

Deciphering the Eastern Mediterranean's Hydrocarbon Dynamics

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Deciphering the Eastern Mediterranean's Hydrocarbon Dynamics: Unravelling Regional Shifts

BY

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INVESTOR IN PEOPLE

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List of Abbreviations

EEZ	Exclusive Economic Zone
EMGF	Eastern Mediterranean Gas Forum
EU	European Union
EMP	Euro-Mediterranean Partnership
IEA	International Energy Agency
ISIS	Islamic State of Iraq and Syria
KRG	Kurdistan Regional Government
KRI	Kurdistan Region of Iraq
LNG	Liquefied Natural Gas
NATO	North Atlantic Treaty Organization
OPEC	Organization of the Petroleum Exporting Countries
PSC	Production Sharing Contract
RoC	Republic of Cyprus
TRNC	Turkish Republic of Northern Cyprus
UFM	Union for the Mediterranean
USA	United States of America

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About the Author

Bahrooz Jaafar Jabbar hails from Iraq's Kurdistan Region. He holds a Ph.D. in International Relations from Cyprus International University, Nicosia. With over 16 years of expertise in energy geopolitics, energy security, regional order in the Middle East and Eastern Mediterranean, and ongoing conflicts in Iraq, he is the Founder and Head of the Mediterranean Institute for Regional Studies.

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Dr Bahrooz's insights are highly regarded by media outlets, research centers, and decision-makers, particularly regarding capacity building, energy security, non-state actors, energy geopolitics, and political economy in the Eastern Mediterranean and Middle East. He is recognized as an Iraqi Kurdish academician and completed a six-month teaching methods course at Charmo University, earning a pedagogical certificate internationally recognized by the Ministry of Higher Education of the Kurdistan Regional Government.

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Preface

This book aims to analyze the political economy of hydrocarbons in the Eastern Mediterranean and the factors influencing their energy development. It effectively argues that the region's geopolitical landscape, particularly concerning hydrocarbons, is intricately linked to political, economic, and environmental considerations. The central argument emphasizes the significance of the region's energy dynamics and the roles of key players. To support these arguments, the book meticulously presents a comprehensive array of evidence, including historical context, geopolitical shifts, economic data, and the involvement of major powers. The integration of statistics and agreements, along with the establishment of the Eastern Mediterranean Gas Forum, serves to fortify the evidential foundation. To this effect, the book focuses on the critical challenges in the Eastern Mediterranean within the emerging regional order and aims to investigate the role played by extra-regional actors such as NATO, Russia, and the United States. The Mediterranean basin holds significant geostrategic importance, serving as a meeting point between Asia, Europe, and Africa. Its status reflects the intensity of commercial and military traffic, making it the southern base of NATO and Russia's primary gateway to warm waters. Additionally, the trilateral alliance between Greece, Cyprus, and Israel has been embraced by the United States, with hopes that offshore energy production in the Eastern Mediterranean will establish a new security framework and impact global energy markets.

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Introduction

The Mediterranean Sea has many key roles in different aspects: Geographically, it is a point of entrance and a bridge between the Middle East, Europe, and North Africa. Historically, it has been the cradle of civilization; then it played an extremely significant role when it came to the affairs of empires such as the Roman Empire, the Ottoman Empire, and the Great Britain. Nowadays, superpowers such as the United States, Russia, China, and NATO have various projects and initiatives in this area. Economically, the main issue is the discovery and export of natural gas and oil since the end of 2010; in addition to the issues of shipping and oil transportation through the Mediterranean Sea, water delineation, and the issue of renewable energy and electrification (Dalay, 2021).

