



Managing Hydrocarbon Reserves in the Republic of Cyprus and Prospects for Regional Collaboration

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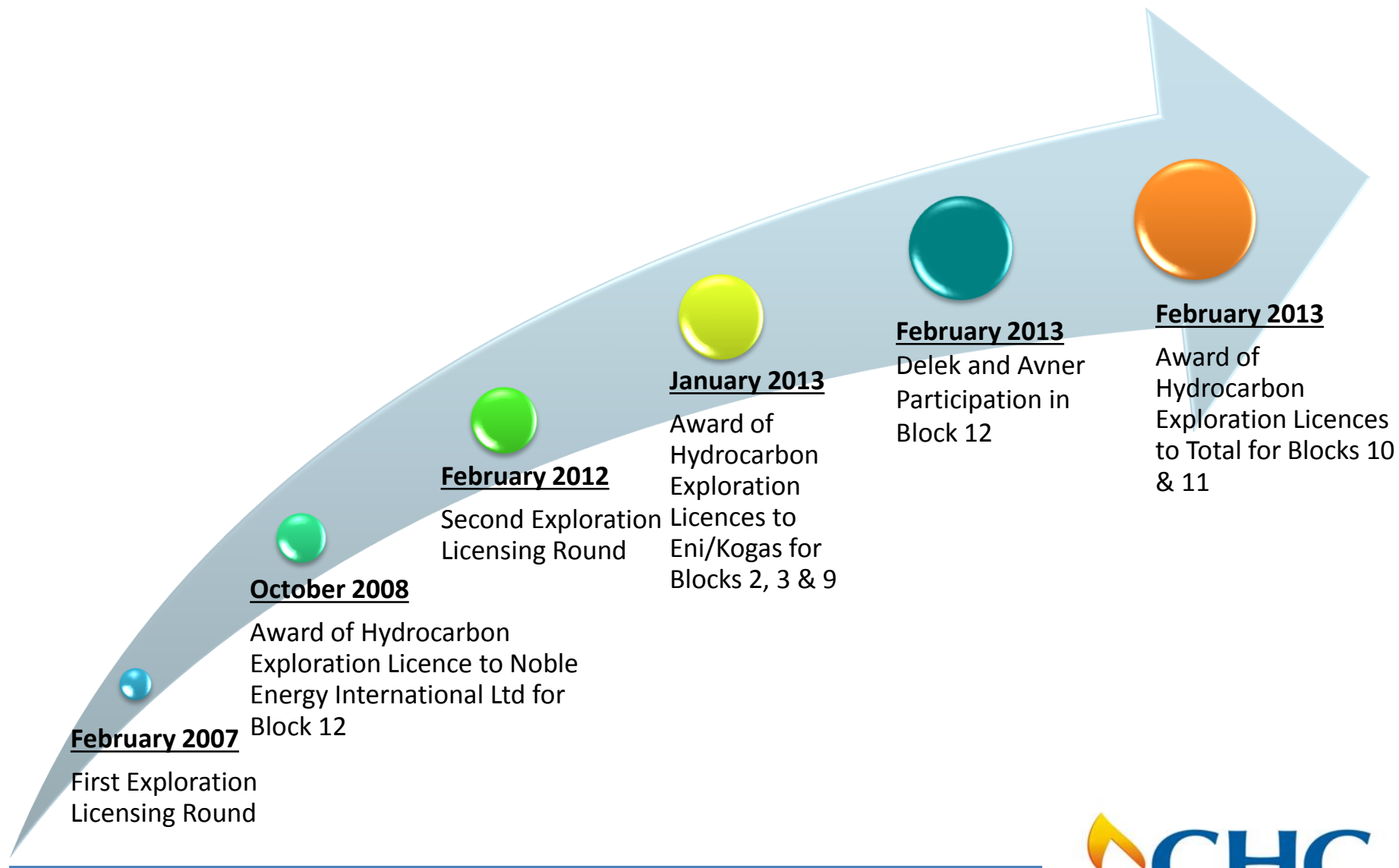
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The Cyprus Hydrocarbons Company(CHC)

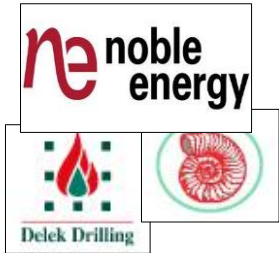
- Is the newly restructured Cypriot Hydrocarbons Company which was set up in March 2014.
- It is managed by a Board of Directors that was appointed by the Council of Ministers of the Republic of Cyprus. The Board consists of seven non-executive members (the President of the company and a six-member board of directors).
- **The Cyprus Hydrocarbons Company serves as the commercial arm for the Republic of Cyprus, marketing the island's share of any future hydrocarbons production and it will hold the government's share in infrastructure projects.**
- CHC also participates in various Production Sharing Contract related management committees.
- In the future CHC can develop into an operator.



