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Dissertation Title:

HYDROCARBON EXPLORATION AND EXPLOITATION IN THE TERRITORIAL WATERS, THE CONTINENTAL SHELF AND THE EXCLUSIVE ECONOMIC ZONE OF CYPRUS.

LEGAL AND REGULATORY FRAMEWORK AND CHALLENGES.

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Introduction

Historically, he Mediterranean Sea has been the centre of the world as the etymology of its name indicates. It is crucial that especially the Eastern Mediterranean Sea is located at the crossroads of three continents: Europe, Asia and Africa. More than that, one could consider it as a treasure of natural resources. Egypt has been the most pioneer in hydrocarbon exploration in the area. In the middle of the 90's decade, Egypt licensed oil companies to exploration and exploitation in its northern borders of the Mediterranean region. Short after, Cyprus decided to deal with its maritime zone demarcation, while its' integration within the European Union in 2004 established Cyprus's sovereign rights in the region. Following extensive negotiations, the Government of Cyprus awarded a license for exploration to **Noble Energy International Ltd** for the area known as "Block 12" in the Exclusive Economic Zone. The choice of the specific company demonstrated also the need of reaching an agreement with Israel regarding the maritime zones of the two countries. Besides, Noble Energy had been active in Israeli's continental shelf for the past years. In October 2013, Noble carried out appraisal drillings in Block 12. The results have confirmed natural gas reserves of 3.6 to 6 trillion cubic feet (tcf), with a gross mean of 5tcf.[1] At the dawn of the discovery of natural gas resources in the Eastern Mediterranean, Turkey has been trying systematically to intervene in the area by using military force and creating disputes under the International Law. Turkey's behavior is by far hostile to its neighboring countries, while its actions have been illegal from the perspective of the Law of the Sea. At this point, it is important to clarify that by the time Turkey was not a party of the Convention of the Law of the Sea, well known as UNCLOS, while only recently (2020) signed the Convention, consequently the only applicable law towards other countries was customary international law.[2]

This dissertation aims to clarify and explain any relevantissues, by including geographical, geological and geopolitical contexts. It will analyze the legal and regulatory framework and challenges, by explaining legal and political positions of the parties involved and concluding to some possible options for the future of

[1]Antoniou A, and McCollum C, 'Cyprus: Legal Aspects of Conflicting Views on Cyprus' Exclusive Economic Zone' (2015) Anastasios A. Antoniou and Christina McCollum

[2]Efthymios PAPASTAVRIDIS: The Greek-Turkish Maritime Disputes: An International Law Perspective(2020) {p.9}

hydrocarbons development by the Republic of Cyprus

The research will assess the concept of hydrocarbon exploration and exploitation offshore Cyprus and will analyze the legal and political challenges. Thus, a quantitative methodology has been chosen, providing an efficient mean of examining and highlighting the issues, opinions and motivations of the parties. Secondary data as well as qualitative information were collected from academic journals and reports. The paper is divided into four chapters.

Chapter 1: **The legal context**

1.1 The UN Convention and the International Law

The UN Convention on the Law of the Sea[3]is the Law of the Sea international treaty, which was established at the Third UN Conference on the Law of the Sea. It was available to sign in the end of 1982 and it became operational in the end of 1994. Today the UN Convention is endorsed by more than 160 states.[4] The countries which had voted against it at the time of its establishment debate, which are Israel, Turkey, USA and Venezuela, have not adopted it yet. Despite that, there are a few provisions of it which have gained customary international law status. Thus, those provisions are binding to all countries, independently of whether they have adopted it or not. Provisions on the Exclusive Economic Zone are included in the provisions which, since its enforcement, are as well seen as parts of the customary international law.[5]

Moreover, the UN Convention creates a comprehensive legal instrument which regulates every use of the oceans worldwide, as well as their resources, while including a certain binding procedure when there are disputes between participating countries and there is a need for settlement. It sets four different zones within the extent of national jurisdiction; the territorial sea, the contiguous zone, the Exclusive Economic Zone and the continental shelf. The internal waters as well as the territorial sea are under the coastal state sovereignty, when in the Exclusive Economic Zone and the continental shelf, there are exploration and exploitation rights which the coastal state has.[6]

Coastal state's rights and responsibilities in the seafaring zones are governed by the UN Convention, while limiting the wideness of every zone. In addition, it offers demarcation for maritime boundaries between the countries, for cases where there are countries with opposite coasts and are having contrary claims.

A coastal state has sovereignty of its territorial waters, its land territory and the air space above the territorial waters and its sea bed and subsoil. Each country is entitled to set its territorial sea boundaries within twelve nautical miles. In setting the limits of

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[3]United Nations Convention on the Law of the Sea 1982, https://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf
[4]Donald R. Rothwell, *The International Law Of The Sea* (1st edn, 2016).
[5] The continental shelf between Libya and Malta [1985] ICJ
[6]Ibid 3

the territorial waters between the countries having either opposite or adjacent coasts, countries are forbidden to extend their territorial sea more than the medial line, except if mutually agreed otherwise. This rule is exempted only in cases of special circumstances, i.e. due to a reason of historic title[7].

After the territorial waters and within the 24 nautical miles from the baselines, a state can set a contiguous zone, where it will have the right to apply its laws in regard to customs, fiscal, immigration as well as sanitary laws, while will be entitled to punish any breach of their laws within those limits. The Exclusive Economic Zone along with the continental shelf of a state with coastal waters shall be considered as areas which go beyond the territorial area of the sea. Within the EEZ and the continental shelf, a state has more restricted rights comparing to the rights in the territorial sea and the rights they have within the contiguous zone. The Exclusive Economic Zone and the continental shelf constitute intermediate areas, meaning that they are not under the country's sovereignty, but are areas in which the country can enjoy specific sovereign rights. Therefore, every area owns a special regime which is written in UNCLOS[8].

The regulations for the EEZ are set in Articles 55-75 of Part V of the UN Convention. A state can set an EEZ by making a proclamation. Within a state's proclaimed EEZ, a coastal state has certain sovereign rights for exploration, exploitation, conservation and management of the natural resources of its waters. The UN Convention regulates the rights regarding the seabed and subsoil, in the continental shelf sections. In addition, the coastal state has sovereignty and jurisdiction on any artificial islands and installations, as well as on the protection of the maritime environment or any upcoming marine scientific research, as the Article 56 of the Convention indicates.[9] The Exclusive Economic Zone of a coastal state extends from the territorial sea limits to 200 nautical miles, which is measured based on the baselines, as Article57 indicates. In a case of dispute of interests between two states, relating to the EEZ limits, it is required by Article 74 that the states will create an equal agreement. In case the states cannot come to an agreement within a reasonable amount of time, they refer to dispute settlements procedures, which the

[7]Ibid 3,4,Konstantinos Antonopoulos-Konstantinos Magliveras, *The Law of the International Society*, chapter 12-Law Of the Sea [editor; Efthimios Papastavridis], edition 3rd(Greek),2017 p.311-389
[8]Ibid 3,4,7
[9]Ibid 3,4,7

UN Convention provides. Every state has to provide the UN Secretary-General with a list of its territorial sea geographical coordinates of its EEZ, as well as any agreed boundaries with other states. It is worth noticing that within the EEZ of each state, other states can still enjoy certain freedoms as there are in high seas, as Article 58 indicates. These kinds of freedom regard 'navigation and over flights of the laying of submarine cables and pipelines, and other internationally lawful uses of the sea related to these freedoms', as stated in Article 87.[10]

In regard to the continental shelf regime, the last is established and regulated by Articles 76-85of the UN Convention[11]. A state's continental shelf is extended further than its territorial sea, while it includes the seabed and subsoil in the submarine territories through its natural extension of its land area until the end of the continental margin, otherwise until 200 nautical miles from the baseline. In every case, the extent of the continental shelf cannot be more than 350 nautical miles, measured from the baselines.[12]

The boundary line of the continental shelf among opposite coasts states is regulated by UNCLOS Article 83, which operates similarly to EEZ delimitation Article 74[13]. Similarly to EEZ, the states have to provide to the UN Secretary-General a record of their continental shelf boundaries, as well as any limitations agreed with other states.

Furthermore, coastal states have sovereignty rights for the exploration and exploitation of the natural resources within their continental shelf. The EEZ delimitation line has to conform to the corresponding line of the Continental Shelf (CS), to the extent that the same sovereign rights in the seabed and the submerged lands of the continental shelf are recognized in favour of the coastal state[15]. Those include the mineral, as well as the non-living natural resources in the seabed and subsoil, along with living resources of sedentary species. A significant note is that, contrary to EEZ rights, a coastal state's continental shelf rights are independent of effective or notional occupation, or any explicit state's proclamation. This means that the right exists by virtue of the country's sovereignty over the land and the territorial

[10]Ibid 3,4,7
[11]Ibid 3,4,7
[12]Ibid 3,4,7
[13]Ibid 3,4,7
[15]Malcolm D. Evans. *Relevant Circumstances and Maritime Delimitation*. Oxford, UK: Clarendon Press, 1989,

waters. Thus, there is an inherent tight, which can be exercised without the requirement of any special legal procedure, and without needing the performance of any special legal actions. The existence of such a right should be announced but not constituted.[16] Moreover, the right does not have to be exercised to be valid, meaning that a coastal state can proceed to natural resources exploration and exploitation further to its territorial sea, independently of whether it has set an EEZ. The state has only to declare that intends to make use of its continental shelf.[17]. Consequently, having in mind the obscurity of the clauses concerning the EEZ delimitation, the international application and the corresponding case-law, the clauses on the Continental Shelf delimitation are applied *mutatis mutandis* for the EEZ, with the following highlights: the equity provided by UNCLOS Article 83 for the delimitation of overlapping Continental Shelves, results in the median line being the main delimitation line (as a general customary delimitation rule).In general, the UNCLOS contribution to the legal notion of continental shelf was significant. More specifically, Part VI UNCLOS (Articles 76-85), with the provisions of the 1958 Continental Shelf Convention, extends the limits of the continental shelf of coastal States up to 350 nm in cases where the seabed formation is necessary as a natural prolongation of the land territory.