All of these crucial roles of the Mediterranean basin have made it a matter of security and stability not only for the Eastern Mediterranean or the Middle East but for the entire world. New conflicts and various threats can also arise in the region, as the world's most sensitive issues involve the Mediterranean, such as the emergence of immigration and crossing hundreds of thousands of refugees from the Middle East and North Africa to Europe, the Palestinian–Israeli conflict, the Syrian crisis, and regional incursion, the unsolved problem of Cyprus between Turkey and the European Union on one side, between Turkey and Republic of Cyprus on the other side. Additionally, the collapsing balance of power ties between the countries in the Eastern Mediterranean: Egypt–Turkey, Turkey–Israel, Turkey–Greece, Turkey–Cyprus, Turkey–Syria, and the tensions between the EU and Turkey. This has had economic, humanitarian, regional, and international conflicts since the Arab spring's uprising (2011).

The hydrocarbon landscape in the Eastern Mediterranean is intricately woven with political and economic considerations, demanding a nuanced exploration of various facets. A comprehensive analysis must delve into the complex interplay of factors influencing energy development in the region. This encompasses understanding the political economy governing hydrocarbons, elucidating the strategic importance of the Eastern Mediterranean, and delineating its role within the broader global energy markets.

Central to this exploration are the key regional players and alliances that shape the trajectory of energy dynamics. Israel, Egypt, and Cyprus emerge as pivotal actors, necessitating a thorough re-evaluation of their roles in this geopolitical landscape. Each nation's stance on hydrocarbon utilization and exploration profoundly impacts the region's overall energy strategy.

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Moreover, the geopolitical and security dimensions of the Eastern Mediterranean must be considered. A detailed examination is imperative to unravel the alliances and conflicts that define the region's geopolitical landscape. Simultaneously, considerations of security are paramount, not only for the nations directly involved but also for global energy markets that are significantly influenced by developments in this strategic area.

Environmental hazards add another layer of complexity to the narrative. The exploration and exploitation of hydrocarbons inevitably pose risks to the delicate ecological balance of the Eastern Mediterranean. A holistic perspective must weigh the environmental consequences and advocate for sustainable practices in pursuing energy resources.

In this context, the trilateral alliance between Greece, Cyprus, and Israel assumes significance. The US endorsement of this alliance signals a recognition of its potential to reshape the region's security framework. The hope is that offshore energy production in the Eastern Mediterranean will enhance regional security and exert a transformative influence on global energy markets.

In general, a comprehensive examination of the Eastern Mediterranean's political economy of hydrocarbons necessitates a multidimensional approach. Understanding the strategic, geopolitical, security, and environmental dimensions is crucial for charting a sustainable and secure energy future in the region. The trilateral alliance, backed by the United States, emerges as a pivotal force that could steer the Eastern Mediterranean toward a new era of energy stability and global impact.

Events are occurring so dramatically and rapidly in the first quarter of the 21st century that scientists and international relations literature may need help to name and define developments. Here are more than 10 years (from 2010 to 2023) of discovering and extracting natural gas from Israel's waterfront and Cyprus that led to media and research centers investigating. This has encouraged the energy enterprises to move toward the area under the direct supervision of the US administration. And then the Eastern Mediterranean Gas Forum (EMGF) has established in September 2020 between Egypt, the Republic of Cyprus, Israel, Greece, Jordan, Palestine Authority, France, and Italy. Each of the energy ministers of Greece, Israel Cyprus signed the final agreement for the pipeline project in January 2020 to transport Cyprus and Israeli gas to Greece, Italy, and other European countries.

In fact, building a 1,900 km of underwater pipelines at a cost of about \$7 billion in such a sensitive geographical area is a meaningful project. Since 2010, it has been viewed that the East-Med gas project becomes an alternative to Russian natural gas to Europe or at least reduce Europe's dependence on Russian energy. Also, the event has turned Israel from an importer of natural gas to an energy exporter! Furthermore, these changes encouraged other regional powers and countries to move the region. For instance, the UAE, although not geographically linked to the Eastern Mediterranean, has joined as a member of the EMGF and Israel has sold a 22% stake in the Tamar gas field to the UAE's Mubadala Petroleum for 1.2\$billion (Anadolu Agency, 2021).

