

# *Update on Cyprus gas prospects*

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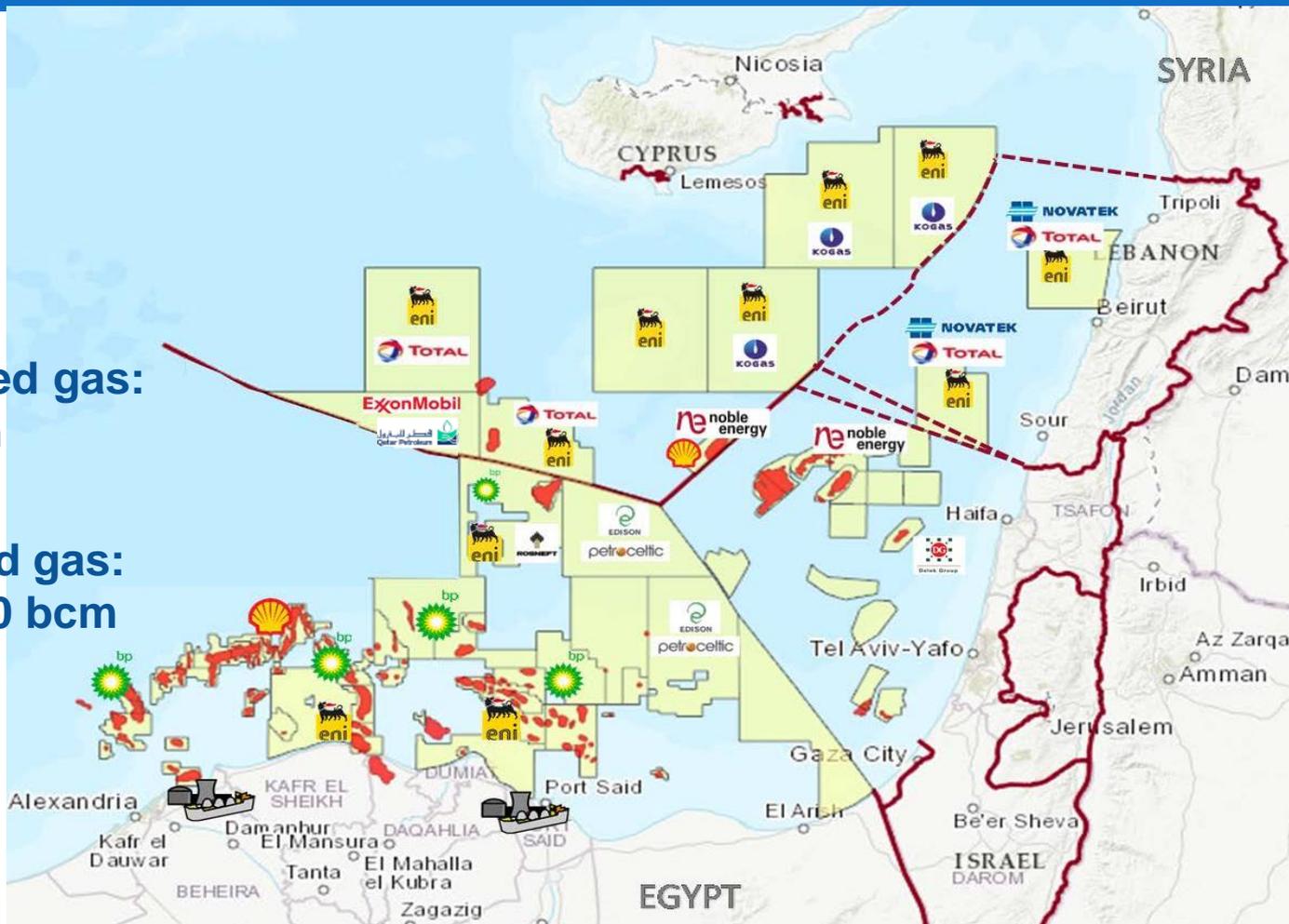
# Overview

- Ever since discovery of giant gas-fields Tamar, Leviathan and Zohr, the East Med has been the focus of attention, with Egypt at the centre of it
- Egypt – development of Zohr and gas market liberalisation
- Israel – still looking for gas export routes, but close to gas exports to Egypt – going for new licensing round
- Lebanon – awarded two licenses, but EEZ disputes
- Cyprus – the focus is on resumption of Cyprob negotiations and development of Aphrodite – has just signed an agreement enabling pipeline to Egypt
- Improved global energy markets and prices in the short-term but challenging in the longer-term