1.2 Maritime zones and boundaries in Cyprus

The Republic of Cyprus (hereafter: RoC) declared its territorial waters to a distance of 12 nautical miles, based on the Territorial Sea Law which came in to force in 1964. The law sets Cyprus's territorial sea, continuing from the coast, while it measured from the lowest point of the water and regarded as a part of the area, which is under the sovereignty of the Republic. In 1993, the RoC submitted its territorial sea length, as measured based on the geographical coordinates and the baselines and it was confirmed again in 1996.[18]

[16] Jure Vidmar and Ruth Bonnevalle-Kok, Hague Yearbook Of International Law (2016).
[17]Ibid 3,4,7
[18]Gurel, A., Mullen, F. and Tzimaras, H. 'The Cyprus Hydrocarbons Issue: Context, Positions and Future Scenarios.' [2013]

Based on the Continental Shelf Law that has come into force in 1993 (Continental Shelf Law), the Republic of Cyprus owns a continental shelf, the breath of which is defined according to the 1958 UN Convention on the Continental Shelf[19];bed and subsoil of the submarine areas are adjacent to the coast of the Republic, beyond the territorial waters, where the depth of the waters admits to the exploitation of the natural resources of the remarked areas'. In 1972, Cyprus informed the UN in order for the opinion of its Republic Attorney General[20]. His opinion was that the submarine areas with a further depth of 200 miles could still be regarded by Cyprus as being a part of its Continental Shelf, under the scope of the judgment of the North Sea Continental Shelf case on the International Court of Justice and by assuming that it consists a part of its natural prolongation inside and under the sea waters. As the Republic of Cyprus Continental Shelf Law indicates, in regard to the states which have opposite coasts, the breadth of the continental shelf will be limited to the medial line, except of another agreement with the state involved.[21]

The RoC signed UNCLOS in 1988. Based on a law provision passed in 2004, they officially announced their EEZ, in accordance with UNCLOS, with an extent of up to 200 nautical miles, measured from the baselines. Under the law, if there is any overlap between the Exclusive Economic Zone of Cyprus and the Exclusive Economic Zone of any other opposite coast state, the limitation of the EEZs will be agreed between the states, or it will be set no beyond the median line. As the law indicates: '*the Republic has sovereign rights for the purposes of exploring and exploiting, conserving and managing the natural resources. . .of the waters superjacent to the seabed and of the sea-bed and it s sub soil*'. In addition, it is stated that in a case of non-living resources exploration or exploitation in the Exclusive Economic Zone, the Council of Ministers or any relevant authority must give permission[22].

The Republic of Cyprus set its boundaries in a south western direction, a southern direction and in a south-eastern direction, by making agreements with Egypt, Lebanon and Israel. All of these agreements were based on the medial line principle and they

[19] Convention on the Continental Shelf 1958
[20] Natalie Klein, Dispute Settlement In The UN Convention On The Law Of The Sea (2005).
[21] Oceans & Law Of The Sea 'Preliminary information* indicative of the outer limits of the continental shelf beyond 200 nautical miles' [2019]
[22] Exclusive Economic Zone Law 2004

include provisions in regard to the boundaries between the states. Furthermore, the agreements indicate that in a case of future changes and concerns with opposite coast states, the geographical coordinates which set the boundaries can be reviewed or extended. Within the agreements of the RoC with Egypt and Lebanon, Article 74 is mentioned, while in the agreement with Israel there is a statement to 'the principles of customary international law relating to the delimitation of the Exclusive Economic Zone between States'.[23]

Theoretically, the provisions included in these agreements can be practically enforced in two cases. Firstly, in an event were Lebanon and Israel decide to delineate their (maritime) borders, it will probably not change the geographical coordinates of the boundaries the RoC has on the eastern direction, but it might change which part of the border line belongs to Lebanon and which part belongs to the Israel border. Secondly, in a case where there is a resolution of the Cyprus problem, it is likely that Turkey will attempt to have a post-settlement agreement, changing the current Cyprus' Exclusive Economic Zone border with Egypt. That can be deduced from the position Turkey holds and has hold at the time of previous attempts to settle the Cyprus problem.[24]

The Republic of Cyprus came to an agreement with Egypt in 2003 and came into force a year later. They also agreed in 2006 to a Framework Agreement regarding the advancement of resources in the cross-median line. The RoC made an agreement with Lebanon in 2007 and with Israel in 2010. The latter agreement was verified by both states and came into force a few months after its official adoption. Additionally, there are discussions between the Republic of Cyprus and the governments of Israel, in regard to a 'gas-sharing agreement' for hydrocarbon exploration in the maritime borders between the EEZs of the states. At the same time, the agreement of the RoC with Lebanon is still pending, since despite Cyprus adopted it, the Lebanese parliament has still not ratified it.[25]

There have been arguments for the reason the Lebanese parliament has not yet entered into force their agreement with RoC, mainly due to pressure from the Turkey side. The last supports that a government consisted only from Greek Cypriots is

[23]Ibid3,4,7
[24] Cyprus Mail 'Cyprus-Israel close to gas-sharing deal.' [2012]
[25]StefanosEvripidou. 'Lebanon will ratify EEZ deal when issues resolved with Israel.' [2012]

unable to represent all Cypriots, thus it should not be able to sign such agreements. In fact, Turkey officially requested from Lebanon in 2007, not to give effect to the arranged agreement.

Another reason which could explain Lebanon's delay on enforcing the agreement with the RoC is that Lebanon is likely seeking to arrange with Cyprus alterations to the geographical coordinates on the southern direction and on the median line set within their agreement. Lebanon's geographical coordinates for its southern Exclusive Economic Zone boundary with Israel and its western boundary with Cyprus are different from Israel's opinion on where is its boundary with Lebanon, as well as from what it was decided in the agreement Cyprus had with Lebanon in 2007. Under this scope, Lebanon is requiring Cyprus to consider again its Exclusive Economic Zone agreement with Israel. The reason for this is that their agreement sets a maritime boundary starting from the known Point 1, instead of point 23 which is proposed by Lebanon, being 17 km away south-west and concurs with a territory which Israel claims.[26]

Thus, those differences are a result of a maritime boundary dispute between Lebanon and Israel. The two points mentioned above, along with the Israel's and Lebanon's land border's coastal point, set a territory of 860 km2 on which there is an overlap for the EEZs claims of these two states. In 2011, Lebanon protested, by sending a letter to the UN, supporting that Cyprus-Israel agreement on delimitation is absorbing a part of Lebanon's EEZ and that this is a violation of Lebanon's sovereign rights on this area. Lebanon also supported that Point 1 can only be seen as a point which Lebanon and Cyprus are sharing and that is not a terminal point, thus it should not be considered as a starting point among Cyprus and another state. On the same year, Israel handed to the UN the agreed geographical coordinates of the proposed boundaries, according its delimitation agreement with Cyprus. As a response, Lebanon then sent another letter, on which it was supporting that 'the geographical coordinates that were deposited [. . .] by Israel violate the sovereign and economic rights ofLebanon over its territorial waters and exclusive economic zone, the coordinates of which are given in the attachment, and diminish from those waters and that zone some 860 square kilometers'.

[26]Ibid 24

Therefore, Cyprus's negotiations with Israel and Lebanon on their maritime boundaries pose her in a position of being a part of a complex diplomatic row. It is obvious that Lebanon is not willing to adopt the agreement it had with Cyprus, as long as is not being renegotiated. Nonetheless this cannot happen until Cyprus considers again its agreement with Israel and Israel is not likely to accept such a revision. Another way Lebanon might ratify its agreement with Cyprus is only it resolves its dispute with Israel. Despite Lebanon and Israel officially are at war and they are not maintaining diplomatic relations, there are a few steps taken for their negotiations through the UN and even with assistance of Cyprus. So far, they have not come to an agreement.[27]

1.3 Cyprus' legal and regulatory framework for development of hydrocarbon resources

As a member of the EU, Cyprus has aligned its energy policy with the *acquis communautaire*(cumulative body of EU laws) and incorporated all relevant EU Directives into national law[28]. The Hydrocarbons (Prospection, Exploration and Production) Law 4(I) 2007 (Hydrocarbons Law) transposes Directive 94/22/EC on the conditions for using authorisations for the prospection, exploration and production of hydrocarbons, into national law.The Republic of Cyprus (under the presidency of Tasos Papadopoulos) started the first round of licensing process for research as provided for in the European Directive and the internal law. This movement was decisive for the country's sovereign rights in the EEZ.Hydrocarbon exploration and exploitation in the territorial waters of Cyprus is regulated by the Hydrocarbons Law (Prospecting, Exploration and Exploitation Law 4(1)(2007) along with two regulations established based on this law (Nos.51/2007 and 113/2009) .[29]The exploration and exploitation process is the responsibility of the Energy Service of the Ministry of Commerce, Industry and Tourism (MCIT).The law was established to transfer the EC Directive 94/22 to the national law and as paragraph 1 of section 3 states '[t]he ownership of hydrocarbons wherever they are found in Cyprus, including

[27]Ibid 18
[28] Elias Neocleous and Costas Stamatiou Andreas Neocleous& Co LLC, Oil and gas regulation in Cyprus: overview,2013
[29] Prospecting, Exploration and Exploitation Law 2007

the Territorial Waters, the Continental Shelf and the Exclusive Economic Zone of the Republic, shall be deemed to be and always to have been vested in the Republic'. Based on the law, the executive powers which are in position to determine, in the area of the RoC and the relevant surrounding zones, the territories allowed to be prospected, explored and exploited for hydrocarbons and to authorize for such activities in a geographical territory, are the Council of Ministers. At the same time, the legislation indicates the rules, the criteria and the conditions which need to be assessed for granting such an authorization.