In the most straightforward vision, oil and natural gas are still the world's first commercial commodities. Billions of cars, planes, ships, factories, electricity networks, and various manufacturing industries still wholly depend on oil and gas. Without natural gas and oil, moving and transportation will stop. Even though humanity has reached high levels of development and is a marvelous invention in its history, it is yet to be able to replace oil and natural gas. As stone coal had a significant influence in the previous centuries, its role changed to oil, and now natural gas is at the height of its life. Natural gas has never affected international relations as much as it did in 2022 and 2023.

Hence, the political economy of hydrocarbons is related to two key concepts: The first is energy geopolitics, which is the result of the effects of geographical and political factors on the existence of oil and natural gas. This has a direct reflection on the way countries are dealing with their outside borders. The second is energy security, which means connection and balance between national security and sufficient embodiment of economical natural resources for using and filling local needs.

According to the US Energy Information Administration, in 1980, the world used 53 trillion cubic feet of natural gas, but in 2010, 113 trillion cubic feet of natural gas were used in the world (U.S. Energy Information Administration, 2012). As pointed out by the International Energy Agency, in 2023, global gas demand rose by just 0.5%, as growth in China, North America, and gas-rich countries in Africa and the Middle East was partially offset by declines in other regions. In 2024, global gas demand is forecast to grow by 2.5% and rise to 4.19 trillion cubic meters (International Energy Agency, 2023). In regards to oil, similarly, in 2023, it amounted to 102.21 million barrels daily. The source expects the oil demand to increase to 104 million barrels per day by the end of 2024 (Statista, 2024). The demand for natural gas and oil has increased further.

The primary goal of this book can be encapsulated in the following query:

Are the geopolitical changes in the Eastern Mediterranean directly related to the issue of natural gas and oil; or are there some other backgrounds to these changes?

To address this question head-on it is imperative to pose two additional questions: What is the role of the superpowers in determining and settling the regional conflicts in the Eastern Mediterranean? Has the extraction and export of natural gas in the Eastern Mediterranean encouraged regional conflicts; or has it become a reason for new regional cooperation and calling for the surrounding countries to find a new common regional security system?

To this effect, this book can be viewed as a rich scientific source from various angles, such as:

- It helps us to better understand the importance of Eastern Mediterranean geopolitics and identify the crucial conflicts in the region.
- It offers in-depth knowledge on the political economy of oil and natural gas in general, and on the actions of the multi-national corporations specifically in the Eastern Mediterranean.

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- The book also seeks to explain the regional chessboard in the Eastern Mediterranean and each player's role in it; like Israel, Egypt, Cyprus, Turkey, and Greece, as well as the illustrations with the realist approach within the international relations literature.
- It interprets the intersection of the new global and regional order in the Eastern Mediterranean.
- The work highlights the division of the reality of power due to the sensitive issues in the region, such as hydrocarbon capacities, electrifications, water demarcation, environmental problems, and regional security challenges, while more importantly, it focuses on strengthening the Eastern Mediterranean bloc by controlling and patrolling other nearby oil and natural gas-rich regions like the Kurdistan Region of Iraq.

Chapter One

General Framework of the Mediterranean Geopolitics

Abstract

The geopolitical significance of the Mediterranean Sea transcends regional security and energy supply, profoundly impacting global security dynamics. Daily headlines underscore the plight of migrants from the Middle East and North Africa crossing the Mediterranean, exacerbating humanitarian crises and European identity challenges. Environmental concerns are further heightened by the abundance of global ports facilitating oil and goods transportation, alongside the staggering number of tourists flocking to the Mediterranean coast annually. This chapter serves as a gateway to the book, exploring the concept of “geopolitics” and delineating its characteristics. It specifically delves into the political economy of the Eastern Mediterranean and the geopolitical obstacles to energy security in the region. The chapter strategically selects four primary issues to dissect the region’s conflict complexity: the Syrian crisis, the Israeli–Palestinian conflict, the unresolved Cyprus dispute, and the Lebanon–Israel conflict over water border demarcation.

