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Pipe dreams

Cyprus gas to Turkey is best option >7



Photo by Stefanos Kourafzis

Expert agrees that connecting Cyprus gas to Turkey is the best future option

By Annie Charalambous

The scenario of a pipeline from the offshore natural gas fields of Aphrodite to Cyprus and then onshore to Turkey is not as utopian as it might seem, Sir Michael Leigh of the German Marshall Fund told the Cyprus Weekly.

But it is premature today to take a front position on that, added the visiting senior advisor at the Washington DC-based public policy think tank

and a former European Commission director general for enlargement.

"It would be in some respects less ex-

pensive, require less initial investment than - for example - the idea of building a 350-kilometre pipeline from the fields to Egypt," Leigh said.

"And if the political climate encouraged it, this really might have distinctive advantages for all, but it is premature today to take a front position on that," he added.

Leigh also said that although there are a number of reasons - both economic and political - why Egypt potentially could be an attractive market, there are also many challenges that need to be overcome before this becomes a reality.

And that - in many ways - is more complex than the Turkish pipeline scenario.

"First of all, there is the uncertainty as to the demand of gas in Egypt in the future. Experts working for the German Marshall Fund and others have estimated that probably Egypt will still need to import gas for its domestic consumption through to the mid-2020s."

"But this is rather uncertain, there have been some huge investments recently in Egypt for domestic gas consumption, for example BP has a five-billion-dollar investment in the western Nile basin and as that gas comes on stream and additional discoveries are made little by little Egypt could again provide for its own needs and even

"Building a 350-kilometre-long pipeline to Egypt is unlikely to be less than around five billion dollars"

one day may become an exporting country.”

And this raises the question of what Egypt’s own demand for imported gas will be and how long that demand will last.

Also, whether that demand will last long enough to ensure a good payback and benefit to the investors.

“Now, the investors will have to come up with funds to pay for the development of the Aphrodite field and to build a 350-kilometre-long pipeline, there are different estimates of the cost of all of this, it goes up

and down also with the energy price but it’s unlikely to be less than around five billion dollars, it could be more or perhaps just a little less,” Leigh said.

“And to come up with funds of this order, an investor has to be confident that there will be a stream of revenue stretching to the future and a sound economic benefit for the company for its shareholders and so on,” he added.

Leigh then warned that these conditions don’t apply for the moment.

“And especially with the very low prices

for gas inside Egypt it is not certain yet that with the high cost of deep-water production in the eastern Mediterranean such investments will really prove profitable.”

On a positive note, Leigh welcomed the fact that in this fresh round of UN-brokered Cyprus peace talks aiming to reunite the island it has been clearly agreed that energy will be a federal responsibility.

“Both sides agreed to that entirely and it is also clear that both sides have said that a sovereign wealth fund will be established. This is something not to treat as a minor issue.”



POSITIVE: With Turkish Cypriot leader Mustafa Akinci



Cyprus issue is encouraging

Sir Michael Leigh has been visiting Cyprus for the last 20 years and he was involved as an EU official in the process that led up to the Kofi Annan UN blueprint agreement of 2004.

The vast majority of Greek Cypriots voted against it mainly fearing the loose security aspects of the reunification plan while the Turkish Cypriot community voted in favour.

“I’m very aware of the strengths and weaknesses, the challenges involved in reaching a comprehensive solution but I can say that for me personally this is the most encouraging moment in the 20 years plus that I have been following the issue,” he said.

During his visit to Cyprus this week, Leigh met with President Nicos Anastasiades, Turkish Cypriot leader Mustafa Akinci, Foreign Minister Ioannis Kasoulides, Energy Minister George Lakkotrypis and several political and economic officials and key players on both sides of the divide.