

Re-conceptualising the Energy and Security Complex in the Eastern Mediterranean

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Abstract

Recent gas discoveries off Cyprus have elevated tensions and created an energy and security complex in the Eastern Mediterranean. While the mainstream understanding of this complex focuses on energy as a zero-sum game that will be played out in accordance with geopolitical alliances and dividing lines, this paper aims to counter this view. It considers energy as a critical issue that can be positively utilised within the framework of integrated markets and interdependence and as a positive-sum game. It also regards it a potential game changer that can propel a chain of conciliatory moves. The analysis culminates with the designation of three scenarios in which this complex can evolve. It concludes that it is up to the main actors, on the basis of their particular conceptualisation of the issues at hand, to determine whether energy will be used in a conflictive or assuaging way, deteriorating tensions in the region, or, alternatively, making energy a crucial pillar of stabilisation and rapprochement.

Keywords: gas, Cyprus, Greece, Turkey, Israel, energy security, Exclusive Economic Zone, normative foreign policy

Introduction

The thorny issue of Cyprus has been on and off the agenda of the international community for decades. Recently, Cyprus has once more entered the spotlight due to the gas explorations it undertakes in its south. These open a window of opportunity for enhanced energy security for the European Union, the market of which seems to be the natural destination for Cypriot gas, and have thus attracted pan-European interest. At the same time, however, they present significant challenges and add further complexities to long-lasting disputes between the Greek Cypriot and the Turkish Cypriot sides. These revolve around the sovereignty of Cyprus and the balance between the two communities, gas exploration rights and who will reap the benefits of gas-born income, together with the impact of these developments on Greek and Turkish foreign policies and on the recent dispute between Israel and Turkey. This dangerous nexus includes diverging interests

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of many actors and has come to be seen as undermining peace and stability in the region.

Such an understanding flows from a particular theorisation of energy politics as a competitive, zero-sum game. Energy wealth is seen as a means that can fortify one player at the cost of another. Traditional hostilities and existing political patterns frame energy issues in a conflictive course, consequently aggravating further an already perilous geopolitical environment. This paper aims to challenge this mainstream view. It posits that energy can be both a negative and a positive-sum game. In many cases, there is ample space for cooperation that can bring absolute gains to all parties. Energy unites the prosperity of different political communities, while the ensuing interdependence can become a major factor for stabilisation. Politics, instead of reproducing past rivalries, can be re-conceptualised on the basis of yielding emphasis on higher order goals as peace, stability and order that are beneficial to all stakeholders, as well as on revisited calculations of benefits and losses.

In this understanding, the newly found energy wealth in the south of Cyprus and the projections for further, even more substantial than the initial, discoveries within the Exclusive Economic Zone of Cyprus, is seen as a game changer that can boost reconciliation and rapprochement within the island plus have a soothing effect on the Turkey–Israel–Greece triangle. Although disagreements for now prevail, there exist mechanisms that can distribute gains, embed the stakeholders in an interdependent network and enhance both the EU energy security along with overall security in the region.

The paper proceeds as follows. Section one de-constructs the mainstream underlying assumptions of energy politics which lead to a conflictive reading of the situation in the Eastern Mediterranean. The second section shows how managing interdependence, making energy a positive-sum game and subsuming energy considerations under a broader normative and more prudently rational framework can lead to benevolent solutions. Section three envisages three potential scenarios for developments in the region. These range from an aggravated geopolitical environment that is split in different alliances and may lead to the eruption of a violent conflict, to a holistic one that will utilise energy developments in order both to strengthen the energy security of all the players, besides averting the possibility of conflict, cement peace and stability and perhaps even make inroads into more permanent solutions to the traditional rivalries in the region.

Energy Politics and Energy Security: A Debate on Underlying Assumptions

Resource endowment is usually conceptualised as leading to energy autarky thus fortifying the security and prosperity of the holder. While empirically this is not frequently the case (Haghighi, 2007, p. 14), from an analytical perspective resource endowment can be instrumentalised much more fruitfully within a framework of interdependence and integrated markets, rather than if perceived as a tool against (inter)dependence and utilised principally domestically (Yergin, 2006, p. 79; Verrastro and Ladislaw, 2007, pp. 95–101; Nivola and Carter, 2010). Taking this into consideration, what matters most is not energy independence but managing energy