Keywords: Geopolitics; Mediterranean Sea; conflict dynamics; energy security; exclusive economic zone (EEZ)

1.1. Geopolitics: Context and Features

Every concept has a history and geography; “geopolitics” is no exception. As Tuathail (1998) pointed out, the term “geopolitics” was first used in 1899 by Swedish political scientist Rudolf Kjellén. The 20th century is widely regarded as the century of geopolitics. From the term’s inception at the start of the century

to its widespread usage today as an indicator of global strife and change, the geopolitical dilemma provides an insightful window into the major power and space contests that have dominated this era. It has significantly evolved from Kjellén's original definition in his research to denote a broad interest in the intersection of geography and politics. Defining geopolitics precisely is challenging because the meaning of terms like these tends to shift with different historical eras and world-order systems.

Geopolitics is best understood in its historical and discursive context of use. In the early 20th century, Kjellen and other imperialist thinkers understood geopolitics as that part of Western imperial knowledge that dealt with the relationship between the physical earth and politics. Associated later with the notorious Nazi foreign policy goal of *Lebensraum* (the pursuit of more "living space" for the German nation), the term fell out of favor with many writers and commentators after World War II (Tuathail, 1998).

The fundamentals of geopolitics form with the unique imperatives and constraints of nation-states. They involve looking at all the attributes that affect a country or a region, dissecting each piece to better comprehend its implications, then putting them back together and painting a picture clear enough for others to understand. However, a good starting place is comprehending the elements that make up the fundamentals of geopolitics, how they interact and how they affect the whole of a country. These elements concern geography, politics, economics, military, technology, and culture. Each element is important to the country's geopolitical "picture" certainly.

The foremost factor is "Geography," which affects every element of a country's geopolitical context. Heartily, the geography of a place defines it. It determines what economic sectors will grow. It can influence how centralized power may be and a country's susceptibility to invasion or need for alliances. For example, nation-states like Russia may expand their borders to defend their political center. The larger this buffer zone is, the more secure Russia is from invading European powers. This fear of invasion is a big part of Russia's obsession with Ukraine. The closer Ukraine draws to Europe for its security, trade, and political alliance, the more threatened Russia will feel.

Geography also affects the military conditions of a country. Long coastal zones often need a navy; terrain dictates the equipment and skill set required for an army, and a country's general expansiveness defines the size and needs for an air force. As well as, the military can protect a country's borders, project power overseas, and defend against threats. A powerful military can significantly influence a country's geopolitical power projection and impact its interaction with neighboring countries. Countries under direct threat of foreign military forces must find ways to secure their defense and interests, such as through international alliances or enhancing their military to balance the power dynamics (Geopolitical Futures, 2022).

Another constituent element is "Politics," which can be defined simply as how a country is governed. The political dynamic of a country directly affects its institutional effectiveness, social stability, and international engagement strategy. While we at Geopolitical Futures do not predict a nation's domestic election

outcomes, the changes in political systems can impact other arenas of geopolitics, such as military and economics. Rather than the decisions made by a single leader, however, we look at politics from the perspective of imperatives versus constraints. This basic dynamic forms the foundation of our analytical strategy, and has proved to be an excellent characteristic to define and determine how a government may act next. This means that we can generally determine how a nation-state will behave/act and what it will prioritize, no matter who is in charge of it (Tuathail, 1998).

Economic is another feature of Geopolitics; the economy of a country or a region plays a significant role in determining its overall stability and power. A vigorous economy is often necessary for a powerful military and social stability. A country's economic stability, versatility, and resource availability directly impact its geopolitical behavior. For instance, countries with excess oil and gas reserves but a deficit of arable land may use economic ties with other countries to secure food and supplies for their populace in exchange for oil and natural gas. Interactions like this allow countries to use their strengths to circumvent constraints and better meet their imperatives. By this, "Geopolitical Economy" determines the significance and nature of free trade agreements (FTA).

