

Cyprus & East Med Utilizing the recent finds

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The East Med



Please buy our gas

- **Global energy markets are undergoing structural change**
- **Ratification of Paris Climate Change Agreement**
- **Cyprus and East Med need to find buyers for their gas**
- **Gas glut in global market – low gas prices**
- **Cyprus and Israel are running out of export options**
- **Egypt is moving forward**
- **Lebanon is stagnant**
- **Turkey may be the catalyst**

Egypt

- **Egypt, Zohr, major highlights in East Med in 2016**
- **Zohr on fast-track to produce 10 bcm/y end of 2017 and rise to 27 bcm/y by 2019**
- **Egypt going through rapid transformation due to:**
 - **President Al-Sissi has pulled all stops**
 - **Egyptian market hungry for gas**
 - **High gas prices between \$4-\$6 per mmBTU**
- **Egypt can bring onstream 60 bcm/y new gas by 2019-20**
- **Can resume LNG exports by 2021-22**
- **Impacts hopes of Cyprus and Israel to export gas to Egypt**
- **Risks: ability to pay debts and security**

Israel and the Leviathan factor

- **Regulatory framework deal has been approved**
- **Sales to Idku may be thwarted by commercial and geopolitical challenges**
- **Question: what will Shell do with BG's assets in Egypt?**
- **Possible market: Turkey**
- **Israel-Turkey have resumed diplomatic relations**
- **May open the way for export of Israeli gas to Turkey**
- **FLNG an option**

Regional markets: Turkey

- Diplomatic activity with Russia/Israel has now produced results
- Israeli gas an alternative but Cyprus in the middle
- Energy security: Turkey re-evaluating future energy mix
- TurkStream back on track
- East Med gas may no longer be an urgent priority
- Rapprochement with Israel opens way for Leviathan gas
- But there are risks

Cyprus

- **Priority Cyprob negotiations**
- **Third offshore licensing round success – blocks 6, 8 and 10**
- **Total to drill in block 11 April 2017**
- **Aphrodite gas exports stalled**
- **This leaves Turkey**

Gas in Europe

- **Gas demand in Europe at best stagnant – down 20% from peak 10 years ago**
- **It may have peaked already**
- **Key reasons are cheap coal and subsidized renewables**
- **No prospect of these factors being reversed anytime soon**
- **Russian gas supplies increasing due to low price, \$4/mmBTU**
- **US LNG trying to get in but with limited success**
- **Costly to develop gas-fields dependent on exports to Europe may remain stranded**

How to get East Med gas to Europe

Five main options

- **Get it to Egypt, liquefy it and export it to Europe as LNG**
- **Get it to Turkey and from there to Europe through the Southern Gas corridor**
- **Pipeline from Israel to Cyprus to Greece to Europe**
- **FCNG**
- **FLNG**

FLNG a possible longer term option for exports to Europe and Asia

Concluding remarks

- **There are opportunities for the region to export its gas, but not at any price and at any time!**
- **The East Med region is volatile. Developing and exporting its gas is a challenge, especially in the prevailing low demand - low price environment**
- **Of the regional options, export to Turkey is commercially the most viable.**
- **In the longer term, FLNG may become a serious option for gas exports to Europe and the Asian markets.**
- **East Med gas dynamics are changing rapidly and global markets and prices are undergoing a long-term structural shift. The region needs to plan with realism and pragmatism.**