interdependence. Energy policies that aim at autarky build on traditional notions of sovereignty, according to which authority should lie exclusively with one's government, and dependence on external players is seen as problematic and deficient. Such policies, however, ignore the profound transformation the international system has gone through and the fact that the prosperity of our political communities is increasingly intertwined. Unilateral policies fail to develop the capacity of the state to handle complex issues with other players, and also may serve to isolate the country from the broader political environment; in such an interdependent world, this is a cumbersome and risky pathway to follow since it would most probably weaken rather than enhance wider notions of security. To the contrary, energy interdependence cultivates the dynamics of political and economic interdependence that can, under certain circumstances, diffuse gains and lead to improved overall relations. This builds upon the theorisation of sovereignty not as absolute and indivisible, but more as a currency in the globalising system that helps states negotiate and further their political stance and main interests (McGrew, 2008). As a bottom line, it seems more prudent for states to endeavour to accept that the key to energy security is managing increased interdependence rather than escaping it.

Secondly, energy is usually considered from within realist lenses and framed according to stark conflictive lines. It is approached as a zero-sum game where what one gains, the other must necessarily lose (Klare, 2008; Dannreuther, 2010b, p. 3; Benner *et al.*, 2010). There is ample empirical evidence to support such a thesis; take for example the energy crises of 1973 and 1979 that led to increased revenues for the exporters at the cost of importers, increasing energy demand from developing countries that acts as a price hike instigator for all importers, as well as energy-fuelled crises in Africa. Nevertheless, one cannot fail to see that this is not always the case. Energy trade can also be seen as a positive-sum game, in which all parties benefit (Goldthau and Witte, 2010, pp. 2–3, 11; Colgan *et al.*, 2011; Dannreuther, 2007, pp. 91–92). This is reasonable since cooperation in the energy sector is not forced upon states, but follows from deliberate moves that aim to increase their energy security. This is why energy trade is sustained, regional gas markets are developing further and a truly global oil market has been established to serve the interests of both exporters and importers. Despite the vivid debate on the conflictive and contrasting interests between OPEC and importers, energy trade persists. The EU and Russia, to take a further example, have cemented their decades-long energy partnership and, despite some mishaps, maintain the benefits that accrue from it. In this light, the energy domain is also characterised by steady patterns of cooperation too. Both importers and exporters share the fundamental interest in energy security and cooperate to this goal. Therefore, we can not *a priori* consider energy a zero-sum game; exploring the conditions under which it can be made into a positive-sum scenario is worth considering.

Thirdly, it is necessary to examine the rules of the game in energy issues. While in some cases the economic logic prevails and market mechanisms determine flows and patterns of energy and level of volumes and prices, in many others energy issues are strongly influenced by political

interests, a tendency reinforced by the current wave of resource nationalism. At the same time, geopolitical rivalries, historical animosities and broader alliances are all appreciated as playing an essential role in energy affairs (Müller-Kraenner, 2008, p. xi; Nye, 2003, pp. 207–208). The US alliance with Saudi Arabia, as well as China's aggressive energy diplomacy in states that are indifferent to human rights violations and/or rival to the US, pinpoint to the nexus politics, security, energy and ideology shape (Daojiong, 2006, p. 182).

While this interaction has been amply studied (Klare, 2002, 2008), it is worth examining the reverse ordering, namely how energy developments can positively impact upon the geopolitical environment, and scrutinise the ways in which energy can act as an instigator of reconciliation and rapprochement. In compliance with the classical liberal argument, trade has pacifying effects; since energy trade presupposes peace and stability, it can act as a factor for stabilisation. One could perhaps detect such effects in the EU–Russia energy trade. Gradual cooperation in the energy sector since the 1960s provided the European states with fresh impetus to downplay differences with the Soviet Union and support the improvement of the overall political climate in the *détente* decade, in addition to encourage a more cooperative stance throughout the 80s withstanding calls for radicalisation of the conflict and supporting and facilitating the peaceful, ordered termination of friction between the two camps. This is not to argue that energy was the critical factor behind reconciliation; only that energy considerations played a reinforcing role. Furthermore, energy issues may not lead to conflict, as the cases of the disputes between Norway and the UK in the North Sea, and Indonesia, East Timor and Australia in the Timor Sea with regard to sovereign rights on exploration of natural resources attest to. They have been resolved peacefully through the delimitation of the continental shelf and the creation of Joint Development Areas (Kaye, 2011; Ong, 1999). Moreover, once infrastructure is in place other disputes might not take centre-stage and may be resolved in light of mutual gains. For example, although the liberalisation project and the unbundling regulation in the EU is creating anxieties in both Norway and Algeria with regard to security of demand, this has had little impact on their gas trade bearing in mind that all sides stand to lose from decreased trade and cooperation (Proedrou, 2012, pp. 108, 112). Likewise, when due to the rise of domestic gas production in Argentina the country's government asked for lower volumes of imports contrary to pre-agreed terms, the Bolivian government agreed to these in view of its need to continue reaping revenues from gas exports to Argentina (Hayes and Victor, 2006, 2012). It follows that diverging interests do not have to result in total fallout; joint infrastructure and solid cooperation can maintain these patterns in the long-term. At variance with this, poor infrastructural maintenance, obscure deals, lack of trust and deteriorated political relations between Russia and Ukraine since the early 2000s have led to an essential reconfiguration of their energy trade. The construction of Nord and South Stream pipelines belittle Ukraine's role as a transit state for Russian gas and fundamentally reshape the EU–Russia energy map and gas trade.

