

The New Mediterranean Oil and Gas Bonanza

Part II: Rising energy tensions in the Aegean—Greece, Turkey, Cyprus, Syria

By [F. William Engdahl](#)

Global Research, January 27, 2013

Global Research, 3 March 2012

Region: [Middle East & North Africa](#)

Theme: [Oil and Energy](#)

The discovery in late 2010 of the huge natural gas bonanza off Israel's Mediterranean shores triggered other neighboring countries to look more closely at their own waters. The results revealed that the entire eastern Mediterranean is swimming in huge untapped oil and gas reserves. That discovery is having enormous political, geopolitical as well as economic consequences. It well may have potential military consequences too.

Preliminary exploration has confirmed similarly impressive reserves of gas and oil in the waters off Greece, Turkey, Cyprus and potentially, Syria.

Greek 'energy Sirtaki'

Not surprisingly, amid its disastrous financial crisis the Greek government began serious exploration for oil and gas. Since then the country has been in a curious kind of a dance with the IMF and EU governments, a kind of "energy Sirtaki" over who will control and ultimately benefit from the huge resource discoveries there.

In December 2010, as it seemed the Greek crisis might still be resolved without the by-now huge bailouts or privatizations, Greece's Energy Ministry formed a special group of experts to research the prospects for oil and gas in Greek waters. Greece's Energean Oil & Gas began increased investment into drilling in the offshore waters after a successful smaller oil discovery in 2009. Major geological surveys were made. Preliminary estimates now are that total offshore oil in Greek waters exceeds 22 billion barrels in the Ionian Sea off western Greece and some 4 billion barrels in the northern Aegean Sea. [1]

The southern Aegean Sea and Cretan Sea are yet to be explored, so the numbers could be significantly higher. An earlier Greek National Council for Energy Policy report stated that "Greece is one of the least explored countries in Europe regarding hydrocarbon (oil and gas-w.e.) potentials." [2] According to one Greek analyst, Aristotle Vassilakis, "surveys already done that have measured the amount of natural gas estimate it to reach some nine trillion dollars." [3] Even if only a fraction of that is available, it would transform the finances of Greece and the entire region.

Tulane University oil expert David Hynes told an audience in Athens recently that Greece could potentially solve its entire public debt crisis through development of its new-found gas and oil. He conservatively estimates that exploitation of the reserves already discovered could bring the country more than €302 billion over 25 years. The Greek government instead has just been forced to agree to huge government layoffs, wage cuts and pension cuts to get access to a second EU and IMF loan that will only drive the country deeper into an economic decline. [4]

Notably, the IMF and EU governments, among them Germany, demand instead that Greece sell off its valuable ports and public companies, among them of course, Greek state oil companies, to reduce state debt. Under the best of conditions the asset selloffs would bring the country perhaps €50 billion. [5] Plans call for the Greek state-owned natural gas company, DEPA, to privatize 65% of its shares to reduce debt. [6] Buyers would likely come from outside the country, as few Greek companies are in a position in the crisis to take it.

One significant problem, aside from the fact the IMF demands Greece sell off its public oil interests, is the fact that Greece has not declared a deeper exclusive economic zone like most other countries which drill for oil. There was seen little need until now. An Exclusive Economic Zone (EEZ) gives a state special mineral rights in its declared waters under the Third United Nations Convention on the Law of the Sea (UNCLOS), which came into force in November 1994. Under UNCLOS III, a nation can claim an EEZ of 200 nautical miles from its coastline. [7]

Turkey has previously stated it would consider it an act of war if Greece drilled further into the Aegean. [8] Until now that did not seem to have serious economic consequences, as no oil or gas reserves were known. Now it's an entirely different ballgame.

Evangelos Kouloumbis, former Greek Industry Minister recently stated that Greece could cover "50% its needs with the oil to be found in offshore fields in the Aegean Sea, and the only obstacle to that is the Turkish opposition for an eventual Greek exploitation." [9]

Hillary dances the Sirtaki too...

