEC signed a MoU on 4 March 2012 that called for the preparation of a detailed feasibility study on the construction of an 865km *bi-directional* electricity link, which would be laid across the seabed of the Eastern Mediterranean at a maximum depth of 2,600 meters.

The HVDC link would have a maximum transportation capacity of 2GW, would cost approximately \$2 billion and could take up to three years to construct. A detailed pre-feasibility study helped the diplomatic efforts of Athens and Nicosia to secure the financial support of the European Commission for the HVDC line within the framework of the negotiations for the EU's Projects of Common Interest (PCI). The PCI negotiations identify 248 EU-wide gas and electricity interconnection and storage projects whose study (in the pre-feasibility and feasibility level) the European Commission will finance from a special Infrastructure Fund worth €5.85 billion.

If a project is recognised as a PCI it 'will benefit from faster and more efficient permit granting procedures and improved regulatory treatment'.¹⁴ The inclusion of the EuroAsia HVDC project in the EU's PCI list¹⁵ constitutes the first tangible step in the direction of establishing an energy-based axis between the three Mediterranean democracies, and is the first time Israel has been connected to a European-wide infrastructure project.

The PCI labelling means that the project will receive European Commission funds for a serious feasibility study while being granted priority status consideration for a loan from the European Investment Bank if the project proves it is sustainable on its own grounds. IEC and the Israeli government are firmly behind the project working in synch with Athens and Nicosia to promote the project through Israel's allies in the EU.

More importantly, there is no internal disagreement in Israel with regards to the necessity of such an electricity interconnection. Indeed, if the cable is constructed it could help *export* major electricity volumes to Israel in case of a major internal supply disruption. Such an interconnection would effectively break Israel's energy isolation from the Middle East – an isolation that has again become absolute since April 2012 when Egypt shut down the El Arish-Ashkelon gas pipeline. The HVDC interconnector will also offer Israel an additional 'fail safe switch' in case the flow of gas from Tamar and – in the future – Leviathan is disrupted.

The electricity cable would also connect Crete with mainland Greece, connecting both Crete and Cyprus to the mainland European electricity grid. Crete itself could cover around half of its electricity needs from the HVDC, and there would be no need to build additional connections in order to export significant volumes of electricity to Italy, since an interconnector has been in operation between the two EU countries since 2002. Ultimately it will be the market that will decide whether the HVDC cable will be constructed or not.¹⁶

In addition to the inclusion of the EuroAsia Interconnector in the PCI list, the three states finally signed – after a 15 month delay – a trilateral MoU on energy cooperation in August 2013.¹⁷ Although the MoU is too vague to commit any side in favour of a gas export option, its political significance remains important in the sense that it illustrates a common preference for the export of at least *some* Israeli and/or Cypriot natural gas to Europe via Greece.

As Israel's Energy Minister Silvan Shalom noted, 'the electric conduit can easily become a cable which will supply and export electricity to the European energy market, and provide us with energy security'. Perhaps more significantly for regional security politics, the joint communiqué that emanated from the trilateral meeting noted that the three countries 'will cooperate to protect regionally important infrastructures in the Mediterranean where natural gas fields are located'.¹⁸ At the same time, the three states agreed to seek to expand that infrastructure, by 'jointly examin[ing] ways and means for the optimal development of natural resources in the Eastern Basin of the Mediterranean', taking into consideration 'the discovery of new energy resources... and the opportunities for the diversification of sources and routes such discoveries bring with them'.¹⁹

EXPORT ALTERNATIVES FOR GREECE: PIPELINES AND LNG TERMINALS

Greece as a Consumer for Eastern Mediterranean Gas via LNG Imports

For Athens, the emergence of Cyprus as a significant gas exporter is very important for Greece's energy security. If Greek natural gas demand were to increase to approximately 6-7BCM (billion cubic meters) by 2020, the reserves of the Aphrodite field alone could comfortably cover anywhere between 25-50 percent of this potential consumption level. This would allow Greece to either completely replace its more expensive Algerian LNG imports or expand its LNG imports as a share of total demand, thereby increasing import security and flexibility.