Developing further the argument, it is useful to consider how developments in the energy

sector can reshape the appreciation and understandings of historical conflicts, not counting calculations of benefits and losses, remoulding this way the contours of geopolitics. Such a conceptualisation leads us to the domain of normative foreign policy. This draws from consequentialist ethics (Manners, 2006) and can be defined as co-optative rather than coercive action aimed at the achievement of higher goals (peace, order and stability) that are broadly endorsed (Tocchi, 2008, pp. 1–11). In order for this action to be legitimate, it should align with fundamental norms of international law and, instead of 'being a pure expression of power', it should 'undertake the function of "taming" and regulating power' (*ibid.*, p. 5). It should be underlined that normative foreign policy is not at odds with rational choice theory. Conversely, prioritising peace and stability as foreign policy goals is in itself rational. What is more, energy security considerations can change the players' overall assessment of a situation and as a result facilitate foreign policy shifts. In this light, commitment to higher goals and non-violent means to achieve them, together with utility maximisation considerations, can prove significant factors in alternative and innovative approaches to historical disputes.

Building on Dannreuther (2010b, p. 5) who maintains that 'the role of international markets and regional and international institutions in managing and diffusing conflicts are discounted', the goal is to see not only how conflict can be managed and diffused, but also how more lasting cordial outcomes can be achieved. In this mind-set, the emphasis does not lie in how politics determine energy flows; contrarily, it rests upon how energy issues can open a window of opportunity for more inclusive deals and subsequent amiable relations. It is up to the main actors to seize on such opportunities in order to deliver public goods, such as consolidation of peace and stability.

Revisiting the Energy and Security Complex in the Eastern Mediterranean

In this framework, this section looks at the Eastern Mediterranean energy and security complex through the lenses of interdependence, and considers it as a positive-sum game and an opportunity to improve the regional geopolitical environment. Starting with the first pillar, Cyprus has been planning to proceed to LNG imports in order to introduce gas to its fuel mix for political, economic and environmental reasons. Indigenous gas discoveries make a strong point for cancellation of such plans promising energy autarky. The public debate thus has been dominated by Cyprus' forthcoming ability to be energy independent. Yet, autarky should not be viewed as panacea and as a first order goal. This is not to argue that Cyprus is not prudent to and will not utilise gas discoveries for domestic use as well. It should be stressed that after the destruction of Cyprus' main power plant in 2011, the country is using more oil, which leads to very high prices for electricity. Conversion to gas would substantially bring prices down and support the overall economy that seems to be in strains amidst the financial crisis in the Eurozone and subsequent rounds of debt downgrading by rating agencies (International Crisis Group, 2012, p. 3). At the same time, however, it is particularly lucrative for Cyprus to supply with gas South-Eastern (and

perhaps even Central) Europe. In any case, the recently discovered gas wealth of Israel provides supply alternatives and may lead to joint infrastructure projects that will direct Israeli and Cypriot gas to European consumers. Market mechanisms and economic efficiency considerations may be better arbiters for decisions on the utilisation of natural resources than centrally-planned solutions.

