

## **Written Testimony**

**Alissa de Carbonnel  
Deputy Director Europe & Central Program  
International Crisis Group**

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**“Opportunities and Challenges in the Eastern Mediterranean: Examining U.S. Interests and Regional Cooperation”**

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Chairs Deutch and Keating, Ranking Members Wilson and Fitzpatrick and distinguished members of the Committee, thank you for inviting me to testify today on energy diplomacy in the eastern Mediterranean, at a time when Russia’s war in Ukraine is renewing interest in this region’s potential to cooperate better and to provide alternative gas supplies to Europe.

I am the deputy head of the Europe & Central Asia program for the International Crisis Group, a non-governmental organisation dedicated to conflict prevention and mitigation. We cover over 50 conflict situations around the world. Our perspective on the complex dynamics in the eastern Mediterranean is shaped by the field research and high-level advocacy of a team of analysts covering tensions throughout the region, from Libya to the Levant, involving a range of European and Middle Eastern powers.

A decade ago, some U.S. and European diplomats hoped that gas discoveries would transform relations among countries in the eastern Mediterranean basin, bringing greater stability and new energy supplies to Europe. So far, they have fallen short. Geography and regional rivalries have made it too costly to exploit the basin’s vaunted potential as an alternative to Russian gas for Europe in the face of the continent’s move to decarbonise. But today, the calculus may be shifting, as Russia’s war in Ukraine adds urgency to Europe’s drive to scale down its dependence on Russia.

Washington and Brussels, in their renewed engagement with states in the eastern Mediterranean basin, must look to the lessons of the past decade of energy diplomacy in the region. Gas trade between the region’s two producing states – Israel and Egypt – has been a boon to their respective economies and brought greater cooperation between them and other countries in the region, including Cyprus and Greece. But the potential seabed wealth has exacerbated competition among others – a dimension that came into stark focus when Turkey and Greece came close to a military confrontation in mid-2020 over seismic research in maritime zones disputed between them. U.S. and European leaders must be wary of throwing their weight behind long-term investments that do not align with their stated climate ambitions and whose political appeal to some producing states comes at least in part from a zero-sum view of securing a pole position in exporting to Europe at the expense of regional rivals.

### **East Med Gas Trade**

Eastern Mediterranean hydrocarbon reserves are critical to the energy security and economic growth of countries in the region. Israel’s tapping of the Tamar field in 2009, a 10 trillion cubic feet (tcf) gas field, and a year later, Leviathan, 17.6tcf, transformed it from a net energy importer into an exporter to Egypt and Jordan. The 2011 discovery off Cyprus of Aphrodite, a medium-size field estimated at first to hold

from 3.6 – 6tcf of reserves, promised to turn around the island’s economy and end its costly energy dependency. But most of all, Egypt’s 2015 find of the Zohr, a “super” gas field estimated to hold around 30tcf, making it the basin’s biggest reserve, has made that country the region’s gas linchpin. Egypt’s ambitions now dwarf those of other actors. It has the region’s most developed existing export infrastructure in the form of the Damietta and Idku liquified natural gas (LNG) terminals on the Mediterranean coast. It also has a large domestic market that can absorb imports from Israel and elsewhere.

The gas bonanza – present and anticipated – has drawn in a web of actors from international energy majors to littoral states with disputed claims or untapped reserves and countries farther afield with strategic interests. Among these actors, there are winners, losers and spoilers. Cash-poor Lebanon and the Palestinians are stymied in their own hopes to drill for gas by tensions with Israel. Greece has claims to its own seabed riches and a role in gas transit corridors. Turkey has practised brinkmanship, sending research ships and navy vessels into disputed waters, to defend what it sees as its own rights and those of the de facto Turkish Cypriot authorities, who claims co-ownership with the Republic of Cyprus of the fields lying off the divided Island. Ankara is also seeking to position itself as the gateway for supplies to Europe. Libya is entangled via an accord Turkey pressured it to sign in a bid to stake a larger maritime claim. And the United Arab Emirates, spurred by its rivalry with Turkey, has joined the fray, forging deeper ties with Egypt, Cyprus, Greece and others. Among the Western companies involved, Italy’s Eni has the largest stakes, with massive holdings in Egypt and exploration blocks off the Republic of Cyprus and Lebanon. US major Chevron is developing Israel’s fields alongside Israeli firms. A host of international majors have stakes off of Cyprus. Russian firms also have holdings in the region and it’s worth noting that Russia remains Turkey’s dominant gas supplier.