Moreover, the technological capabilities of a country or region can also gain great economic, military, cultural, commercial, and diplomatic power. A country with modern technological capabilities can better influence the world stage (Geopolitical Futures, 2022).

Furthermore, there is a direct relationship between geopolitics and culture. Geopolitics describes and denotes how diverse groups of people interact and how nation-states at large will interact with each other. As Al-Rodhan (2014) pointed out, culture has a salient geopolitical relevance in a world that defines itself by much more than diplomatic exchanges and inter-state relations. This is primarily because of identity issues' deeply visceral and emotional connotations. This has been the case throughout history, as exchanges have occurred between people of different cultures for millennia, but today, they are marked by unprecedented assertiveness and scope of relations. This presents great opportunities on several levels but also has the potential to initiate tension or conflict when combined with injustice, inequalities, and insecurities (Al-Rodhan, 2014).

Thus, geopolitics has gained much more meaning and consequences. During the later years of the Cold War, geopolitics was used to describe the global contest between the Soviet Union and the United States for influence and control over the states and strategic resources of the world. Former US Secretary of State Henry Kissinger almost single-handedly helped to revive the term in the 1970s by using it as a synonym for the superpower game of balance-of-power politics played out across the global political map (Tuathail, 1998).

Since then, geopolitics has enjoyed a revival of interest worldwide as foreign policymakers, strategic analysts, transnational managers, and academics have struggled to make sense of the dynamics of the world political map. Geopolitics has become popular again because it deals with comprehensive visions of the world political map. Geopolitics addresses the "big picture" and offers a way of relating local and regional dynamics to the global system.

1.2. Geopolitical Importance of the Mediterranean Sea

Mediterranean is a region of shared problems and shared opportunities within contested domination control leading to the redistribution of power and determination of the future of the region. Models of studying the Mediterranean have presented it as a region of effervesce political developments which may have a significant world impact as a result of the entanglement of all the major global and regional powers in preserving prudential interest on the Mediterranean (Gillespie, 2013).

More specifically, the Mediterranean is a linking point of Europe, North Africa, and the Middle East countries with the United States stretching its influence to the region through allies and proxies. Countries in Europe's political circumference, especially Italy and Greece, have the hinge of their borders on the Mediterranean Sea. Historically, the Mediterranean Sea has been a source of security or insecurity but certainly a source of prosperity to these countries. Events like the refugee crisis in Libya and other countries in North Africa, and Syria in the Middle East have also been impacted by the connection to the sea. Scholars have presented the region as the determinant of which power controls Eurasia (Holland, 2015).

In 1980, gas was first discovered in the Mediterranean region across the Egyptian sea and within the Nile delta toward northern Alexandria (Dolson et al., 2000). This has led several countries in the Mediterranean and outside the region to begin to examine the possibility of oil and gas on their offshore. Consequently, there have been changes in the form of legislation that pertains to the discovery of oil and who owns a particular offshore, when should the offshore be established, how should the oil be drilled, what channel should the pipe run through and who should partake in the profit that is derived from oil and gas.

The international oil companies have engaged in huge investments in reaching out to the Mediterranean countries to be able to take advantage of the drilling opportunities by signing contracts and deals that give them the right to offshore drilling. They have been caught as the political tension, contest, and context of the region erupted much more after the discovery of oil and gas. Despite this challenge, the companies have found alternatives whenever they encounter the political-economic context of the Mediterranean hydrocarbon. These companies were able to use their heavy petrochemical plants established in less contested parts of the Mediterranean to supply gas, especially in Cairo to power the residential environment.

Although there has been a massive discovery of gas on the Mediterranean, statistics has signaled that it might not be enough for the consumption of countries in the region and their desired level of export. It is only a reserve of about 35 trillion cubic feet; hence a contest is inevitable as well as a search for new reserves. Every oil and gas company did not mind the contest as they engage bilaterally with each individual country in the region to explore their waters for more discoveries. The paradox is that the more the discoveries, the more complicated the politics, economy, and energy discourse of the Mediterranean. As the countries engaged