Nonetheless, what are much more important for Cyprus are the economic and political underpinnings of the gas discoveries. Cyprus forms an energy island as it is not interconnected to the European gas grid. Gas discoveries will enable the linkage of Cyprus to the huge internal market from a particularly advantageous position, that of the supplier. The findings in the block 12 of the Aphrodite well amount to 142–227 billion cubic metres, while the licensing processes for other promising blocks have been launched. In a market characterised by oligopolistic external supply structures and dominated by imports from Russia, Norway and Algeria, Cyprus has an important role to play. Contributing to the EU gas market's smooth function will not only allow vital cash inflows (estimated to range from €30 to €100 billion only from the block 12) and energy security as a consequence, but also political advantages stemming from its new status as a supplier (International Crisis Group, 2012, p. 12). Due to Cyprus resource wealth, the EU and the international community will acquire an even more profound interest in the security of the island and the avoidance of any conflict that may hamper European energy security. The key issue for Cyprus is how to manage skilfully this new role.

One could counter-argue at this point that energy is a zero-sum game and this creates question marks around Cyprus' future role. Turkey, for example, and the Turkish Cypriot side, both view the gas explorations that Cyprus undertakes as illegal and unacceptable, a response stemming from their denial to accept the sovereignty of Cyprus; in this rationale, what the Greek Cypriot side wins, the Turkish Cypriot side must lose. Still, one should think of what mechanisms and political arrangements could distribute benefits to all citizens of Cyprus. For example, the Cypriot government could commit a part of gas-born income to the Turkish Cypriot community relative to its size, thus diffusing proceeds to the whole population of the island. At a broader reading, Turkey should examine the impact of Cyprus' gas discoveries on the European gas market and how it may enhance its role in it. At first sight, recent gas discoveries can be seen as working against Turkey's aspirations to become a gas hub, since they may provide more gas to the EU market through routes that bypass its territory. Nevertheless, a more thorough investigation of economic and geopolitical factors may lead to more encouraging conclusions. For one, the EU gas market is currently undergoing a particularly dynamic phase of development marking the shift from expansive to mature markets (Boon von Ochssee *et al.*, 2010, p. 3). De Jong (2011, p. 10) reinforces this conclusion maintaining that

'the long-term demand projection for imported gas to the EU remains a strong one, especially as a fuel for power generation. With all the uncertainties about renewables, coal and nuclear, gas remains a preferred choice and/or a choice of consequence ... A major driver might be the role of gas in the changing fuel mix for power generation. With the increasing

role of intermittent energy sources and the need for balancing and backing-up the electricity system, gas as a flexible deliverable and relatively clean fossil fuel and also with relatively easy and cheap possibilities of expanding gas-fired power generation installations, might create for itself a new “golden era”.

The projections that the EU’s main gas supplier, Gazprom, will face difficulties in significantly raising its gas output, thus failing to cover the projected increase of gas demand in Europe (Christie, 2012; Weijermars, 2011), together with its gradual export diversification policy to the East (Proedrou, 2012, pp. 86–88, 90–91), amplifies the need for further upstream and downstream investments. Additionally, the gas glut (global supply surpassing global demand) is likely to be maintained and further extended in case US projections for shale gas wealth are confirmed (Pike, 2011). This will make a strong case for interconnections between regional gas markets and the move to a more globalised gas market (Dannreuther, 2010a, p. 5). From a geopolitical perspective, tightening relations between the West and Iran, the EU embargo on its fundamentalist regime and Iranian counter-measures that involve a ban on oil exports to the EU, all strengthen policies that aim to substitute oil with gas even further. In light of these developments, the expansion of the market allows space for the materialisation of many projects that under more embryonic market conditions would be regarded competitive, not complementary and serving the overall goal of catering for increased demand. It flows from the above that the expansion of the markets is a potential game changer, since it can transform energy from a zero- to a positive-sum game (Goldthau and Witte, 2010, pp. 6, 12). Turkey can, due to its geographical position, play a major role as a transit state, not least with the eventual construction of the much-discussed Nabucco pipeline. Ironically, discoveries in Cyprus, by means of contributing to the further development of the EU gas market, can contribute to a strengthened, not lesser, energy role for Turkey, not least, as examined below, in case Turkey becomes a transit state for Cypriot and Israeli gas.