The two Hydrocarbons Regulations established in 2007 and in 2009 indicate all the detailed rules as well as procedural requirements for applicants of every case. The granting of a prospection license makes its holder entitled to proceed to the relevant activities on a relevant territory for the purpose of finding hydrocarbon resources by using appropriate geophysical methods, except of drilling. A prospection license is valid for one year from the moment of its issuance. Exploration licenses, on the other hand, can be issued initially for three years and are renewable for two terms maximum. Each term lasts for two years and provides authorization for hydrocarbon research through relevant activities, such as two dimensional and three dimensional seismic surveys as well as exploratory drilling. Licenses for exploitation are granted for up to 25 years, while they are renewable for another term of 10 years. The issuance of exploitation licenses allows the hydrocarbons' development and production, for any treatment aiming to make them marketable as well as for the storage and for the hydrocarbons and their subsequent products transportation.[30]As for the application procedure, an Advisory Committee has been established, in order to evaluate the applications. Then, a report of the Committee's evaluation is sent to the Minister of Commerce, Industry and Tourism. Following the Minister's evaluation, a submission of his opinion on the applications and the Committee's report are sent to the Council of Ministers, where the final decision is made. Additionally, section 16 of the law provides the country's participation in hydrocarbon's prospection, exploration and exploitation activities.[31]

[30]Ibid 28
[31]Ibid 28

1.4 Turkey's position

In September, 2011, when Noble Energy started the first exploratory drilling on behalf of Cyprus, in Block 12,the Turkish Prime Minister, Recep Tayyip Erdoğan s upported that the action was a 'reciprocal decision' to the actions of Republic of Cyprus. Indeed in September 2011, Turkish Cypriot leader Derviş Eroğlu submitted a proposal for cooperation and suspension of the activities in the maritime space around Cyprus of the two communities on hydrocarbons, on matters as the distribution of profits. The Republic of Cyprus rejected Eroğlu's proposal, by answering that "exploration and exploitation of our natural resources constitutes a sovereign right of the Republic of Cyprus'. ' Our sovereign right is not negotiable'.Since Turkey has not been a part of UNCLOS until 2020, norms in bilateral or regional agreements involving Turkey might be the customary law normst on delimiting maritime boundaries[32].Turkey decided not to vote UNCLOS as her positions were not accepted in the Third Conference of the United Nations. Nevertheless it is ICJ jurisprudence in favour of the view that modern international maritime law has changed to the extent that EEZ rules as well as the UNCLOS have come to exist in customary international law '*It is in the Court's view incontestable that*, …… , *is shown by the practice of States to have become a part of customary law.*[33]Indeed the jurisprudence of the ICJ and the International Tribunal for the Law of the Sea (ITLOS) have adopted the norms of *equidistance/special circumstances* for the delimitation of the territorial sea and of *equitable principles/relevant circumstances* for the continental shelf and the EEZ. The *Qatar v Bahrain,* and the *Cameroun v Nigeria,* cases show that the above

[32] Vincent Morelli,*Cyprus: Reunification Proving Elusive,*Congressional Research Service, 2011,e-source:
https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwiy74uQjpPyAhUvgP0HHfALAI4QFjAEegQICxAD&url=https%3A%2F%2Fwww.hsdl.org%2F%3Fview%26did%3D719313&usg=AOvVaw1lumqhEPcA-HZbaAYS2s2R

[33] Libya vs Tynisia 1985 case

Turkey's view on the delimitation of the Aegean Sea, is that is more restricted by Greece, even with the extent of 6 nautical miles, since Greece approximately controls the 43,5% of the territory, while Turkey controls the 7,5 per cent and the remaining is high seas. In a case where Turkey and Greece extended the limit to 12 nautical miles, would have as a result the latter to control the 71,5% of the territory and the first the 8,8%, while the high seas would fell at 19,7%. Thus, if this was the case, Turkey would lose the access to international waters, along with Turkish vessels, since the vessels would have to pass through Greece's territorial waters. This would also result to the reduction of the continental shelf territory claimed by Turkey. Therefore, despite Turkey does not categorically stand against the 12 nautical miles extension in principle, it considers any extension further than 6 nautical miles in the Aegean Sea completely unacceptable, assuming that there are special circumstances.[34] Thus, Turkey has threatened many times that if Greece extents its territorial waters to 12 nautical miles, then this would be a reason to go to war against Greece. This attitude was approved by the Turkish Parliament, in the middle of 1995, a bit before Greece signed the UNCLOS. The resolution allowed Turkey to adopt all the necessary measures, one of which is military steps, in order to protect its vital interests.

For the reasons stated above, Turkey declared its objection for the 12 nautical miles extension, as the UNCLOS Article 3 provides. Even if it made proposals, which would made for the coastal states compulsory to set the breadth of their seas through agreement, none of them was successfully adopted. Since that time, Turkey has kept a position of a persistent objector on this matter and for the same reasons it has been opposed to the adoption and application of UNCLOS Article 33, which regards the contiguous zone.[35]

In regard to the third UNCLOS article, on which Turkey has serious objections, is the Article 121, regarding the regime of islands. The Article imposes that the territorial sea, the Exclusive Economic Zone, the contiguous zone, along with the continental shelf islands have are decided with the same way as other land territory. Thus, Turkey dissent this provision due to its dispute with Greece on the Aegean continental shelf.

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[34] Turkish MFA [2007].
[35]Ibid 3,4,7

The dispute on the Aegean continental shelf started in 1973, at the time Turkey started oil research further than its territorial waters, taking Greece as an example, which since 1930 was searching for oil beyond its territorial sea. It can be noticed that the dispute between the two states is based on the overlapping claims they have over the continental shelf and based on their failure to agree on a methodology which could be used to resolve the dispute and on the relevant criteria which could be used to make the delimitation.

On the other hand, Greece supports that under Article 121, islands should have their own continental shelf.[36] On this scope, a complete entitlement for islands to generate their own continental shelf would make the biggest part of Aegean's continental shelf to belong to Greece. Based on the Turkish opinion, the delimitation of the maritime boundaries within the Aegean Sea, should be accorded to equitable principles, considering the special circumstances existing in the Aegean, specifically the Greek islands located near the Turkish mainland. It has also supported that the islands close its mainland lie on its continental shelf, being the Anatolian land's natural prolongation, thus not having their own continental shelf. Therefore, it has proposed that the median line which delimits the two states' continental shelves can be set in the middle of the two countries coasts[37].

It should be also noticed that on the third round of UNCLOS deliberations, Turkey supported against of what it was finally adopted by making certain proposals. One of these was that 'islands which constitute a source of distortion in equity in drawing boundaries between opposite or adjacent states shall have marine spaces only to the extent compatible with equitable principles and all geographic and other relevant circumstances'. In addition, it suggested that islands which have a size less than the one-tenth of the size of its country or which are located on another country's continental shelf, shall not be entitled to possess an economic zone. Allot of the suggestions failed adoption, due to lack of legal basis.[38]

Briefly, Turkey's aggressive position should not surprise. It is a strategy followed for years, as the Cypriot issue is closely related to energy matters in the region as well as

[36]Ibid3,4,7
[37]Leo Gross, *The Dispute between Greece and Turkey Concerning the Continental Shelf in the Aegean*, American Journal of International Law, pp.31-59,1977
[38]Ibid 18

the hydrocarbon deposits and the pipelines of the Eastern Mediterranean Sea. It regards the pending maritime delimitation between Turkey and the Republic of Cyprus, too. In fact Turkey intends to become a regional power and her vision cannot succeed unless she interferes the energy matters of the area.

1.5 Turkish Cypriot acts regarding maritime zones

At this point we should mention that also Turkey as a coastal state has legal interests in the Aegean Sea and the Eastern Mediterranean. Not of course to the extent she claims for but still existing in relation to the Law of the Sea.The part of northern Cyprus, the so called illegal entity of "TRNC" that it not under the control of the Republic of Cyprus and which is under Turkish occupation since 1974 (also known as the self-proclaimed 'Turkish Republic of Northern Cyprus') is not recognized by the international community as de jure state for the purposes of the UN. Turkey's greatest unlawfulness could be considered as the extended occupation of the northern part of Cyprus and the continuous effort of its integration and islamization. Definitely the discovery of hydrocarbons in the area raises the tension and the threats towards Greece and Cyprus. Besides, the law of military occupation states clearly the lack of legality between Turkey and the so called illegal entity of 'TRNC'. It is the duty of the occupational power to protect the natural resources of the occupied area. Its water and natural resources are subject to the restrictions of Article 47 of the Regulations of The Hague 1907.After interpreting this provision in the Republic of the Congo Case v. Uganda[39] the International Court of Justice judgment was that over-exploitation of the natural resources of the occupied territories is equivalent to "looting" which is expressly prohibited under Article 47 of the Hague Regulations 1907.During the occupation, the occupied force exists de jure and is binded by international law. As a result, the sovereignty of the RoC over the whole island is not suspended due to *de facto* occupation of Turkey.[40]

[39]19 December 2005, e-source: https://www.icj-cij.org/public/files/case-related/116/116-20051219-JUD-01-00-EN.pdf

[40]Elias Kouskouvelis, KalliopiChainoglou*: water supply pipeline in the occupied areas of Cyprus and the violations of International Law*, 2016(Greek edition, not official translation).