Cyprus constitutes a relatively secure and proximate source of gas at a medium estimated price of approximately \$10/MMBtu (Million British Thermal Units) compared to a cost of around \$13/MMBtu for Russian gas 2013.²⁰ The proximity of Cyprus and the special political relationship between the two EU states could guarantee a steady flow of up to 1,5-2 BCM from Aphrodite within the framework of a 15-20 year long-term import agreement that could be activated as early as 2019/2020.

Such an agreement could materialise even if Aphrodite were not connected to Leviathan. Given the fact that Cypriot gas needs are estimated at 30 BCM/annum for around 30 years, 70-110 BCM would be available for exports: on average 4.5 BCM/annum for a 20-year period. Even if only one-third or less of this gas goes to Greece it could make a significant impact on Greek energy security by

- (i) increasing import diversification;
- (ii) decreasing Greek dependence on pipeline imports from Russia and the Caspian Sea;
- (iii) limiting vulnerability on the transit of gas via Ukraine and Turkey – a very real danger in view of the ongoing Russian-Ukrainian crisis of 2014; and
- (iv) enhancing market liberalisation that would in turn reduce prices for the final private and commercial consumer.

Gas Transit to Southeast Europe and Beyond: Pipeline Alternatives

Apart from securing Greece's own long-term gas needs, Tel Aviv and Nicosia can also benefit greatly from the potential emergence of Greece as a transit state for Cypriot and Israeli gas exports to Europe. There are two alternatives (LNG and/or Pipelines) for the materialisation of such a prospect, neither of which is necessarily dependent on the realisation of a liquefaction terminal in Vassilikos, Cyprus. Greece is likely to pursue both alternatives depending on the availability of gas resources, even if part of that is not liquefied in Cyprus.

Athens should do its utmost to encourage the realisation of the Vassilikos LNG project, above all for geostrategic reasons, but in case Israel, Noble and Delek choose to construct an LNG terminal either in Israel proper or on the spot through a Floating LNG facility (FLNG), Greece should not forsake the opportunity of facilitating the import and transit of Israeli gas via its own NGTS (National Gas Transportation System).

Greek companies and Greece should also attempt to secure the import and facilitate the transit of Cypriot gas via its NGTS regardless of how Nicosia chooses to monetise its current and prospective resources in order to further enhance the country's position as major transit state. Alongside the imports of LNG from Vassilikos to Greece's LNG import facility in Revythousa there are two ways for Cypriot/Israeli gas to connect into the Hellenic NGTS:

- (i) through the existing LNG import facility in Revythousa near Athens or a future FSRU vessel (Floating Storage Regasification Unit) which could be placed offshore the northeastern city of Kavala so as to link into the Greek-Bulgarian pipeline and reach central European markets; and
- (ii) through the construction of an almost 1,000km underwater pipeline that would link Leviathan and Aphrodite to either the southwestern Peloponnese or Attica.

The Southeast European Gas Interconnectors

The slow pace that characterised the development of the EU's Southern Gas Corridor strategy has since 2008 induced the countries of Southeastern Europe to look for smaller, more affordable and much more readily available diversification alternatives that combine the construction of interconnector pipelines with LNG terminals into one virtual pipeline system. This system, which is based on the construction of four 3-5 BCM/annum capacity pipelines, would link Hungary with Greece via Bulgaria and Romania, by providing all intermediary markets with non-Russian imports via the Greek-Turkish pipeline, the Trans-Adriatic Pipeline (TAP) as well as present (Revythousa) and future (Kavala FSRU) regasification terminals in Greece.