Because each country in the eastern Mediterranean basin sees the gas discoveries as a lifeline, a guarantee of energy self-sufficiency, economic growth and regional sway, U.S. and European policy toward the region must take a broad view of these overlapping ambitions. Too often, Washington and Brussels silo policy, keen to protect bilateral trade and security relations with one regional actor or another. That kind of blinkered approach risks exaggerating the successes of energy diplomacy in the region and ignoring how the exclusion of some can exacerbate tensions.

### **The Limits of Gas Diplomacy**

Hydrocarbon development in the region has spurred greater regional cooperation, which U.S. and European diplomats hoped would in turn lead to greater stability. The Obama administration advanced such “gas diplomacy,” backing deals between Israel and Jordan and between Israel and Egypt. Since 2019, Washington has been participating in the so-called 3+1 tripartite meetings of Israel, Cyprus and Greece, which paved the way for a project to link these three countries’ electricity grids via a sub-sea interconnector that won €657 million in European Union funding this year. The assumption that energy can be a bridge to closer ties underpinned U.S. back-channel efforts to support the establishment, in January 2020, of the East Mediterranean Gas Forum, in which it has observer status. Co-founded by Egypt and Israel, the Forum also brought together the Republic of Cyprus, Jordan, the Palestinian Authority (PA), Greece and Italy. Actors beyond the immediate region such as France, which joined in March 2021, and the UAE, have also come knocking at the door. In many ways the Forum appears to be a case study in successful energy diplomacy, bringing cooperation among actors who enjoyed at most a “cold peace” despite having signed peace treaties. But it has sent a message of exclusion to the likes of Turkey (the consequences of which I will touch on later.)

Building on these developments, the United States is currently engaged in two other diplomatic initiatives that aim to alleviate Lebanon's dire energy poverty. One proposal, to be partially underwritten by the World Bank, aims to send gas from Egypt via the already-built Arab Gas Pipeline through Jordan and Syria to Lebanon. The other is an effort to broker a resolution to a maritime border dispute between Israel and Lebanon, which have been in a legal state of war since Israel's establishment in 1948. Lebanese officials hope doing so would unlock their ability to prospect for hydrocarbon resources off the country's coast. Yet it remains unclear if, and how, Lebanon might achieve economic gains from such resources, or indeed if oil or gas discoveries could stave off its economic collapse.

In other parts of the region, the prospect of hydrocarbon riches has failed to soothe tensions. Energy ties have blossomed largely among states that were ready, having resolved political disputes that would have hampered such trade, and willing, driven by regional foreign policy goals at least as much as economic imperatives. Such was the case in Israel, Jordan and Egypt when they agreed to gas trade deals. Among other actors, the gas discoveries aggravated existing tensions. Ankara, most notably, has become increasingly assertive in defending what it views as its rights and those of Turkish Cypriots. It has sent research and drilling ships – often with naval escorts – into contested waters both north east and west of Cyprus. Turkey's plans to prospect for gas in disputed waters south of the Greek island of Kastellorizo, in the summer of 2020, prompted Greece to put its naval forces on alert. For tense weeks, the full power of the Greek and Turkish fleets faced off across the Aegean and eastern Mediterranean Seas. The crisis was the longest-lasting in a cycle of periodic escalations since the 1970s over competing Greek and Turkish sovereignty claims.

Gas-sector competition may even act as a proxy for other battles. Turkish-Libyan relations around maritime borders sharpen confrontation between Turkey, on one side, and Egypt, the Republic of Cyprus and Greece, on the other. Members of the East Med Gas Forum are united in their opposition to Turkey, over a variety of bilateral disputes, which has led to Ankara's pointed exclusion. As discussed, Ankara has responded with gunboat diplomacy, but more recently it is also engaging in a diplomatic effort to break its isolation and improve its relations with Israel, Egypt and the UAE. The dim prospects for Israeli-Palestinian peace have worsened an already frosty relationship between Israel and Jordan, complicating their gas deal.