According to it, military occupation is considered a temporary situation. Currently, the Republic of Cyprus is solely managed from the Greek Cypriot community, having its control limited to the island's southern part. For its northern part, in 1983 it was established the so called illegal entity of "Turkish Republic of Northern Cyprus", by the Turkish Cypriot community. The pseudo- state, the so called illegal entity of "Turkish Republic of Northern Cyprus" is administered only by Turkey. It should be mentioned that UN Security Council resolutions 541/1983 and 550/1984 have condemned the so called illegal entity of "TRNC" while states have been called upon not to recognize it.[41] Therefore, on the top of the Republic of Cyprus legal framework for maritime spaces of Cyprus, there is the so called illegal entity of Turkish Republic of Northern Cyprus which also sets its own arrangements. The Turkish-Cypriots feel obliged to take part in the hydrocarbons management, despite the absence of a concrete policy-agenda. Many security concerns justify this policy. Indeed any absence in the hydrocarbons' management is like letting Greek-Cypriots create *fais accomplis* on the security architecture of the Island, which they will be forced to comply with in case of a potential settlement. Consequently, Turkish-Cypriots encounter the gas reserves as an issue affecting "the future security architecture" of the Island, for which their involvement is more than urgent[42].

According to the "TRNC" Territorial Sea Law, No.42/2002, the extent of the territorial sea should be at 12 nautical miles. Moreover, the so called illegal entity of "TRNC" Maritime Jurisdiction Areas Law, No.63/2005 sets 200 nautical miles for the declaration of the Exclusive Economic Zone and for its delimitation as agreed with the neighboring coastal countries. Under the same law, there is a definition of the continental shelf, based on the international norms, to the extent that the seabed and subsoil in the submarine areas are, or if it is smaller, to the extent f 200 nautical miles.

In 2011, the so called illegal entity of "Turkish Republic of Northern Cyprus" agreed and singed for its continental shelf delimitation with Turkey and it was adopted by its Parliament in the beginning of 2012 and by the Turkish Parliament a few months later. This creates a boundary within Cyprus's northern coast and Turkey's southern coast. It is consisted from 27 coordinates and it is announced to be 'determined on the

[41] *https://www.mfa.gr/en/the-cyprus-issue/*
[42] Vasileios P. Karakasis. *The discovery of gas reserves and the escalation of the Cyprus conflict: Exploring the causal mechanisms.*

basis of international law and equitable principles' and not seen as a median line. The ratification of this agreement followed the initiation of exploratory drilling, which was granted by the Republic of Cyprus government for the state's southern coast, as a reaction. Eventually, the agreement was announced to be illegal and thus unenforceable by Greece and the Republic of Cyprus.[44]
Except the fact that any bilateral agreement with Turkey and "TRNC" is concerned illegal under international law, the article 47 of the Geneva Convention IV imposes more restrictions to the occupied territory concerning the quality of living of civilians. The exclusive exploitation of water supplies in the occupied area, for example, deprives from the locals, both Greek-Cypriots and Turkish-Cypriots, a significant source of income, while the water rights turn into monopoly for Turkey[45]. In fact the Belligerent Occupation Law[46] is once again violated as the occupied force is prohibited from exploitation of natural resources for its own advantage.

1.6 Legal aspects of the Cyprus' dispute over its Exclusive Economic Zone

Based on the customary international legislation and on UNCLOS, as explained above, a coastal state owns an inherent right to its continental shelf that extends to a 200 nm distance, calculated from its coast. Also, a littoral state has the legal right to require an EEZ of a breadth up to 200 nm[47]. It should be noted that in these zones, the relevant coastal state is entitled to exclusive sovereign rights, in order to explore as well as exploit any natural resources, living or not, within its seabed as well as subsoil, according to Article 58(1)(a)[48], Article 77(1)(2)[49] and Article 81[50] of UNCLOS. Therefore, there is not any right, owned by any other state, on the natural resources of another country's maritime zones. Notwithstanding, in a states' continental shelf as well as its EEZ, the freedom of navigation should not be hindered, in accordance to Article 58(1)[51] and Article 78[52] of UNCLOS, since these waters constitute a part of the high seas.

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[44]Ibid 18
[45] Ilias Kouskouvelis and Kalliopi Chainoglou: Against the Law: Turkey's Annexation Efforts in Occupied Cyprus,p 75-76, 2016
[46] https://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e359
[47] (Law No. 64(I)/2004)
[48] The United Nations Convention on the Law of the Sea 1982.
[49]Ibid 55
[50]Ibid 55
[51]Ibid 55
[52]Ibid 55

Turkey, until date, did not participate in UNCLOS, while it keeps a certain position under which the island that face extended coastal fronts shall own diminished rights in regard to the generation of the maritime zones. Turkey claims that the Aegean Sea is a complicated area and so delimitation should be conducted on grounds mutually acceptable to the coastal States affected. Turkey has tried to present the Aegean Sea as a sui generis case within the context of the UN Conferences on the Law of the Sea .As Turkey declines to accept Cyprus' rights over the continental shelf, or its entitlement to claim an Exclusive Economic zone around the island, it basically dismisses the EEZ delimitation agreements made between Cyprus and third countries.

The "TRNC" Agreement indicates several positions Turkey has taken on the Law of the Sea. Its focus is limited on the continental self, as it does not accept the delineation of an EEZ. There is nothing preventing the coastal states from selecting which maritime zones to either claim or to delimitate. At the same time, Turkey's refusal in delimiting an Exclusive Economic Zone with the so called illegal entity of "TRNC" implies that islands in several areas shall not own the right to their own maritime zones, except of the territorial sea, or that they should have limited capacity to produce such zones. This position was formed within the dispute of Turkey *with* Greece in regard to the sovereignty of some maritime areas of the Aegean Sea, started in the 1970s.[55]

Further, Turkey's stand to UNCLOS provisions regulating the entire regime of islands is one of the grounds it voted against and does not sign to UNCLOS. It can be observed through several significant case law, such as the Anglo-French Arbitration case[56], the Tunisia v Libya case[57]and the Black Sea Case[58] , that the maritime area an island is entitled to claim can be diminished based on the relevant circumstances. Hence, despite that islands are not restricted of the rights bestowed through the Article 121[59] of UNCLOS, these rights in several cases might not be provided in full effect in maritime boundary delimitations. Nonetheless, in any case, islands cannot be refused their capacity to produce maritime zones, and or to be provided decreased effect a priori; every case shall be dealt based on its unique circumstances.

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[55]Ibid 61
[56]United Kingdom v France [1978] 18 R.I.A.A
[57]Tunisia v Libya [1982] ICJ 18
[58]Romania v Ukraine [2009] ICJ 3
[59]Ibid 55

Due to its position, Turkey can be characterized as a fervent advocate of the equitable principles technique at the time of UNCLOS II, intensely declines the media line technique, provided by UNCLOS II. Under the equitable principles technique, which was founded in the 1969 Continental Shelf cases, any relevant factor must be taken into consideration, for ensuring an equitable result. Nonetheless, the Court in these cases, did not provide any additional guidance on how this equitable result is achievable, making this technique equivocal.[59]

Despite the debate on the two pre-mentioned techniques had been intense, UNCLOS failed to elucidate the vagueness of the legislation of maritime delimitation. The Article 74[60] as well as the Article 83[61] of UNCLOS sets a balance among the two opposing assertions. Notwithstanding, there is an obvious growing trend on assimilation of the two techniques. Currently*, the view in favor* of the integration of the two techniques seems to prevail.

The Article 121[62] of UNCLOS regards the customary legislation in the case Nicaragua v Colombia[63], while it also applies in non-states parties, i.e. in Turkey. In this case, the ICJ clarified in regard to the continental shelf that: "The Court does not believe that any weight should be given to Nicaragua's contention that the Colombian islands are located on "Nicaragua's continental shelf". It has repeatedly made clear that geological and geomorphologic considerations are not relevant to the delimitation of overlapping entitlements within 200 nautical miles of the coasts of States."[64]

In any case, the continental shelf delimitation agreement between Turkey as well as the breakaway of the so called illegal entity of " TRNC" is invalid based on the international legislation, as Turkey does not constitute a legitimate state entity, while it does not entitle to a legitimate legal personality under international law. It is also clear that the so called illegal entity of "TRNC" owns not valid claim on the matter of Cyprus' EEZ.