That being said, one could argue that even if these benefits accrue to Turkey, they are outweighed by the geopolitical losses. The gas discoveries will fortify the sovereignty of Cyprus, which Turkey denies to recognise, elevate Cyprus’ energy role in the EU gas market far more than Turkey’s, and deepen the gap between the Greek and Turkish Cypriot communities to the detriment of the latter. It is for these reasons, the argument continues, that Turkey has no other option but to follow polemical policies against Cyprus and start its own explorations in the north of the island thus dangerously raising the stakes in the Eastern Mediterranean. This is where normative foreign policy and prudent estimations of benefits and losses comes in. It is up to the main incumbents, namely the two Cypriot communities, and Greece and Turkey, to consider the space for mutually agreed solutions. While military escalation will be detrimental for all sides and will sink the island into deeper grievances and hostility, recent energy developments hold high promises for the welfare of Cyprus. Moreover, it should be underlined at this point that Greece and Turkey initiated a reconciliation approach in the late 90s, which has led to a small package that can serve as a shared basis for a more holistic negotiated solution to their disputes. Although this

process has lost impetus since 2003, overall relations remain at a relatively positive level with both sides keen to downplay their traditional differences; to this aim, they have increased their diplomatic meetings with an eye to make their positions converge further (Heraclides, 2010). The tension that recent gas discoveries have created should be managed within this working framework. Israel's involvement in gas explorations, together with its deteriorating relations with Turkey, complicates the situation, not least since Israel is renowned for its inclination to use hard power and coercion to achieve its foreign policy goals. Nevertheless, as a state surrounded by rival states, Israel has every interest to normalise relations with Turkey and improve its regional geopolitical environment. This also holds for Turkey, if it wants to be seen as consistent on its dogma of 'Zero problems policy with neighbours' that it has proclaimed. Greece's rapprochement with Israel, on the other hand, follows a 'my enemy's enemy is my friend' futile logic that exacerbates Turkish fears and reinforces conflictive mentalities; for this reason, it should perhaps be up for reconsideration. A more sensible and far-sighted policy for all the stakeholders would be to prioritise the aversion of conflict and stability, and inaugurate a conciliatory approach examining ways in which energy can be made into a positive-sum game.

The prospects of reconciliation would be realistically fewer if the main external players in the region did not also have important stakes in the issue. At a normative level, the EU and the US share an interest in, and in many cases act in defence of, higher goals such as peace, stability and order. The EU is the most widely accepted normative power in the global scene (Manners, 2002). Its strength lies not in military force, but in the promotion of norms, soft power, and the powers of attraction and co-optation. As a result, the EU, despite its precarious debt crisis, should be willing to mediate in the issue, set the framework for multilateral discussions and oversee a mutually agreed arrangement. The US, in contrast, is renowned for its propensity to use force in cases deemed necessary. Nevertheless, the Eastern Mediterranean complex involves allies and well integrated members of the West; in this context, violence is not an option for the US either. The US can utilise other policy instruments stemming from its hegemonic role in NATO, offer carrots and play a catalytic role in the stabilisation of the region.

From an interest-based perspective, the EU and the US also share the goals both of enhanced energy security for Europe, as well as the avoidance of any hot episode in the Eastern Mediterranean among its allies and the resolution of the Cypriot issue. Starting with energy security, the EU's overt reliance on gas imports from three main suppliers has created an urgent need for alternative supplies. Ironically, while the fourth corridor has been planned for years and was expected to be filled by Caspian gas, it is recent gas discoveries in Israel and Cyprus that can lead to a new source of supply (either by pipeline, or in LNG form). This will bear a number of advantages for the EU:

- a) It will add to the diversification both of sources and routes of supply, a fundamental pillar of the EU energy security strategy.
- b) It will decrease dependence on Russia's Gazprom, the market power and political leverage of

which are strongly contested by 'new' European member-states, and lessen the subsequent friction between 'old' and 'new' Europe originating in energy issues.

- c) It will have a critical impact on the smooth function of the integrated EU gas market as it will help to protect European markets from monopolistic practices, especially under the latest regulation that mandates bringing its energy islands (Cyprus included) out of isolation by 2015 (Proedrou, 2012).

The US shares the EU's energy goals since it views dependence on Russian gas and Gazprom's dominant role in the European gas market as dangerous, on top of which it supports the development of a truly liberalised gas market for efficiency reasons (Cornell and Nilsson, 2008). The military presence both of Turkish and Israeli vessels around the island, however, as well as Turkey's plans to proceed with explorations off the northern part of Cyprus, heightens the risks of escalation and endangers supplies from the region. So, there is the need to diminish tension as a means to ensure future energy supplies from Cyprus.