In July 2011 Washington joined the Greek energy Sirtaki. Secretary of State Hillary Clinton flew to Athens with energy on her mind. That was clear by the fact she brought with her her Special Envoy for Eurasian Energy, Richard Morningstar. Morningstar was husband Bill Clinton's Special Advisor to the President on Caspian Basin Energy Diplomacy, and one of the Washington strategic operatives in the geopolitical battles to dismember the Soviet Union and surround a chaos-ridden Russia with hostile pro-NATO former states of the USSR. Morningstar, along with his controversial aide, Matthew Bryza, have been the key Washington architects of Washington's geopolitically-motivated oil and gas pipeline projects that would isolate Russia and its Gazprom gas resources from the EU. Bryza is an open opponent of Russian Gazprom's South Stream gas pipeline that would transit the eastern Mediterranean states. [10] Clearly the Obama Administration is not at all neutral about the new Greek oil and gas discoveries. Three days after Hillary left Athens the Greek government proposed creation of a new government agency to run tenders for oil and gas surveys and ultimate drilling bids.

Morningstar is the US specialist in economic warfare against Russian energy diplomacy. He was instrumental in backing the controversial B-T-C oil pipeline from Baku through Tbilisi in Georgia across to the Turkish Mediterranean port of Ceyhan, a costly enterprise designed solely to bypass Russian oil pipeline transit. He has openly proposed that Greece and Turkey drop all historic differences over Cyprus, over numerous other historic issues and agree to jointly pool all their oil and gas reserves in the Aegean Sea. He also has told the Greek government it should forget cooperation with Moscow on the South Stream and Bourgas-Alexandroupolis gas pipeline projects. [11]

According to a report from Greek political analyst Aristotle Vassilakis published in July 2011,

Washington's motive for pushing Greece to join forces with Turkey on oil and gas is to force a formula to divide resulting oil and gas revenues. According to his report, Washington proposes that Greece get 20% of revenues, Turkey another 20% and the US-backed Noble Energy Company of Houston Texas, the company successfully drilling in the Israeli and Greek offshore waters, would get the lion's share of 60%. [12]



Secretary of State Hillary Clinton's husband, Bill, is a Washington lobbyist for Noble Energy. [13]

And some Cyprus complications...

As if these geopolitical complications were not enough, Noble Energy, has also discovered huge volumes of gas off the waters of the Republic of Cyprus. In December 2011 Noble announced a successful well offshore Cyprus in a field estimated to hold at least 7 trillion cubic feet of natural gas. Noble's CEO, Charles Davidson remarked to the press, "This latest discovery in Cyprus further highlights the quality and significance of this world-class basin." [14]

Cyprus is a complicated piece of real estate. In the 1970's as declassified US Government documents recently revealed, then-US Secretary of State Henry Kissinger actively encouraged and facilitated arms to the Turkish regime of Kissinger's former Harvard student and then- Prime Minister Bulent Ecevit, to stage a military invasion of Cyprus in 1974, in effect partitioning the island between an ethnically Turkish north and an ethnically Greek Republic of Cyprus in the south, a division which remains. The Kissinger strategy, backed by the British was believed intended to create a pretext for a permanent US and British military listening post in the eastern Mediterranean during the Cold War. [15]

Today the ethnically Greek south, where Noble has discovered large gas deposits, is a member of the EU. Its President, Demetris Christofias, is the only national leader in the European Union who is a communist. He is also a close friend of Israel, and of Russia. In addition, he is a major critic of American foreign policy, as well as of Turkey. [16]

Now Israel is planning to build an underwater gas pipeline from the Israeli Levantine fields across Cyprus waters onto the Greek mainland where it would be sold on the EU market. The Cyprus and Israel governments have mutually agreed on delimitation of their respective economic zones, leaving Turkey in the cold. Turkey openly threatened Cyprus for signing the agreement with Noble Energy. That led to a Russian statement that it would not tolerate Turkish threats against Cyprus, further complicating Turkish-Russian relations. [17]

Turkish-Israeli relations, once quite friendly, have become increasingly strained in recent years under the Erdogan foreign policies. Ankara has expressed concern about Israel's recent ties with its historic antagonists, Greece and the Greek side of Cyprus. Turkey's ally the Turkish Republic of Northern Cyprus, fears it could miss out on its fair share of the gas after Israel and Nicosia signed an agreement to divide the 250 kilometers of sea that separate them. [18]

It becomes evident, especially when we glance at a map of the eastern Mediterranean, that the oil and gas prospective bonanza there is a rapidly unfolding conflict zone of tectonic magnitude involving strategic US, Russian, EU, Israeli and Turkish, Syrian and Lebanese interests.

F. William Engdahl is the author of A Century of War: Anglo-American Oil Politics and the New World Order

Notes

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