[59]Ibid 61
[60]Ibid 61
[61]Ibid 55
[62]Ibid 55
[63]Nicaragua v Colombia [1928] ICJ
[64]Ibid 72

Chapter 2: Hydrocarbon exploration and exploitation in Cyprus

2.1 The Republic of Cyprus

The Republic of Cyprus started exploring for hydrocarbons in an exploration region of 51,000 km2 seaward Cyprus. The region explored was separated in 13 "blocks", ingeological areas containing hydrocarbon components. In 2006, two-dimensional inspections took place in all of the 13 blocks and three-dimensional inspections took place in block 3, in 2007.After having signed an Exclusive Economic Zone (EEZ) delineation agreement with Egypt by 2003,the RoC also made a similar agreement with Lebanon in January 2007[65]. The following month, the RoC, in accordance with the available seismic statistics, set in motion the first international tender, issuing exploration licenses for gas and oil, within duration of three years, where 11 blocks were offered, excluding block 3 and block 13. During this period, there were available only three bids and one company, named Noble Energy, which was given a license for Block 12. In 2008, a contract was made with Noble, for production and sharing. Following more seismic surveys, the first drilling for exploration started in 2011. Within three months, as Noble announced, they found an approximate amount of 5 to 8 tcf in the field named as Aphrodite. Delek company, Noble's partner, which is on the list of the Tel Aviv Stock Exchange, is responsible for applying a variety of methods for estimation, calculated the reserves a little less at 5.2 tcf.[66]

The findings in Block 12, along with the *many* findings in Israel's neighboring block Leviathan, automatically raised the interest for a second issuing of licensing offshore Cyprus, in early 2012. Notwithstanding the Turkey's protests, the second round of licensing offshore Cyprus got the attention of 15 bidders until the deadline in May, including individual businesses and consortium, as well as big oil and gas businesses (i.e. Total of France, Kogas of South Korea, Gazprombank of Russia etc.) . Most of

[65] Ministry of Commerce, *Industry and Tourism, Energy Service, Hydrocarbon Exploration*, First Licensing Round, 2012
[66]Delek Group*, 'Delek Group Announces Consolidated Results For The First Quarter Of 2012'*, 2012

There were two main points worth noticing from this case. First of all, there were five blocks missing from the list of the winning bidders, which were under Turkish claims for belonging within their continental shelf, despite there were some bids made for some of those blocks. The second point is the fact that all of the successful bidders were very large and known companies from countries owning a highly important military strength. Thus, it can be noticed that the RoC aimed to be cautious, by not allowing licensing to the blocks which had parts which Turkey claims, while at the same time was gaining sufficient military protection for the blocks which had parts where Turkey and Cyprus had equal rights claims. Under the same light, the RoC's relations with Israel can be noticed, as it has a poor relationship with Turkey, while being a promising partner with Cyprus for gas exportation.[67]

2.2Exploration in Turkey

Turkey has proceeded in an extensive exploration of its water alongside other partners in the territorial waters of the Black Sea. Despite that, until today, no significant discoveries have been found. In the end of 2011, Exxonbil along with TPAO stopped the exploration operations. The latter supports online that they are still open for proposals of cooperation with other businesses in exploring the territory, despite it had stated in late 2012 that they had found an undisclosed amount of natural gas, within the territorial waters of the Black Sea.[68] Broadly speaking, nonetheless, bases on the Minister's for Energy and Natural Resources announcements in late 2011, the focus of the parties was likely to turn to the Mediterranean Sea. TPAO has proceeded in conducting 2D as well as 3D seismic surveys in the territorial waters of the Mediterranean Sea. In addition, Turkey has set a maritime boundary between Turkey and the known but unacknowledged Turkish Republic of Northern Cyprus, in late 2011[69].

2.3Exploration in Egypt

[67] Middle East Economic Survey '*Second Cyprus offshore licensing round participants and license applications'*, 2012
[68] Anatolia News Agency *'State-Run Company Finds Gas In Black Sea'*,2012
[69] Ibid 78

The first important deep-water exploration and discovery of natural gas in Egypt was conducted by Shell in 2003, north east the Mediterranean. Until the beginning of 2004, Shell had made 3 drillings and 2 big natural gas findings. Its director of exploration then stated: The drilling results have demonstrated that this ultra-deepwater area is a rich hydrocarbon province'[70]. Currently, Egypt's block named NEMED owns an approximate amount of 1,5 trillion cubic feet, (or tcf). It started a binding round for 15 primarily offshore licenses in the territorial waters of the Mediterranean and 15 licenses for onshore drilling, between the chronical period of 2011 and 2012.

2.4 Exploration in Israel

Israel's initial attempt to explore offshore its territorial waters took place in the late 1960s. However, the important exploration period was when there was an involvement from private companies. Except of two discoveries in 1999 and in 2000 offshore Noah and Mari-B respectively, the first actually large offshore discover took place in the Tamar, in early 2009. In this discovery, several companies were involved, including the Noble Energy of the United States.

The second large discovery, which is the largest in this region, was offshore the Leviathan block, in late 2010, again by a drilling conducted from Noble Energy along with Delek Drilling, Avner and Ration Oil. Israel seems to have reserves, which even if they are small comparing to the states with large reserves, it is sufficient to give Israel the power to be a large regional energy exporter, in the future.[71] Israel had not exported any gas, despite its reserves, at least until the end of 2012.

2.5 China's Strategy in the South China

In practicing the exclusive economic zone maritime claims', it is interesting to notice China's strategy in the South China Sea. China ratified UNCLOS in 1996 and it caused more competition on the China sea dispute maritime rights assertation and exercise. China's strategy to delay the settlement has resulted to the strengthening of its own claim on maritime rights, particularly on China's ability to exercise

[70]Gulf Oil and Gas 'Shell Egypt Announces two ultra-deepwater discoveries',2004
[71]Barkat, Amiram'*Gas authority head: Israel's proven reserves to triple'*, 2011

jurisdiction on the territorial, contested waters and on preventing other states involved to empower their maritime claims. Its goal is to deter any maritime activities, as hydrocarbon exploration and exploitation, which do not include China and to ensure that is going to be involved in any upcoming development activity.

Through China's delaying strategy, it has developed a diplomatic instrument of statecraft, which has used in three ways. Firstly, China is declared open to negotiations. Secondly, as the international law requires from the states to actively maintain their claims, China responds to other claimer-states maritime rights claims, as well as sovereignty claims. Thirdly, China maintains diplomacy to deter commercial activity in the territorial waters of the dispute, as it did when Vietnam tried to develop its own offshore petroleum industry by cooperating with other oil companies and China brought up eighteen diplomatic objections. So far, it is noticeable that China's delaying strategy has empower her sovereignty and maritime claims.[72]

A further example of China is the South China Sea Dispute. The South China Sea (SCS) dispute constitutes a maritime claims dispute between different states, such as China, Taiwan, Philippines, Indonesia, Malaysia, Vietnam and Brunei. The dispute regards the territorial control, the freedom of navigation, the commercial fishing, the maritime lines as well as the exploitation of natural sea resources of oil as well as of gas in the territory of the South China Sea.

China has gradually exercised its effects in the area included in the 9-dash line and has built military bases in the Spratly and Paracel Islands. Therefore, it manages to maintain an Area Access Area Denial strategy, preventing the free navigation of USA's naval assets as well as hegemonic interests within the area. China has established a permanent physical presence and legal-political claim in the area since the end of the 1950s[73].

In addition, China's dispute with Philippines is of great interest when it comes to the territorial water claims. In 2013, Philippines initiated legal proceedings against China based on Annex VII of the UNCLOS 1982. As it was provided in Court, Philippines supported that China has breached its sovereign right of freedom of navigation and

[72]Taylor Fravel'*China's Strategy in the South China Sea'*, 2011
[73] Ibid 82

that it jeopardized its access to shipping entitlements in the South China Sea, through the extension of its territorial claim in the SCS area, making artificial islands, while keeping continuous presence of ships, naval assets as well as fishing boats in the area .

The Permanent Court of Arbitration in Hague, where the case was taken, concluded that China was lacking any legalbasis for acquiring the historic rights to the shipping boundaries and natural resources in the region of the 9-Dash line. Hence, it decided that China proceeded against the obligations of shipping safety as required by Article 94 of UNCLOS. It additionally highlighted that the Thomas Shoal along with the Mischief Reef together with its continental shipping features are located within the 200 nm of Philippines and hence formulates its Exclusive Economic Zone.[75]Turkey is trying to impose a fait accompli policy, similar to the one imposed by Beijing in the South China Sea as China is escalating a conflict with several countries including Vietnam, the Philippines and Malaysia for the exploitation and control of several island. However, within the Mediterranean the situation is different as the European neighbours can respond with several means; this can be concluded by the current military acts. Generally, the dominant tension among coastal neighbours doubts us as if we are in front of a new South China Sea crisis[76].

Chapter 3: The historical and political context

3.1 Status of the RoC and the so called illegal entity"TRNC"

After the division mentioned above, the Turkish Cypriots alongside administration which was running in 1964-1974, was developed to administrate the northern part of the island and became, following the 1983 Turkish Cypriot official proclamation of independence, the so called illegal entity ,the current "*Turkish Republic of Northern Cyprus*", solely recognized by Turkey. However, Turkey as a UN Member should be legally binded upon the Security Council Resolutions, regarding the sovereignty of

[75]Hamzah Taoqeer*, 'South China Sea Dispute: In Light Of International Law Of The Seas'.*

[76] https://www.al-monitor.com/originals/2018/03/turkey-mediterranean-resembling-south-china-sea.html

the RoC. Their legal consequences are *ratione personae* to all member states, even states that are not members of the Security Council. The latter has repeatedly called upon the states not to recognize the so called illegal entity of TRNC since it could never comply with international law requirements of statehood[77]. The sovereignty of the Republic of Cyprus was breached brutally and unlawfully by Turkey; as a result the "TRNC " territorial claim is not legally strong. It was created after armed conflict, so its military occupation indicates lack of democracy, in terms of international jurisprudence. Statehood requires sovereignty upon the state, exercised without outside invasion, which in case of the so called illegal entity of TRNC cannot be claimed.[78] The case law study of the ICJ has proved that the court reprimands unilateral declarations of independence that result from illegal forces of action in violation of *jus cogens*[79].The official proclamation also included statements concerning Turkish Cypriot commitment in succeeding a bi-zonal federal agreement, resulting from negotiations under the United Nations Secretary-General auspices.[80]
Since the illegal Turkish invasion (July-August 1974) and the occupation, Turkey has militarized 37 % of the territory of the island. Turkey has also declared unilaterally the independence of the pseudo-state in the occupied side[81].
In fact, Turkey has been aiding financially the so-called illegal entity of TRNC since 1974 acting as the 'Motherland' Turkey while following its own geopolitical interests on the island. More than that, the European Court of Human Rights was adjudged that the effective control Turkey has upon " TRNC" , following its military invasion, extends Turkey's liability regarding the decisions and violations made by its administrative authorities on the island[82]. Finally, the aid that Turkey offers at the moment to the "TRNC" is beneficial since a numerous investment project has taken place; besides both the water supply pipeline and the electricity plant bounded their agreement for the delimitation of maritime boundaries. These actions once again