Such a system of interconnecting pipelines would also allow for the rapid reverse-flow of gas in case of another major gas supply/transit crisis like the January 2009 Russian-Ukrainian dispute, which galvanised the European Commission and most of the region's governments into action. The ongoing Russian-Ukrainian crisis, which could result in the loss of around 16 percent of European gas consumption,²¹ only attests to the strategic importance of these interconnectors to the security of those member states who are most vulnerable to a supply shortage due to a Russian-Ukrainian conflict. Around 50 percent of the EU's gas consumption is transited via the Ukrainian gas transmission system. That breaks down to approximately 60 percent of Greek demand, 90 percent of Bulgarian demand, 20 percent of Romanian demand, 20 percent of Italian demand, 52 percent of Austrian demand and 49.5 percent of Hungarian demand.²²

The 2009 European Energy Programme for Recovery (EPR) constitutes the financial underpinning of a coordinated EU effort. The EPR covers one-third of the total investment cost for the four interconnectors that aspire to integrate the gas markets of Greece, Bulgaria, Romania and Hungary.²³ Although the primary purpose of these interconnectors is to diversify gas imports away from Russia, they could also prove to have other benefits for the Balkan states involved, especially those who participated in the now defunct Nabucco West project, including Bulgaria, Romania and Hungary.²⁴ For the Eastern Balkans, the Greece-Bulgaria Gas Interconnector (or IGB) constitutes the first and most crucial link in this virtual chain of gas pipelines.

IGB, which would run for around 20-25km in Greece and would connect the north-western city of Komotini to Bulgaria's central city of Stara Zagora, has been earmarked €45 million by the EEPR and could be completed within 18-24 months from the initiation of its construction that should have begun in March 2012.²⁵ Given that the Southeastern European interconnectors system will be completed by 2017, if the incremental rise in the region's gas consumption is not covered by Qatari LNG exports, then Cypriot and/or Israeli LNG from Leviathan could offer an alternative to Caspian pipeline gas.

By the end of this decade Eastern Mediterranean Gas can deliver the countries of Southeastern Europe the energy security benefits that Nabucco failed to produce. In parallel to its key role in the TAP project, Greece can also offer its northeastern European neighbours transit security improvements, as long as it completes IGB on time. In early 2014 the only missing pieces of the puzzle are Bulgaria's interconnectors with Romania (IBR) and Greece (IGB), although IBR is likely to be completed in 2014.

The selection of TAP over Nabucco in June 2013 facilitates the completion of Greece's Eastern Balkans pipeline strategy since it creates a major impetus for Bulgaria to complete IGB by 2016, albeit three years after its original timetable. As of early 2014 work on IGB has not started, but DEPA believes that the pipeline will be commissioned by 2016. Since Bulgaria can only count on 1 BCM/annum from the Shah Deniz partners there are 3-4 BCM/annum of additional Balkan demand that could be covered by imports of natural gas from the Eastern Mediterranean.²⁶

The Israel-Cyprus-Greece Gas Pipeline

The second alternative for the consolidation of a Greek-Israeli energy partnership is far more ambitious. The concept of a Trans-Mediterranean gas pipeline or IICG (Interconnector Israel-Cyprus-Greece) that would link Leviathan resources with the Greek natural gas system somewhere in the Central Peloponnese or Attica is both a challenging technical prospect and diplomatic task, particularly in the short to medium term.

Yet it should be noted that as the technology of deep-sea pipeline-laying matures and more exports become available, an IICG pipeline may become more attractive over the longer term. The fact that the abovementioned pipeline project was initially proposed (August 2010) and aggressively promoted (April 2011) by Benjamin Netanyahu merits detailed examination, even though the Israeli Ministry of Infrastructure and Israel's Natural Gas Authority appear to have tempered the initial enthusiasm of the Israeli Premier.²⁷

Importantly, IICG has been included in the EU's list of Projects of Common Interest (PCI). Despite the fact that neither Cyprus nor Israel agreed to make particular reference to IICG in the trilateral MoU, Athens has continued to lobby for the pipeline as if it were the only viable option on the table, since IICG is strongly supported by DEPA, the state-owned Natural Gas Company and the Ministry of Energy.

During the last visit of Prime Minister Samaras to Tel Aviv, Greece presented IICG as the most important common energy project. The joint statement signed between the Greek Energy Minister Yannis Maniatis and his Israeli counterpart, Silvan Shalom, in October 2013 did not refer to IICG by name, but the statements made by Maniatis and their subsequent interpretation created the impression that the pipeline was the only export project worthy of serious Greek diplomatic support.