Hydrocarbon Exploration Licences



Ongoing Exploration Activities



- Processing and evaluation of seismic data



- Exploration drilling in Block 12



- Processing and evaluation of seismic data



- Commence exploration drilling campaign in Blocks 2, 3 and 9



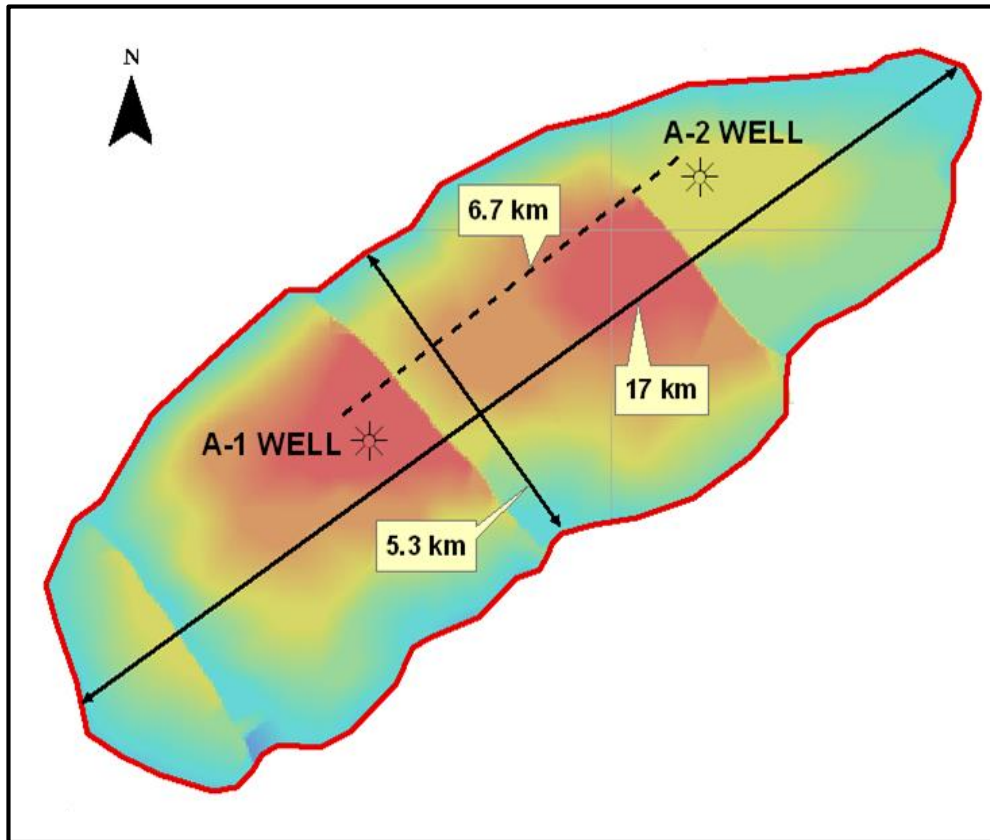
- Processing and evaluation of seismic data



- Exploration drilling in Blocks 10 and 11



Aphrodite Field



- Reservoir characterization: Early Miocene to Late Oligocene sandstones
- Fluid: Dry gas
- The preliminary results of the appraisal drilling of well (A-2) in **Block 12** refined gross resource range from 3.6 Tcf (P75) to 6 Tcf (P25), mean 5 Tcf.

A Multifaceted Strategy and Effective Management at Many Different Levels is Required

- To capitalize on this tremendous opportunity for Cyprus



Key elements of effective management in establishing these processes



Infrastructure to Support Export Activity

Gas supply from the country's reserves will **largely exceed domestic demand**. So, Cyprus is developing an export strategy.

Liquefied natural gas (LNG) facilities, is considered to be strategically a good option. Feasibility of an LNG plant depends on many parameters. A key parameter is the quantities of gas.



Land based LNG plant in Vasilikos

Benefits of a land based LNG plant for Cyprus

- Flexibility in the volumes of gas processed
- Flexibility in reaching international markets
- Creation of many jobs during construction and operation
- Indirect benefits for the economy from such a large project
- Create opportunities for collaborations with neighbouring countries
- Establishing Cyprus as a Regional Energy Hub and a corridor to Europe.

Need to have sufficient gas reserves in order for the plant to be feasible

- The current efforts for accelerating the drilling programme by all operators will provide the Republic of Cyprus with important information. The next six months will be critical in determining the future direction of the Cypriot oil and gas sector.
- In parallel, possibilities of collaboration with neighbouring countries are also explored.