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[77] Ilias Kouskouvelis and Kalliopi Chainoglou: Against the Law: Turkey's Annexation Efforts in Occupied Cyprus , p.61-65,2016
[78] Sanford R. Silverburg, PROTRACTED OCCUPATION THAT LEADS TO DE FACTO STATE CREATION: THE TURKISH REPUBLIC OF NORTHERN CYPRUS, AN INTERNATIONAL LEGAL EVALUATION, Global Journal of Politics and Law Research Vol.8, No.2, pp.30-64, March 2020
[79] Ilias Kouskouvelis and Kalliopi Chainoglou: Against the Law: Turkey's Annexation Efforts in Occupied Cyprus ,p 68-69,2016
[80]Ibid 18
[81]Ibid 7
[82] Roberta Medda-Windischer: The Jurisprudence of the European Court of Human Rights

Nevertheless, it seems important to clarify that the *Belligerent Occupation Law*[83] under which the Northern part of Cyprus is, forbids any act of interference of the hostile forces in terms of economic or political rights of the occupied area. The construction of the water pipeline consists one of these acts. Although the so called illegal entity of TRNC is defined as *de facto state*, as not recognised internationally, the RoC has the legitimate *de jure* control over the island. Hence, only the RoC can exercise sovereignty over its territory by signing any kind of international agreement[84]. Besides, according to occupation law, occupation regime should be temporary. However, Turkey has orchestrated an effort of hidden colonization by settling Turkish nationals on the island violating the occupation law[85].

3.2 Attempts to resolve the problem in Cyprus

In a chronic period 1964-1968, the United Nations tried unsuccessfully to settle Cyprus' political problem, by the means of mediation. In 1968, there were attempted negotiations between the two communities in regard to a Cyprus settlement inside the good offices' framework of the United Nations Secretary-General. In 1974 the events interrupted the negotiations and they started again in 1975 being under the United Nations auspices. In 1977 the known High Level Agreements took place and set in 1979[86], indicating that the parties wanted a 'bi-communal Federal Republic' having two areas each of them being run by one community.[87]

Since then, there has been a variety of inter-communal negotiations. Between 2002 and 2004, the communities appeared to be close to an agreement on The Comprehensive Settlement of the Cyprus Problem suggested by the United Nations. The proposed Plan suggested the reunification of Cyprus by being a bi-zonal as well as a bicommunal federal government, having two politically equal and constituent states, the one being the Greek Cypriot Stat and the other Turkish Cypriot State. Most

[83] Hague Regulations, the 1949 Fourth Geneva Convention (IV GC) (Arts. 27-34, 47-78)
[84] Ilias Kouskouvelis and Kalliopi Chainoglou: Against the Law: Turkey's Annexation Efforts in Occupied Cyprus,2016, p.73-74
[85] Committee on Migration, Refugees and Demography: Mr Jaakko Laakso, Finland, Group of the Unified Left: https://assembly.coe.int/nw/xml/XRef/X2H-Xref-ViewHTML.asp?FileID=10153&lang=EN
[86] High Level Arrangements 1977
[87] High Level Arrangements 1979

of the international community alongside the United Nations and the European Union backed up on this Plan. During the negotiations on the Annan Plan, the Republic of Cyprus government, officially representing the whole island, made negotiations in regards to Cyprus's accession in the European Union. If the Plan was ratified, then Cyprus would enter the European Union united. In 2003, the Turkish Cypriots happily accepted the Plan, while the Greek Cypriots rejected it. However, since there was not a settlement, the European Union included Cyprus as its member divided, in 2004. The European Union speeches refer to northern Cyprus as 'those areas of the Republic of Cyprus in which the Government of Republic of Cyprus does not exercise effective control' and its body of laws is not effective in northern Cyprus.[88]

The most recent attempt of the Cyprus dispute settlement took place in 2008 with the announced aim of the parties being, as stated: 'a bi-zonal, bi-communal federation with political equality, as defined by relevant Security Council resolutions …[that] will have a Federal Government with a single international personality, as well as a Turkish Cypriot Constituent State and a Greek Cypriot Constituent State, which will be of equal status'. Based on the wide understanding 'if not everything agreed then nothing agreed', the parties decided that natural resources should be a federal competence. Until today, the negotiations have not succeeded to a settlement.[89]

It is an important notice the aforementioned Annan Plan, which never came into force as it was rejected by one of the parties, since it has certain provisions worth considering, especially those regarding competence for natural resources, as both parties seem to follow the same approach on this matter.

Based on its Article 14(1)(e), the dealing of natural resources is subject to the federal government competence, based on which the administration of natural resources are set to be equally under the command of both parties. In addition, Article 4(1) of the Hydrocarbons Law assigned the power of the decision on where to explore on the Presidential Council.[90] It should be noted that in the Annan Plan there is no reference to the possession of offshore natural resources. Under Article 3(a), the law for hydrocarbons refers only to the possession of natural resources inside the states' territorial boundaries, which defined on land. Nonetheless, the mention in part b of

[88]Ibid 18
[89]Ibid 18
[90]Ibid 28

Article 3 to an EEZ and continental shelf rights under UNCLOS indicates that the sovereignty on offshore resources are going to be seen as vested in the state, thus in the federal government.[91]

As described above, in a EEZ, based on UNCLOS Article 56, a coastal country has 'sovereign rights for the purpose of exploring and exploiting…the natural

Resources of the seabed and its subsoil' and based on Article 77 7 'The coastal State exercises over the continental shelf sovereign rights for the purpose of exploring it and exploiting its natural resources.'[92] Therefore, since Cyprus's federal state is entitled to explore, possession as such might not be a problem. Through the Annan Plan Annexes can also be noticed that, since Turkey continued its claims for its continental shelf, it is likely to seek negotiations with Egypt as well as post-settlement Cyprus, in regard to the changes of the Exclusive Economic Zone boundaries in the west side of the island.

3.3 Impacts on Turkey's negotiations of access with EU

Following the information above, it is important to mention that the European Union, on which Cyprus entered in 2004, included two of Cyprus's guarantors, which are Greece and the U.K., without the third one, which is Turkey. Turkey's negotiations with the European Union started in 1999, when Turkey was at a candidate status, but their accession negotiations started in 2005. A bit earlier that than, Turkey had ratified an extra protocol that extended its Customs Union settlement with the European Union to the upcoming 10 member states which joined the EU in 2010, including the Republic of Cyprus. Despite that, Turkey made clear that its ratification of that protocol was not recognizing the Republic of Cyprus diplomatically at its current form. Following this declaration, an European Union Council declaration was made and stated that the European Union recognized only the Republic of Cyprus as being its member, being a 'subject of international law', while it declared that the accession negotiations procedures rely on Turkey's execution of the contractual obligations it has with all the Member States.[93] Turkey has not expanded the customs union

[91]Ibid 3,4,7
[92]Ibid 3,4,7
[93] Council of the European *Union 'Enlargement:Turkey-Declaration by the European Community and its Member States.'*, 2005

agreement, at least not in practice, to the Republic of Cyprus.

In fact, Turkey's lack of recognition of the Republic of Cyprus is a significant obstacle in Turkey's accession to the European Union. So far, only 13 out of European Union's acquis 35 chapters are open, while only one of these has been provisionally closed. The European Union decided in 2006, on the basis that Turkey does not accept the application of the Additional Protocol to the Republic of Cyprus that 8 of the chapters are not going to be opened to their negotiations, and as far Turkey does not apply the protocol to Cyprus, none of the chapters is going to be provisionally closed. Under the protocol, Turkey is obligated to keep open its seaports as well as its airports and airspace for the Republic of Cyprus flagged vessels and aircraft. From 2006 and afterwards, Turkey has insert conditions to this obligation on the European's Union 2004 pledge keeping to end the seclusion of Turkish Cypriots. In 2007, France obstructed the opening of 5 additional chapters, while in 2009 the Republic of Cyprus managed to open 4 more chapters, one of them regarding energy. The latter's veto was certainly based on the Turkey's repeated objection to the Republic of Cyprus offshore hydrocarbon exploration activities.[94]

3.4 Current positions of the involved parties

As noticed above, the issue is that the parties involved in the Cyprus's dispute have different perspectives, affecting their views on the exploration and exploitation of hydrocarbons. In this part of dissertation, an analysis of each parties' position will be provided.

The Greek Cypriot position regarding the hydrocarbon exploration includes three aspects. Firstly, there is the Greek Cypriots position concerning the rights of exploration. All Greek Cypriots opinions and arguments are in accordance to the international law. This results from the fact that the Republic of Cyprus is internationally approved as a legitimate government, being the only accepted state on the island[95].

[94]Ibid 55

[95]AkgunCansu,*The Case of TRNC in the Context of Recognition of States under International Law*, Ankara Bar Review, Vol 3,Issue 1, January 2010, pp. 7-19

Their appreciation and accordance to the international law and community derived from the Minister of Foreign Affairs speech in 2012, which was saying:

'Throughout this period, as a member of the United Nations, we have steadfastly held on to positions of principle, insisting on the application and primacy of international law in the conduct of nations based on the UN Charter.

For a country like Cyprus, which is not a party to any alliances and does not possess military strength, its only shield remains the scrupulous observance of international law.'[96]

The decisions and actions of the Republic of Cyprus to explore and exploit its natural resources within its EEZ fall squarely within its sovereign rights, which are in full conformity with international law, as these are recognized by the UN Convention on the Law of the Sea, of which Cyprus is a state party.'