This does not appear to be the case. Samaras has continued to mention Greece and Cyprus together, as a common bridge that could facilitate the export of Israeli gas to Europe, without singling out IICG over the Vassilikos LNG.²⁸ More importantly, since the Cypriot government does not consider IICG a higher priority than the Vassilikos LNG terminal, neither Netanyahu nor any other senior Israeli official are likely to commit major volumes – around 7-8 BCM/annum or 40-50 percent of Israel's current export capacity – to a project that faces the following major challenges:

(i) Depth/Distance:

Such a pipeline, whose length is estimated at approximately 1,150 kilometres, would have to cross through areas that lie – especially to the south of Crete – at depths of 3,000 meters.²⁹ At these depths the enormous pressure presents massive technical challenges. As of the end of 2013, the deepest pipeline ever constructed was the *Blue Stream*, connecting Turkey and Russia across the Black Sea at a maximum depth of 2,150 metres.

France's *Technip* and Italy's *Saipem*, a subsidiary of ENI, are two of a handful of engineering companies in the world who have the capacity to construct IICG. In particular *Saipem* has played a leading role in the construction of offshore pipelines in Europe. It constructed the Blue Stream (2005) and the Nord Stream (2011, 2013) pipelines and in September 2012 commissioned the ultra-deep pipe-laying vessel *Castorone*, that is able to lay pipelines at depths close to 3,000 meters.³⁰ Technip's *Deep Blue* vessel will begin work during the second half of 2014 on the world's deepest pipeline that will be constructed for Shell's Stones gas field at a depth of 2,900 meters, close to the required operational depth of IICG.³¹

What all this means for IICG is that the technology that will be needed to construct a pipeline at depths close to 3,000 meters is about to be tested in real life conditions for the first time. More importantly, the list of companies who can purchase these unique types of service is confined to the super-majors of the global oil & gas industry, and not a medium-small gas trading company that is in the process of being privatised (i.e. DEPA), nor Israel's small upstream developers. If IICG is constructed within the timeframe (i.e. by 2019) proposed by its promoters it would constitute a feat of world-class engineering with very few precedents, the costs of which are extremely difficult to assess, especially in the absence of a comprehensive feasibility study.

(ii) Commitment of Gas Resources:

Existing discoveries in Cyprus and Israel cannot commercially support a Cypriot LNG terminal *and* IICG. Exports from Leviathan do not suffice to support both options of direct 'Hellenic' interest unless Israel (i) decides to commit 50 percent of its gas exports to Europe via Greece and IICG; (ii) does not export any gas to its Near East neighbours, namely Egypt and Jordan; and uses the Vassilikos LNG *exclusively* for exporting gas to Asian markets. Such a scenario would require Israel to place the totality of its gas exports in Greek hands. Even though this would be the optimal case for Athens and Nicosia it is also quite unrealistic. Unless and until new major gas discoveries are made and verified in Cyprus and/or Israel – and the soonest that might happen is late-2015 to early-2016 – IICG and the Vassilikos LNG terminal are mutually exclusive from the Israeli point of view.

(iii) Geopolitical Risk:

In addition to the technical and commercial challenges, any IICG will face Turkish claims over the Cypriot and Greek Exclusive Economic Zones (EEZ) in the Eastern Mediterranean. It is debatable whether Israeli military assistance would be forthcoming should Turkey decide to deploy its naval forces in an attempt to stop the construction of IICG. There is only one scenario under which Turkish military power could be diplomatically neutralised, relating to the demarcation of the Greek EEZ with both Cyprus and Egypt and the approval of Egypt for the transit of IICG via its EEZ.

Despite the entrenched enmity between the generals in Cairo and Erdogan's Islamic government, there is little chance that such complex diplomatic negotiations will come to fruition, at least in the medium term. Without a tripartite agreement between Greece, Cyprus and Egypt on their respective EEZs the construction of IICG is politically very difficult to achieve. That is perhaps why Prime Minister Samaras recently appeared less enthusiastic with the IICG concept, noting that 'the pipeline is one of the many ideas currently discussed. Yet the [energy] cooperation between the countries of the region can be done in many different ways of transportation'.³²

CONCLUSION

The Greek-Israeli rapprochement that followed the *Mavi Marmara* incident created the impression that a small diplomatic revolution was at hand. The most optimistic proponents of this new cooperation went so far as to suggest that the traditionally strong relations of Greece and Cyprus with Arab states were becoming obsolete. This school of thought viewed Israel as a strategic counterbalance to Turkey, but its policy recommendations were primarily a knee-jerk reaction to what was erroneously perceived as an opportunity to commit Israel to a confrontational policy vis-à-vis Turkey.³³ Despite the initially high expectations, such 'hopes' have not been realised.

