

## THE ‘EASTMED PIPELINE’ – HARD REALITY OR A PIPEDREAM?

2020 commenced with a milestone which could, it has been said, be of great geo-political significance. On 2nd January 2020, after many years of discussion and evaluation, the energy ministers of Greece, Cyprus and Israel, in the presence of their President and Prime-Ministers, signed in Athens an Agreement for the Construction of the Offshore/Onshore Natural Gas Pipeline connecting the East Mediterranean gas reserves to the South European mainland: the ‘EastMed Pipeline’.

### The Background to the Pipeline

At the time of writing, the Agreement itself had not yet been released into the public domain. This makes it currently impossible to place a legal interpretation on the intentions of the Parties. However, in anticipation of its publication, below follow some background facts:

By 2025, the EastMed Pipeline should facilitate the exploitation and transportation of some 553 milliard cubic metres of natural gas estimated to be present in the exploration fields ‘Leviathan’ and 238 milliard cubic metres in ‘Tamar’, both located in the Israeli exclusive economic zone in the Levantine Basin.

Originating in the Levantine Gasfield, at some 130 kilometers distance west of Haifa, the pipeline’s exit points are to be located in Cyprus, Crete and on Mainland Greece. From there the gas will be routed under the Mediterranean Sea to depths of almost 3000 metres. The pipeline’s ultimate landfall will be in Italy after travelling a distance of some 1900 kilometers. From Italy, the gas can be further transported to Northern Europe.

Since Cyprus and Greece are exploring substantial reserves of natural gas in their own territorial waters, they will, it has been said, shortly be able to exploit these using the EastMed Pipeline. On the basis of current projections in the industry and taking the Cypriot gas into account, it is said that the pipeline will be able to transport ten billion cubic metres of gas per year.

The Project promises to be a masterpiece of technological invention and ambitious construction. It has received backing from the US Administration, which would favour a Europe no longer consuming Russian gas, while the European Commission, by its regulation 347/2013, designated the pipeline as a Project of Common Interest (PCI 7.3.1) and pledged Euro 1.927.924 million for its design and development.

The parties have announced that the immediate benefits of the pipeline up, once it is live, could be summed up as:

- enhancing Europe’s energy security through the diversification of sources, locations and transport routes
- developing Europe’s own gas resources within the EU territory
- advancing the importance of the East Mediterranean basin with a view to adding stability to the region
- weaning European consumers of their dependence on Russian gas

At first glance, all this would appear to be good news for both Europe and the East-Mediterranean region and it is therefore not altogether surprising that local and international media published images of broadly smiling Greek, Cypriot and Israeli Heads of State at the Agreement signing ceremony. Is the euphoria nevertheless entirely justified?

### Evaluating the potential of the Pipeline

The origins of the EastMed Pipeline date back to the beginning of this century and the gradual discovery of a number of promising gas and oil reserves in the East Mediterranean. Upon discovery of the Leviathan gasfield in 2010 and confirmation in 2012 that the gas was indeed technically recoverable, concrete plans for the creation of a gasline were then mapped out.

A decade has passed and both in respect of the politics of the region as well as the consumption trends of natural gas and the geopolitical competition these brought about, the world has changed. Add to this the challenges ahead for off-shore and deep water construction of the pipeline, the decision by the European Investment Bank (EIB) to cease funding fossil fuel projects by the end of 2021 and, finally, the inexorable rise of the production and use of renewable energy, it comes as no surprise that the High Contracting Parties signed an Agreement which, despite all the hullabaloo which the signing accompanied, is drawn up as a mere statement of political will.

Let us take these obstacles one at a time:

**(A)** When the pipeline was first conceptualised the Arab Spring was yet to dawn over the Mediterranean territory. Some of the Eastern region had been governed by despotic leaders who had, by their dominance and to a certain extent, created a period of relative tranquility. Countries such as Greece, Cyprus and Israel meanwhile continued a balancing act between mega powers such as Russia and Turkey. While there were stirrings of civil unrest in some of the littoral East-Mediterranean countries before 2011, soon after the entire the region became mired in turmoil causing extreme violence to populations and untold damage to infrastructure projects. This situation has yet to end.