Likewise, the President of the Republic of Cyprus, when addressed to the UN General Assembly in 2011 stated:

'In recent years, the Republic of Cyprus has started the process of exploration and of potential extraction of hydrocarbons within its Exclusive Economic Zone. This was preceded by Agreements to delimit the Exclusive Economic Zone with neighboring countries, always within the framework of international law, particularly the United Nations Convention on the Law of the Sea, which the Republic of Cyprus has ratified'.[97]

Thus, it can be concluded that the point is that as long as Greek Cypriots have international recognition as being the representatives of the Republic of Cyprus government, they are entitled to the right of exploration of natural resources, always being within the limits of international law.

The second aspect regards the Greek Cypriot view on revenue distribution. The formal position on the means of revenues allocation of hydrocarbons was at the start less clear, mainly due to the prementioned speech of the Republic of Cyprus President at the United Nations General Assembly. At the 'check against delivery' print delivered in advance of his speech from the Republic of Cyprus permanent goal to the

[96]Ibid 18
[97]Ibid 18

UN, the President stated:

'We anticipate that this effort will contribute to the discovery of new energy resources, particularly for Europe, and of course for the shared benefit of our people, Greek Cypriots and Turkish Cypriots alike.

We believe that the possible discovery and extraction of hydrocarbons shall constitute yet another strong motive for Greek Cypriots and Turkish Cypriots to expedite a just, functional and viable solution to the Cyprus problem, so that both communities can enjoy the natural wealth of our country in conditions of peace, security and prosperity.'[98]

Despite that, his speech's first paragraph stayed the same, the President supported that they believe that the potential discovery and exportation of hydrocarbons should be a motive for all parties to conclude to a fair and functional solution for the Cyprus dispute. This way the Greek Cypriots along Turkish Cypriots would able to enjoy the country's natural wealth, under piece, security and prosperity. He also emphasized that he wanted to reassure the Turkish Cypriots that despite any circumstance, they could benefit from the potential discovery and exportation of hydrocarbons. In a later speech on the Cyprus News Agency, he supported that despite the absence of political settlement in the country, and even if Turkey does not indicate good will, in a case of an oil exploitation income, they would use the income for both communities common good.

In the same speech he confirmed that the natural resources would constitute a federal competence by stating:

'I can assure the Turkish Cypriots that they have nothing to lose, on the contrary they will gain a great deal, because all these issues relating to the exploitation of hydrocarbons will be handled by the central government in a federal Cyprus [. . .] the central government will then distribute all income from the exploitation to the two constituent states.'.[99]

The President's unexpected points were said, a bit after the Noble Energy company started the Block 12 drilling and a week after Turkey had declared its intention to

[98]Ibid 18
[99]Ibid 18

conduct a continental shelf delimitation settlement with the so called illegal entity of "TRNC". Therefore, his speech could be a reflected pressure coming from the international community in order to defuse tensions, by conducting an important gesture approaching the Turkish Cypriots. Nonetheless, his comments were highly criticized by all the opposite parties. No suggestions have been made in regard to the revenues sharing with the absence of a settlement, since then.

In addition, the Minister of Commerce, Industry and Tourism, cited the President's words in 2012 saying:

'I would like to reiterate the words of President Christofias that the Turkish Cypriots are citizens of the Republic of Cyprus and as such they can enjoy within the framework of …the benefits of any natural wealth that Cyprus has.'[100]

In addition, the next Commerce Minister announced that there is a big portion of gas revenue, which they would put in a fund for the upcoming generations, but as he stated it was hard to talk about the sharing of benefits on an absence of solution.

Lastly, the President of the Republic of Cyprus on his 2012 speech made a clear announcement that any revenue sharing will take place only after a solution:

'I repeat at the same time that in a reunified Cyprus the natural resources, including hydrocarbons, will be common wealth for all Cypriots, Greek Cypriots and Turkish Cypriots alike.'

The third aspect regards the Greek Cypriot view on talking over the problem in the negotiations. They have identified that the Turkish Cypriots are entitled to share any upcoming profits from hydrocarbons exploration. It has also been acknowledged by United Nations statements that the Greek Cypriots have accepted and confirmed that natural resources are going to be a federal competence, within a unified Cyprus. Despite that, the Greek Cypriots are inconvertible on that any further discussion for arrangements regarding hydrocarbon revenues and future sharing, will be outside the role of the United Nations. In the scope of the 2011 proposals, when the United Nations could act as mediator, RoC government's representative stated that 'exploration and exploitation of our natural resources constitutes a sovereign right of the Republic of Cyprus…Our sovereign right is not negotiable. This is clear.'

[100]Ibid 18

Likewise, following the Turkish Cypriot proposal in 2012, he was reported on the basis that he said that the Republic of Cyprus government 'had never committed itself to the promotion of exploration and exploitation in Cyprus' EEZ only after a solution of the Cyprus problem'.[101]

In a few words, even the Greek Cypriots have accepted the Turkish Cypriot's rights on sharing any profits of natural resources after a solution; they do not agree that Turkish Cypriots have any entitlement to say how the Republic of Cyprus will administrate its natural resources, without a solution. This problem of sovereignty indicates why the Greek Cypriots mainly do not respond officially on proposals of the Turkish Cypriots for the administration and discussion of hydrocarbons. A further reason why they do not discuss with the Turkish Cypriots any of the aspects of hydrocarbons is their belief that it gives motivation to Turkish Cypriots to find a solution. This view is included in the pre-cited speech of the President.

Moreover, the Turkish Cypriots hold a strict position by objecting to all Republic of Cyprus actions regarding the maritime zones, on the basis of their denial to the solely Greek Cypriot government. The objections include concluding agreements with third states for Exclusive Economic Zone delimitation or for common development of resources located cross-border, managing international tenders to provide licenses for the prospection and exploration of hydrocarbons as well as approving exploration and drilling activities offshore Cyprus. They consider such movements as an exercise of sovereign rights within the international framework, which the Turkish Cypriots as well as the Greek Cypriots commonly possess the 1960 Republic of Cyprus equal constituent communities. Thus, from the Turkish Cypriot view, any upcoming Greek Cypriot move in this field, while they have not find a settlement for the Cyprus problem, comes to be ignorance of the legitimate rights as well as interests the Turkish Cypriots have, and the creation of *fais accomplish* on this matters in the absence of a comprehensive solution and off the table of negotiations.[102]

Despite the international community's contrary position on the matter, the Turkish Cypriots support that since the separation in 1960, on the Republics of Cyprus bicommunal power-sharing structures, there has not been a single authority in Cyprus, which is constitutionally appropriate to represent and administrate Cyprus as a whole,

[101]Ibid 18
[102]Ibid 18

putting Greek Cypriots together with the Turkish Cypriots.

Hence, the Turkish Cypriot perspective mainly is that initiatives regarding Cyprus offshore hydrocarbons are better to be placed on hold until a political settlement comes to place along with a bicommunal federal authority appropriate to be involved in such initiatives is settled. Awaiting this expected outcome on the present United Nations-sponsored negotiations between the two communities, the officially announced perspective the Turkish Cypriots have is that both parties should suspend their current on-going unilateral activities and plans in this field. Otherwise, they should cooperate into bringing the parties under the same authority of a provisional common body, which both parties will particularly establish for this purpose, while it will additionally decide how the two communities will share the revenues. This generally means that the Turkish Cypriots' primary concern does not regard the sharing of wealth but the sharing of sovereignty. Therefore, they are not mainly looking for a share of the expected hydrocarbon revenues, either in advance of or after a settlement. In fact, they seek acknowledgement from the Greek Cypriots and from the international community in regards to their equal share with the first in rights regarding maritime jurisdiction as well as hydrocarbon exploration and development, despite the absence of a negotiated settlement. As a Turkish Cypriot negotiator has stated:

'Now as for the talk on the Greek Cypriot side about setting up a heritage fund for the gas revenues, with the proceeds to be shared with the Turkish Cypriots in the event of a solution; that's not the real issue… Money is not the issue…What matters is to generate the wealth together…Having a heritage fund or not, or giving a share to the Turkish Cypriots or not—that's not really germane'.[103]

Therefore, the Turkish Cypriots are not denying the right the Greek Cypriots have to exploration per se. The main objection they have is that the Greek Cypriots seeking to practice this right only by themselves and thus seeking to create faits accomplish vis-à-vis, which is the expected state of affairs, following a settlement.