As far as the security dimension is concerned, the recent deterioration of Turkish–Israeli relations has framed traditional disputes on the status of Cyprus. Greece's strategic move to come closer to Israel through a defence pact has added to the creation of two rival axes: the Greek–Greek Cypriot–Israeli vs. the Turkish–Turkish Cypriot (Dokos, 2011). Any worsening of the political climate can have detrimental consequences for the West that has every interest in averting the most dreadful scenario of violent eruption in its backyard. Hence, there is space for joint EU–US involvement that has the potential to forestall any deterioration of the situation, monitor appeasement and eventually instigate rapprochement between the two Cypriot communities, Greece and Turkey.

What Next?

The previous section attempted to demonstrate how going beyond established mind-sets and a conflictive reading of energy politics has the potential to redraw the geopolitical landscape and the options for international players. It is worth examining how this energy and security complex that has been created can unfold in the near future. It is envisaged that it could evolve in three broad directions:

- a) *The regional alliances scenario*: Existing geopolitical alliances determine patterns of energy cooperation and conflict. Accordingly, Israel and Cyprus gradually become gas suppliers to South-Eastern Europe. As a result, Cyprus cements its sovereignty, and its role as a supplier works as a further shield of protection to its security. Greece also benefits since it becomes a hub for the Eastern Mediterranean gas. Cypriot (and Israeli) gas comes to Greece either via a pipeline, which is a rather costly option since it involves laying long legs under the bottom of the sea, or from LNG plants that can be built either onshore or offshore Cyprus. The creation of LNG plants grants flexibility in the quest for markets and allows for diversification. This

advantage, however, does not seem to be of central importance if one takes into account that the netback value of gas sales to Europe seems more promising than LNG exports to more distant markets as that of Asia. Additionally, the upfront costs of this investment are quite high and LNG shipments are much more expensive than piped gas. Furthermore, guarantees for security of demand stretching to a period around 30 years will have to be given before such a project can commence. Moreover, such a project would only be marginally profitable for the investors. Double the capacity of the up to now proven reserves will have to be found (which may imply that we might have to wait for further discoveries before the project is launched) so that profitability rates are satisfactory enough (International Crisis Group, 2012, p. 14). Political reasons then enforce a sub-optimal transportation route from an economic point of view. As a result, the Turkish Cypriot community and Turkey are on the losing side. In the worst case scenario, Turkey's role as a transit state is marginalised since Nabucco does not come on stream; alternatively, Turkey's role as an energy hub is advanced, but still these benefits pale in comparison to the ones Cyprus entertains. The Turkish Cypriot community does not reap any of the energy-born income. Turkey, henceforth buttresses the sovereignty of the northern part of Cyprus, reinforces dividing lines and goes on with explorations off northern Cyprus. Consequently, tensions persist, dividing lines and animosity become starker and an atmosphere of instability is perpetuated. Israel, Greece and Cyprus are allied against Turkey and the Turkish Cypriot community in a cold-war type confrontation. In such a geopolitical environment the chances for the eruption of violence should not be underestimated. The energy security of the EU is in danger of facing setbacks, while a potential conflict between allies constitutes a bitter blow to the West that may, in the case of an Israeli involvement, further unsettle the volatile peace in the Middle East.

- b) *The 'ambivalent compromises' scenario:* Politics do not determine energy patterns; a lot of effort is placed on revisiting the geopolitical climate and compromising adversarial positions. In this context, Cyprus accommodates Turkish and Turkish Cypriot grievances and protests. An allocation mechanism is set up to deliver part of the gas-income to the Turkish Cypriots, while Cyprus agrees to integrate Turkey in the gas supply chain. This can be done in two ways. Cypriot gas can either reach Israel and from there link to the Arab Gas pipeline, which connects Egypt, Israel, Syria and Lebanon and is projected to be linked to Turkey in the future, or through a direct link to Turkey, perhaps linking to and boosting Nabucco. The latter is the most competitive option, amounting only to 10% of the cost of LNG (International Crisis Group, 2012, pp. 14–15). Turkey's role as a transit state is thus enhanced. This agreement may be in need of Israel's consent or even contribution which for the moment seems unlikely. Nevertheless, Israel is under pressure to ameliorate relations with Turkey and may find this a good starting point. These measures aim to appease Turkey and maintain stability in the region. But contrariwise, this decision frustrates Greece as the state fails to become a gas hub and earn income from transit payments that are perceived essential within the context of its