Since 2010 diplomatic exchanges have increased, joint military exercises have multiplied, and the flow of Israeli tourists to Greece and Cyprus has grown substantially, but the core strategic component of this alliance is missing. The only exception has been Delek's participation with a 30 percent share in the Noble-led consortium which is currently exploring for hydrocarbons in Block 12 of the Cypriot EEZ and discovered the Aphrodite field. Whilst Greece's and Israel's interests align in several important areas, the two parties still lack the core *raison d'être* for an alliance.

Energy cooperation that would alleviate EU gas dependence on Russian imports and (prospectively) Turkish transit could constitute such a core interest not only for Israel, Cyprus and Greece but for several leading EU member states with important interests in the Eastern Mediterranean, including Italy and more importantly France and Britain. Energy cooperation, illustrated by the liquefaction of Israeli gas in Cyprus and the more long-term construction of gas and electricity lines to Greece, can constitute this missing lynchpin and turn a contingent alignment into a more enduring alliance. The current relationship continues to offer Greece a high margin of diplomatic flexibility, enabling it to continue the balancing act that promoted an expansion of bilateral cooperation with Israel while making sure that this cooperation would not translate into diplomatic damage to Greece's ties to Arab states.

This policy was clearly illustrated by Greece's decision to vote in favour of the Palestinian Authority's (PLA) admittance to UNESCO as a full member state in October 2011, despite Israeli pressure to remain neutral. The flourishing of Greek-Israeli relations in the commercial and tourist sectors continued throughout 2012 and 2013, despite Greece's pro-Palestinian positions in the UN framework, including its November 2012 decision to support, as did France, Italy and Cyprus, the PLA's adhesion to the UN as a non-member observer state.³⁴

It is indicative of Greece's successful diplomacy that a few weeks before the UN vote, Greek and Israeli Air Forces conducted a series of sensitive common exercises in the maritime zone that would connect the future Greek and Cypriot EEZs extending from the areas to the Southeast of Crete all the way to Cyprus's western shores.³⁵ How long Greece can maintain this balancing act is a matter of conjuncture, and the pressure to provide an answer may dissipate given that Israeli-Turkish relations remain deadlocked in a confrontation that ranges from rhetorical hostility to deepening strategic perfidy.

Despite efforts from the US government to 'patch up' the relationship and to achieve a rapprochement between its erstwhile allies, almost four years after the *Mavi Marmara* incident there is still no exchange of ambassadors, no formal apology on Israel's behalf for the incident, no agreement on the compensation of the victims' families and no lifting of the arms embargo that forbids the sale of any military equipment to Turkey. Erdogan's announcement on 27 June 2013 that he would be visiting Gaza the following week, as well as the statement by Turkey's Vice-Premier Bulent Arinc that the Jewish Diaspora was behind the anti-AKP demonstrations that rocked Turkey that month, seriously undercut the efforts of Turkish and Israeli diplomats who wanted to promote a process of reconciliation.³⁶

Most importantly, Erdogan's sensational accusations that Israel orchestrated the *coup d'état* which removed Mohammed Morsi from power in Egypt in August 2013 serve to confirm Israel's concern that Turkish foreign policy is being driven by neo-Ottoman ideology. Shortly before his re-appointment as Foreign Minister, Avingor Lieberman urged all interested parties to 'stop deluding themselves about Turkish-Israeli relations'. On 13 October 2013 Lieberman posted on his Facebook account the following statement which should end – at least for the foreseeable future – the debate surrounding the possibilities for Turkish-Israeli 'rapprochement': 'I have no intention of improving relations with Turkey... My opposition to apologising to Turkey is not new, and I expressed it clearly before and after it happened. I reasoned and explained that it will not improve relations between the countries but will only harm Israel's standing in the region and play into the hands of extremists in the Middle East, with Turkey under Islamist extremist Erdogan among them'.³⁷