The protest of Turkish Cypriots in regards to what they consider unilateral initiatives from the Greek Cypriot position has its roots in the early 2000s. It was when the Greek Cypriots starts talks with Egypt and Syria in regards to the maritime

[103]Ibid 18

delimitation as well as the common development of offshore hydrocarbons. The Turkish Cypriot Leader expressed their opposition to those joint developments at the time, in a statement, which highlighted the so called illegal entity of " TRNC" as the official incorporation of the Turkish Cypriots:

'The administration in the south [. . .] does not have the right to unilaterally sign a delineation agreement. The Greek Cypriot administration is obliged to act in cooperation with the so called illegal entity of "TRNC" on the issue. Otherwise, it is evident that the so called illegal entity of "TRNC" will defend its rights as required. We hope that the Greek Cypriot administration will not adopt a negative stand that might become a new source of crisis in the region and that the concerned countries will not permit such a move.'[104]

A few years later, in 2007, when the Republic of Cyprus ratified an Exclusive Economic Zone delimitation agreement with Lebanon, there were objections by the Turkish Cypriots. At the time Turkish Cypriot Leader, stated their community's position in a letter sent to the United Nations Security Council saying that the 'agreement signed by the Greek Cypriot Administration under its purported capacity as the "Government of the Republic of Cyprus"is null and void and is not, in any way binding on the Turkish Cypriot people or the island as a whole.'.[105]

Despite it was actually the same view as before, the position this time argued within kind of different, more detailed terms. Additionally, this time the case was the Turkish Cypriots and not the so called illegal entity of "TRNC". The justification of the Turkish Cypriot rights based upon their status of being one of the two Republic of Cyprus constitutional partners, as well as the relevant fact that they have a word for all matters regarding Cyprus's permanent state of affairs, which come from an expected political settlement. Based on the then Turkish Cypriot Leader:

'the Greek Cypriot Administration does not represent the entire island and the Turkish Cypriot people. It neither has the legal right nor the legitimacy…to represent or act on behalf of Turkish Cypriots who are represented by their own elected representatives and live under their own administration.' He also emphasized that: 'who were the equal partner of the 1960 Republic of Cyprus and would again be

[104]Ibid 18
[105]Ibid 18

thepolitical equal of the Greek Cypriot people in a future comprehensive agreement…have equal right [to] and say on the natural resources on the land and sea areas of …Cyprus.'.[106]

Furthermore, in 2012 the Turkish Cypriot people provided to the United Nations Secretary-General a proposal. This proposal was regarding an agreement between the Turkish and Greek Cypriots to approve 'without prejudice to their legal and political positions on the Cyprus problem' a plan 'regarding the activities related to hydrocarbon resources off the coastlines of the island of Cyprus'. The plan had three key-features. Firstly, the United Nations Secretary General should appoint a facilitator in order to administrate a new common 'technical committee' having its members appointed from both of the parties. Secondly, the technical committee should be assigned to collect ' the written mutual consent of the two sides on the international treaties concluded and the licenses issued unilaterally by either side' and to set 'the shares of the two sides related to hydrocarbon resources off the coast of the island of Cyprus'. Thirdly, the technical committee should manage the account on which the all the revenue resources of hydrocarbon would be held. The revenue should run 'primarily for financing the implementation of the provisions of the comprehensive settlement' as well as for a variety of purposes which have nothing to do with the military, but it would be decided by both parties through the technical committee.[107]

Additionally, the proposal included a suggestion in regards to the administration of the hydrocarbon resources by supporting they could be extracted by both parties, while 'be transported throughout a pipeline via Turkey'. Turkish Cypriots have claimed that this is the most easy and profitable way for their transportation in the EU's as well as other markets.

Furthermore, as described above, Turkey has several objections on the hydrocarbon exploration of the Greek Cypriots, two of which are on their primary concern. Firstly, it has objections to the Greek Cypriot Administration operations, which aim to establish maritime jurisdiction territories, 'granting off-shore licenses to international oil companies and conducting off-shore hydrocarbon exploration and exploitation' for grounds mainly related to the Cyprus dispute. Secondly, as described above, Turkey has claims on its continental shelf contrary to the Exclusive Economic Zone, which

[106]Ibid 18
[107]Ibid 18

the Greek Cypriots have proclaimed.

The Turkish position is similar to the Turkish Cypriots position in supporting that the initiatives of the Greek Cypriots are inconsistent to the United Nations- sponsored negotiations spirit for a settlement of the Cyprus dispute. Moreover, they make faits accomplish which lead the prospective solution terms to the Turkish Cypriot disadvantage and only causes confusions on the negotiating table. Thus, they are unacceptable and they should be forbidden as long as there is not a settlement of the Cyprus problem. This can be noticed from a 2007 Turkish MFA speech saying that:

'We would like to remind those countries and companies that might consider conducting research for oil and gas exploration, based on invalid licenses Greek Cypriot Authorities may contemplate to issue for maritime areas around the Island of Cyprus, to take into account the sensitivity of the situation as well as the will of the Turkish Cypriots, the other constituent people of the Island, and expect them to refrain from any endeavor that might negatively affect the settlement process of the Cyprus issue and to act accordingly.'.[108]

A further reason Turkey is objecting to the Greek Cypriot initiatives regarding the offshore hydrocarbon exploration is their maritime claims. As described above, Turkey has objected to the Republic of Cyprus Exclusive Economic Zone delimitation agreement with Egypt since signed in 2003, maintaining that such an agreement disregards Turkey's continental shelf rights and claims on this area. These claims cover most of the Exclusive Economic Zone the Republic of Cyprus claims in the west of the island and some of its south-west claims.

The problem mentioned in the Turkish protest for the Republic of Cyprus second issuance of hydrocarbon exploration licensing, in 2012. It can be noticed that these Turkish claims are different from the others, as they have repeatedly insisted that they will do everything to stop any operation in these overlapping areas, when within the other claims they support that the other exploration areas should be jointly managed. Thus, the problem of overlapping claims is additionally related to the Cyprus dispute. As long as there is not a solution and Turkey is not willing to acknowledge the Greek Cypriot government of being a legitimate representative of the Republic of Cyprus, it is hard to see the parties being able to negotiate a solution for their claims.

[108]Turkish MFA 2007

Finally, when assessing the current positions of the parties it is important to refer to the latest developments of the dispute between Greece and Turkey. It should first be noted that Greece in June 2020, entered a second multi-purpose boundary contract with Italy.[109]

In regards to the Aegean waters, the reason for this possibly is the maintained Greek-Turkish maritime dispute. While Greece and Turkey have not manage to terminate the dispute, Greece supports there is only one dispute between them two, while Turkey continuously adds a variety of problems. It should also be noted that Turkey has repeatedly provided its continental shelf-related claims to the UN Note Verbales, with the latest effort being in March 2020.

The conflicts between Greece and Turkey in the Aegean as well as in the Eastern Mediterranean waters are of significance and could be dangerous to the peace as well as to the security of the states, especially in a case of unilateral hydrocarbon exploration drillings in unsettled maritime territories, like those conducted by Turkey off Cyprus. Since the current situation of COVID-19 pandemic is now facing out, it can be expected that the maritime disputed between Greece and Turkey, further burdened from the refugee crisis, are going to become more intense. At this moment, Turkey is also planning to grant exploration licenses to the TPAO in territories highly close to Greek islands.[110]

Chapter 4: Options and suggestions for RoC gas projects

There are a few options for the Republic of Cyprus exportation of natural gas. In regards to the liquefied natural gas (LNG) as an option, one advantage would be that unlike pipeline gas, LNG can be exported anywhere globally.[111]Theoretically speaking, the LNG market does not rely upon only one potential buyer, although it usually sold on long-term contracts. However, since the European's Union gas market is growing slower that the Asian one, LNG is likely to have better long-term potential than pipeline gas. An additional advantage of the LNG is that its production, as it

[109]EfthymiosPapastavridis, *'the Greek-Turkish Maritime Disputes: An International Law Perspective'*, Hellenic Foundation for European and Foreign Policy, 2020
[110]Ibid 80
[111] Cyprus News Agency *'A decision for LNG terminal has already been taken, Minister says.'*, 2012

happens on a single site, can probably be safer from attacks by militant groups, comparing it to a long pipeline.

Notwithstanding, the LNG plant has four primary issues. Firstly, it has a much-extended running and investment cost that is likely to reduce the revenues on which it can be generated. Secondly, the LNG plant is taking many years to be built. Thirdly, LNG as an energy-intensive business, will have an approximate amount of 0,1-0,25% consumed through its everyday shipping. Lastly, there is a problem of security of supply, and it is likely that the Republic of Cyprus will have to wait to discover additional findings.

In regards to piping gas to Greece, is estimated to be a long distance through the available route. This means that it would consume very large amounts of gas. Additionally, the investment cost would be really high because of the needs of the development of equipment for piping it from Cyprus to Greece.[112]

Considering piping gas to Turkey, it could be a serious option. Its primary advantage is that the investment cost is estimated to be lower that the investment needed for the construction of LNG facilities. The second advantage would be that it would take less time to be built comparing it with an LNG plant. Thus, the revenue will be ready faster and the NPV will be higher. The third advantage would be that it has a ready costumer; even this could be the same for LNG. Its main disadvantage would be the fact that there is not a solution yet for the Cyprus dispute. Even if there was a settlement though, the Greek Cypriots are concerned that Turkey would try to switch off the taps primarily for political reasons.[113]

In regards to the option of compressed natural gas (CNG), it has the advantage of being cheaper to produce, since it only needs to be compresses and that less energy is needed as well as equipment. However, there are three issues. Firstly, so far there are not ready built vessels for CNG. Secondly, even if built, their transport cost is likely to be high; thirdly, there are a few states that have domestic facilities to import CNG.

[112]Ibid 18
[113]Ibid 18

Conclusion

It is subsequent that when companies are dealing with high investment risks, they prioritise the investments in territories, which have political as well as legal stability. The Republic of Cyprus is able to provide legal certainty, but it is unable to provide geopolitical stability. Noticing the variety of potential fall in gas prices, along with Turkey's repeated warning to oil exploration businesses, the present low gas reserves volume as well as the Republic of Cyprus junk credit rating, it looks like the maximum potential of gas exploration and exploitation will be even harder without a settlement of the Cyprus's dispute.In fact the mild reaction on behalf of the US, Russia, European Union and of the United Nations should worry the Greek-Cypriot side for two reasons: whether there could be a full acceptance of Turkey's positions or some of its positions could be considered realistic. Although Cyprus's act of involving international actors to hydrocarbon exploitation was right, still it is not enough. Besides a stable and long-term investment cannot and should not be based upon tension. Cyprus might continue its activity but it would be prudent to start contacts with Turkish-Cypriots and compose a joint Commission for the management of hydrocarbon exploration. This joint committee should call Turkey withdraw its naval forces of the exploitation area and determine the limits of the EEZ between the two countries. Negotiations for the solution of the Cypriot issue should be the ultimate purpose.

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