severe financial difficulties. Greece is also deprived of the political advantages that emanate from its role as a hub. This development undermines the profoundly amiable ties between Greece and Cyprus which experience a deteriorating phase but do not threaten overall stability. Although Turkey and the Turkish Cypriot community ensure a good deal, Turkey is still only partially satisfied, since the status of Cyprus as gas exporter cements its sovereignty, a development resisted by Turkey and one that does not improve the legal and political status of the Turkish Cypriot side. As a result, energy flows and decisions are not determined by political alliances, but are based on economic calculations and aim to impact positively on the political environment. Even so, both Greece and Turkey are, to differing degrees, unsatisfied and consequently inimical to developments in the Eastern Mediterranean. Hostility, mistrust and dissatisfaction with the *status quo* put both energy and military security in jeopardy.

- c) *A normative-based scenario*: The EU and the US, both on normative and interest grounds, seize on the opportunity and promote a more holistic solution. They prioritise the aversion of conflict, the maintenance of stability and order, the smooth flow of energy and further energy explorations in the region. Accordingly, energy and security considerations become a lever for a broad political arrangement. It is left to market mechanisms to determine the optimal route for gas exports from Cyprus to Europe. The Cypriot government commits itself to making a corresponding portion (around one-fifth) of the energy-produced income available to the Turkish Cypriot community. Turkey and the Turkish Cypriot community understand that it is to their benefit to seek for a potentially energy-rich bi-zonal state solution. An incremental bargain to the Cypriot problem is put forward and the road is opened for the reunification of Cyprus on the basis of constitutional guarantees on human and minority rights, electoral and administrative processes, as well as resolution of property-rights related issues at the International Court. Encouraging developments on the thorny issue of Cyprus increase trust that bilateral disputes in the Aegean between Greece and Turkey can also be accommodated. Pressure builds up that Greece, Cyprus and Turkey define their Exclusive Economic Zones, a necessary development for the creation of new gas infrastructure and further gas explorations in the region. Israel welcomes the improvement of the overall political climate and accepts this working framework. Traditional hostilities and suspicions do not evaporate, but a more conciliatory and cooperative framework and atmosphere is created.

Conclusion

To sum up, the energy and security complex in the Eastern Mediterranean can unfold according to three different scenarios. The first one follows classical patterns of rival geopolitical alliances and will serve to reproduce and aggravate hostility. Greece, Israel and Cyprus seem to be on the winning side; they will, however, have to face an active revisionist policy from Turkey and the

Turkish Cypriot community. As a result, friction remains within NATO and the West.

In the second scenario, innovative thinking comes in, but fails to manage all the parameters of the complex issues at hand. Greece is on the losing side, while Turkey and the Turkish Cypriot community gain economic and political benefits. Cyprus (and Israel) stands to benefit the most. It is for these reasons that Turkey and the Turkish Cypriot community are still not satisfied. This scenario blurs dividing lines and geopolitical alliances and reshuffles benefits and outcomes, but fails to provide a holistic solution to the Eastern Mediterranean complex.

This can only be achieved in the third scenario. The US and the EU play a central role in monitoring an incremental but all-encompassing pact. This includes a new arrangement on the political status of Cyprus, namely reunification on strict legal, political and judicial guarantees, demarcation of Exclusive Economic Zones among Cyprus, Greece and Turkey, and a progressive understanding between Greece and Turkey with regard to the Aegean.

These differing scenarios build on diverse understandings of energy politics. While mainstream thinking sees energy as subordinated to geopolitics, a zero-sum game and a way to step out of interdependence, this paper aims to provide substantial evidence that these are far from a *priori* given. To the contrary, energy can be a game changer and a crucial factor in managing conflicts and contributing to stability. At the same time, it is a critical issue and should be utilised as such in an increasingly interdependent world, where the need for cooperation becomes starker and the losses born out of conflict extravagant. Energy can be a positive-sum game having multiple winners, rather than pitting winners against losers.

Decision-making is believed to be essentially based on rational calculations of benefits and losses. Be that as it may, in such complex issues, it is usually the case that procedural and *ad hoc* rationality leads to rather irrational outcomes (Hill, 2003). It is for these reasons that principles and norms are foreign policy anchors; international actors (should) turn to norms as roadmaps for action and the logic of appropriateness (should) frame(s) their foreign policy conduct. A commitment to the norms of peace and stability could provide enlightened solutions to the rising challenges in the Eastern Mediterranean.

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