Erdogan's own policy in the Middle East and his continued support for a pro-Islamist agenda puts him in direct confrontation with Israel's strategists and Egypt's generals. If no solution to the Cypriot Problem is found, as is most probable, and the gap between Cairo and Ankara deepens to the extent of the current Turkish-Israeli schism, then IICG will become more diplomatically likely; especially if more hydrocarbon discoveries are made and certified in the Cypriot EEZ by 2015-2016.

Whatever the possible futures, Greece should not limit its options and blindly support IICG. The project is extremely challenging from a technical and financial point of view, even if there were no geopolitical problems with Turkey, and is not considered the top export priority by either Israel or Cyprus. Greece needs to recalibrate its approach and make a coordinated effort with Cyprus to convince the Israeli government to support the construction of a joint Cypriot-Israeli liquefaction terminal in Vassilikos. Such a prospect would still make Greece a significant transit state for Eastern Mediterranean gas through the IGB, increase Greece's gas import diversification and substantially diminish the country's transit dependence on both Ukraine and Turkey. ■

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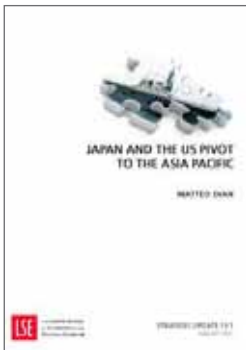
Glossary

BCM	Billion Cubic Metres.
DEPA	Public Gas Company, state-controlled Natural Gas Company of Greece.
EEPR	European Energy Programme for Recovery. A 2009 emergency financial programme that provided up to one-third of total capital costs for the construction of electricity and natural gas interconnections which would limit the dependence of EU member states on Russian gas imports, especially those passing via Ukraine.
EEZ	Exclusive Economic Zone.
FIR	Flight Information Region.
FLNG	Floating Liquefied Natural Gas. A floating liquefaction vessel that replaces the need for the construction of an onshore liquefaction terminal for the export of LNG.
FSRU	Floating Storage Regasification Unit. A floating regasification vessel that replaces the need for the construction of an onshore regasification for the import of LNG.
GW	Gigawatt.
HVDC	High Voltage Direct Current.
IBR	Interconnector Bulgaria-Romania (natural gas pipeline under construction).
IGB	Interconnector Greece-Bulgaria (proposed natural gas pipeline).
IEC	Israel Electricity Corporation. The state-controlled Israeli electricity company.
IICG	Interconnector Israel-Cyprus-Greece (proposed natural gas pipeline).
LNG	Liquefied Natural Gas.
MMBTu	Million British Thermal Units.
MoU	Memorandum of Understanding.
ND	Nea Demokratia – New Democracy.
NGTS	National Gas Transportation System.
NM	Nautical Miles.
PASOK	Panellinion Sosialistiko Kinima – Panhellenic Socialist Movement.
PCI	Projects of Common Interest. Infrastructure projects in the electricity and natural gas sector singled out for preference by the European Commission in recognition of their potential EU-wide benefit.
PLA	Palestinian Authority.
PPC/DEH	the state-controlled Public Power Company of Greece.
SAM	Surface to Air Missile.
TAP	Trans Adriatic Pipeline. The project that will transfer up to 20 BCM/annum of Azeri natural gas to Europe via Greece, Albania and Italy.
UNCLOS	United Nations Convention for the Law of the Seas.
UNESCO	United Nations Educational, Scientific and Cultural Organization.



Cyberspace is a domain of warfare unlike all others: it is informational in nature, accessible without the need for spatial proximity, and acts as a global data and communication highway. These properties have given rise to patterns of continuous, low-intensity clandestine cyber conflict. The existing Laws of War, which apply to cyberspace as a matter of doctrine, are ill-equipped to deal with this. The community of states must negotiate a treaty on cyberwar, institutionalise cross-border law enforcement cooperation of cybercriminals, and place state-sponsored digital espionage within the World Trade Organisation's remit to arbitrate anti-competition disputes.