### **East Med as an Alternative to Russian Gas?**

But it is commercial reality more than political tension that has thus far kept eastern Mediterranean gas from being piped to Europe. The Aphrodite field off Cyprus has yet to produce gas, mainly due to the absence of a domestic market that can guarantee purchase. Production from Leviathan, given its size, faced similar challenges. Beyond Egypt and Jordan, Israel was mainly eyeing buyers in Europe via plans to lay the East Med Gas Pipeline. But the Biden administration's withdrawal of support for the pipeline in January was an acknowledgment of widespread scepticism over the viability of the €6 billion scheme to build one of the world's deepest and longest undersea pipelines by 2025 at a time when the continent is committed to transitioning to cleaner fuels. The question now is how profoundly Russia's war in Ukraine will change the U.S. and European approach to the region.

If, in the past, Europe was concerned with diversifying its sources of energy, today the goal is to rapidly phase out oil, gas and coal imports from Russia – a gargantuan task. Already, it has made radical decisions. Just two months ago, Germany still intended to buy more Russian gas through the just-completed Nord Stream 2 pipeline. That has been halted, Berlin will build its first LNG import terminal and is activating the first stage in an energy rationing plan. Poland is readying to go cold turkey on Russian coal and gas imports.

The Biden administration is working with EU leaders to soften the blow. Even before the war in Ukraine, Europe was reeling from an energy crisis: oil and gas prices soared because of tight supply as demand bounced back from the pandemic faster than energy majors had anticipated. Prices have been so high that some ships carrying U.S. LNG to Asia changed destinations mid-course this year and Europe has become the top destination for U.S. LNG exports. Biden has announced a deal to send an additional 15 billion cubic meters of LNG to Europe this year, and as much as 50 billion cubic meters by 2030. Still that remains a fraction of what Europe currently imports from Russia via pipeline, which is a cheaper means of supply than LNG. Decades of U.S. gas diplomacy to weaken Russia's monopolistic hold over south-eastern European markets by building infrastructure to give these countries access to alternatives is also now paying off. Those efforts have included support for the Trans Adriatic Pipeline, part of a network carrying gas from Azerbaijan to Europe; a floating LNG facility off the city of Alexandroupolis; and the Interconnector Greece-Bulgaria gas pipeline. To cope, Europe is burning more coal; running LNG terminals and other import pipelines from Norway and Algeria at capacity; fast-tracking green energy projects; and seeking additional oil barrels from the Middle East.

When it comes to new, long-term investments to unlock additional sources of gas from the East Med, however, the urgency of securing alternative sources will rub up against longer-term climate goals. The quickest way to boost supplies to Europe is to ship them via Egypt's existing LNG terminals, if Egypt and Israel expand production. Assuming that the Europe remains – as it should – committed to accelerating its transition to renewable energy, bigger plans such as the East Med gas pipeline or a more recent proposal by Turkey to lay a pipeline across the Mediterranean from Israel remain doubtful. Such projects, and indeed production from new greenfields, would only come online in over a number of years and may struggle to secure public financing.

## **Conclusion**

The East Med reserves have long been heralded as discoveries that could reshape the region's geopolitics, creating stability in a place rife with conflict and boosting trade with Europe. They have only partially lived up to those hopes. Whether a war in Europe that has upended the EU's energy policy will bring such major political breakthroughs remains to be seen. But in turning their gaze back to the region, U.S. and European diplomats must be mindful of the risk that jostling for a cut of gas riches may aggravate chronic disputes. They must also be careful to align support for new energy projects with climate goals. U.S. participation in regional energy forums, including the East Med Gas Forum and the 3+1 meetings, lends them legitimacy. It should use its voice there to amplify only those projects with sound commercial grounding and widespread political support. It should also seek to make them as inclusive as possible, pushing for states with an undeniable stake in the region's energy make-up, like Turkey, to be brought into discussions. Above all, Washington must align its policy in the region with European allies and ensure its engagement does not compromise its status as an actor who can hold the ring if tensions again flare among parties.

Thank you for your time, and I look forward to your questions.