More recently, vocal environmental pressure groups in Israel such as '*Shomrei Habayit*', as well as a number of Israeli politicians and trade union bosses, have demonstrated in their thousands against the location of gas processing platforms serving the Leviathan reservoir, some 10 miles only out to sea. The primary concern of the demonstrators is the release of benzene, a carcinogenic, out of the processing process.

The official position of the Israeli Government is that the economic benefits and the prospect of Israel becoming an '*energy superpower*' outweigh the human and environmental concerns of the demonstrators.

Late November 2019, another political obstacle to the success of the pipeline emerged. Since the Turkish and Libyan Prime Ministers signed an Accord for the delineation of their spheres of influence over the high seas between them, serious tensions have arisen between Greece and Turkey regarding their respective sovereign rights and influence over the mineral resources under the Mediterranean Sea. It is understood that in the Libyan Accord, Turkey reserves sections of the sea unto itself which should belong to the Greek exclusive economic zone according to the international law of the sea. Interestingly, Turkey did not sign nor ratify the 1982 UN International Law of the Sea Convention.

Meanwhile, in a show of strength, the French Republic has sent her aircraft carrier, '*Charles de Gaulle*', to the East Mediterranean. She reached Limassol on 21st February. There could be no clearer show of French support for Cyprus, which equally fears for the illegal exploitation by Turkey of her mineral resources.

The question begs whether in a region where wildly diverging countries are located each with their own seemingly insurmountable internal as well as external problems and interests, the concept of a pipeline which could connect and ensure peace and stability is based in reality or a figment of wishful political thinking.

**(B)** The technical challenge of laying the world's longest offshore pipeline at a depth of 3000 metres is also daunting. DEPA, the Greek Public Gas Company S.A. responsible for the development of the Project and delegated under the PCI to oversee its construction, have tasked its subsidiary IGI Poseidon with the initial technical feasibility and economic viability studies. The pre-feed studies have been finalised and the feed-stage, the technical study involving marine surveys and route accuracy measurements initiating the proper development of the Project, may now be launched. A final investment decision should be taken in 2022. Despite these confident projections dating from 2015-2016, the challenge to get the Project up and running by 2025 therefore remains.

**(C)** The financing of the Project would appear to be the next headache for the promoters of the EastMed Pipeline. Whilst the initial stages have been assisted by the European Union's funds, the next stage appears for the moment to be deprived of the massive funding the Project needs. The European Investment Bank has in any event announced that it will no longer provide financial resources for non-renewables projects. Estimates of 5.2 billion Euros required to fund the initial capacity stage have appeared in the media. Greek sources have even suggested that the funding may have to come from private investors.

**(D)** Another cause for skepticism is the trend in European gas consumption, which is showing signs of tailing off. The Oxford Institute for Energy Studies reckons that projections of European gas demand show only a marginal increase or even a flat lining into the 2020s, and that LNG projects will compete heavily and be the preferred modus of gas trade and transport into the 21st century.

Whilst the motor behind the construction of the EastMed Pipeline keeps slowly churning, the accelerated rise of renewables progress at a pace. Moreover, the European demand for natural gas from the EastMed source is also under heavy competition from gas produced by Russia. To facilitate the export of Russian gas to Europe, it is worth noting that on 30th December 2019, the latter reached a final agreement with Ukraine on the transit of gas destined for the European market for the next five years

Global demand for clean energy appears unstoppable. With Russia pumping gas into Europe also, the availability and use of renewable energy progressing at a pace, there must be doubt as to whether, by the time the EastMed Pipeline finally comes on stream, there will still be enough call for its natural gas so as to fully justify the enormous investment in the entire Project.

## About the Author

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