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This paper analyses the consequences of the US pivot to Asia on the US-Japan alliance and on Japanese foreign and security policies. On the one hand, the US pivot is reassuring for Tokyo, since it seeks to 'rebalance' Chinese military ascendancy and to strengthen extended deterrence in the region. On the other hand, it contributes to the acceleration of the 'normalisation' of Japanese security policies, speeding the process of overcoming the institutional self-binding prescriptions that underpinned Japan's post-war pacifism.

Matteo Dian was a visiting research student at the LSE IDEAS, and a visiting graduate student at the European University Institute and at the Paul H. Nitze SAIS, Johns Hopkins University.



In this research report IDEAS explores the current euro crisis by looking at the debates preceding the conception of the euro. How can the early days of EU monetary cooperation help us understand today's predicament? And what lessons can we draw from them for the euro?

Emmanuel Mourlon-Druol was the Pinto Post-Doctoral Fellow at LSE IDEAS for the 2010-2011 academic year.



Enlargement is widely hailed as the EU's most successful foreign policy tool. Over the past four decades, the European Community (which became the European Union in 1993) managed to transform itself from a club of six Western European democracies to the world's largest economy, encompassing 28 countries and half a billion people. The recent financial crisis, however, has given rise to doubts about the viability and the attractiveness of the EU model. In this context of soft power crisis, the EU has a policy problem, that, according to Günter Verheugen, 'the enlargement process now lacks any strategic orientation'. Enlargement faces daunting challenges both internally and with respect to its neighbours. If the EU hopes to revive its most successful foreign policy tool, it must reconsider why it has been successful in the past and integrate these lessons to develop a new strategy.



Over the last five years Southern Europe has experienced widespread economic, political and social upheaval of almost existential proportion. Greece, Italy, Spain and Portugal, stricken by the Eurozone crisis and the aftershocks of the Arab Spring, face uncertain futures. This report examines the challenges confronting Southern Europe and seeks to explore the potential benefits the countries of the region could gain if they cooperated more closely and developed common policy responses.

The report confirms the need for 'more Europe', but recognises that further integration requires interconnected initiatives and holistic approaches. First, Southern European countries must overcome their reluctance to using the existing mechanisms of the EU. In parallel, Northern European countries must avoid exacerbating the North-South divide and show a fuller appreciation of the wider benefits of a prosperous Southern Europe to the whole of the EU.



After more than a decade in power, Turkey's Justice and Development Party (AKP) has grown increasingly confident in its foreign policy, prompting observers to wonder aloud whether the country might be leaving 'the West', forcing that group to confront the question 'who lost Turkey?'

This is to cast Turkey's role, and its emerging global strategy, in unhelpful binary terms. Turkey's emerging role reflects the changes in world politics whereby power is becoming decentred and more diffuse, with established blocs replaced by more fluid arrangements that loosely bind states on the basis shifting interests.

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GREECE AND THE ENERGY GEOPOLITICS OF THE EASTERN MEDITERRANEAN

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The discovery of considerable natural gas reserves in the Eastern Mediterranean and the impressive burgeoning of Greek-Israeli cooperation over the last four years appear to have re-introduced Greece as a potentially important player in the geopolitics of the region. Although the development of the Greek-Israeli rapprochement initially constituted a reflexive reaction on the part of Athens and Tel Aviv that sought to cover the vacuum in Turkish-Israeli relations after the *Mavi Marmara* incident of June 2010, the dynamic relationship that developed between the two capitals has evolved into a strategic alignment that includes Cyprus.

At the centre of this alignment, which still falls short of becoming a more long-standing and comprehensive alliance, is the possibility of developing a new energy corridor that could link Cypriot/Israeli natural gas reserves to the EU market via Greece. From the Greek point of view the optimal way for the establishment of this new energy corridor would be the construction of a high voltage electricity cable and a natural gas pipeline that would connect Israel, Cyprus and Greece. Both plans face considerable technical, financial and geopolitical challenges. The realisation or failure of these two projects will have a major impact on the quality and dynamic of the developing geostrategic alignment.