Alternative monetisation options

Exploring various technical and commercial aspects of alternative options for monetization of Aphrodite and possible new discoveries so as to be in a position to select a different concept, if needed, without losing valuable time.

Those options include:

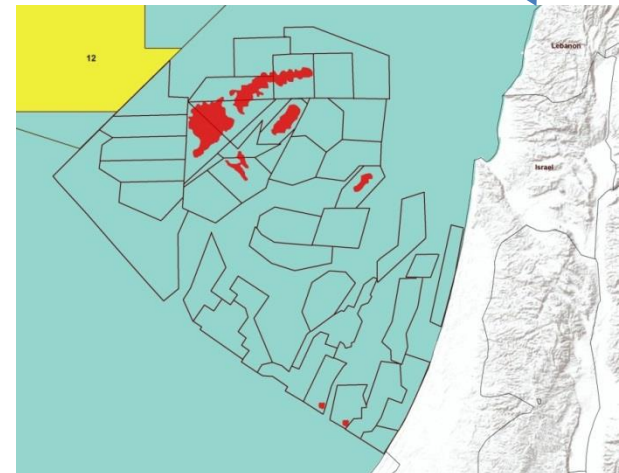
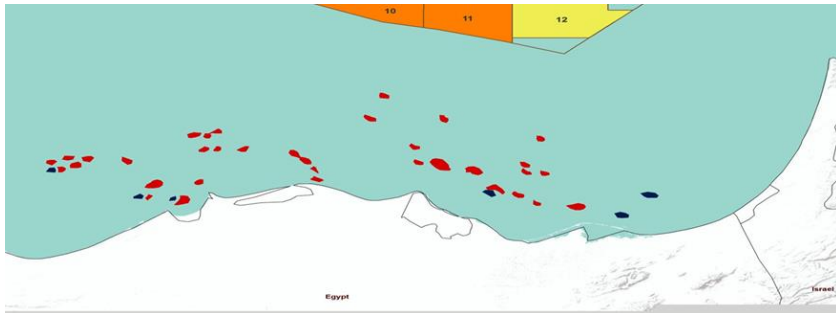
- i. Possible projects that would allow the Cypriot gas to be transferred to Europe
- ii. Monetisation of gas through a Floating LNG Terminal (FLNG)
- iii. Export of Cypriot gas by pipeline to regional markets

One of the challenges is that the parameters are constantly changing:

- Technical challenges - discovery of new reserves
- Economic challenges - uncertainty in the international market
- Geopolitical challenges - the geopolitical environment is also fluid

Opportunities for Regional Collaboration - Hydrocarbons Reserves in the Region

- There have been major discoveries in Israel (Leviathan field)
- There is already established activity, infrastructure and prior experience (Egypt)
- There are new frontiers, such as Lebanon who is preparing to enter these activities



The Benefits of Collaborations and Joint Operations

- Joint developments and use of major infrastructures will **achieve economies of scale**, reduction of costs and increase in revenues
- It can bring countries together which would otherwise not be cooperating, providing **security and stability in the region**
- Develop confidence in the region and attract high level **international companies** to operate in the region
- The countries which are new in this area will **benefit by the prior gained experience** of the region
- **Joint marketing** can make a difference in terms of **reaching international markets** and **providing Europe with an alternative source of energy** thus contributing to its energy security.

Regional Cooperation in the Area of Safety and Environmental Protection

We should always have in mind that **accidents do not recognize geographical and political borders. An environmental disaster will not stop at the boundaries of one country.**

Thus, it is essential for the countries of the region to:

- Maintain a proactive approach
- Set up prevention measures
- Establish joint emergency response plans
- Apply the best international practice
- Develop the right bodies and train people
- Exchange of information and sharing of experience and resources

This is something that can open up channels of communication and collaboration among countries in the region

Cyprus can develop into an energy hub

Cyprus:

- Is a European country operating under EU law at the junction of three continents
- Offers a supportive business environment and a highly educated workforce

Can develop into an energy hub in terms of:

- Producing, processing and exporting gas from Cyprus and the neighboring countries to Europe and the rest of the world
- Facilitating collaboration between neighboring countries
- Providing a basis for oil and gas services to the region
- And also in becoming a center for education, training, research and technology development serving the region and Europe in key strategic technological areas for the future

Such developments will be of significant benefit for the country, the region and Europe

We need to recognize that this is a unique opportunity for the countries of the region and we have a duty to exploit it in the best possible way.

The Republic of Cyprus can play a significant role in this and CHC in accordance with its mandate will be playing its own important part in this process .



Thank you

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