# East Med exploration blocks

Discovered gas:  
4000 bcm

Yet-to-find gas:  
2800-8500 bcm





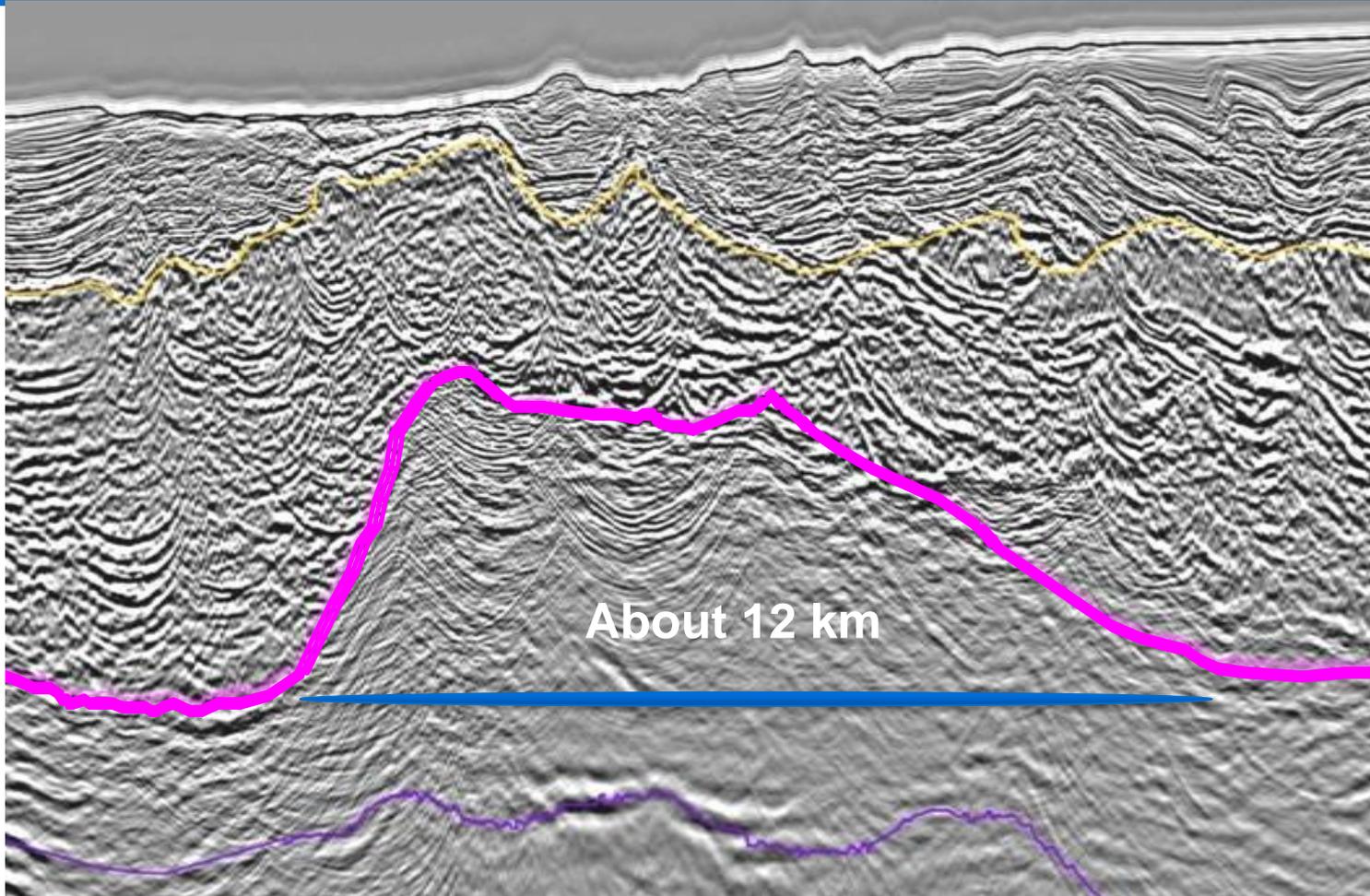
# Prospects in Cyprus

- Aphrodite gas sales to Shell's Idku under discussion – Noble has requested renegotiation of PSC citing low oil prices
- Inter-governmental agreement signed with Egypt for pipeline
- Turkey disputes hydrocarbon activity in Cyprus EEZ
- ENI successful in block 6 with Calypso – evaluating data so far and will be considering resumption of drilling in 2019
- Cyprus requested expressions-of-interest to lease block 7
- Success when ExxonMobil drills in the promising block 10 in October can transform Cyprus' fortunes – lead to LNG exports
- ***Key conclusion: Cyprus still has reasonable prospects for more gas discoveries***

# ExxonMobil – cautiously optimistic

- ExxonMobil started drilling a target in block 10 called Delfini on Friday
- Uneventful start – but very significant
- Seismic data point to potential for substantial discovery
- Proximity to Zohr and Calypso – in carbonate formation
- ExxonMobil cautiously optimistic
- Results in January
- To be followed by drilling of a second well

# Block 10 drilling target



# Turkish threats

- **Turkey has not intervened so far – drilling proceeding unhindered**
- **Turkish position: will take measures to protect ‘interests’**
- **Increasing frequency of intimidating statements**
- **No direct claim on block 10**
- **Exploration activities by Turkey west of Cyprus**
- **New drilling rig Fatih may eventually drill in Cyprus’ undeclared EEZ**

# Position on international community

- Almost universally, supports Cyprus' right to explore and exploit any hydrocarbon resources within its EEZ
- US supports Cyprus rights to develop its hydrocarbon resources without harassment
- EU advised Turkey to refrain from any threats
- US in process of developing broader strategy for the region – cooperation on energy issues
- Israel stands by Cyprus in the face of Turkish threats
- UN's Guterres said all efforts should be made to avoid unnecessary escalation - engage in dialogue on this issue
- Consultations in progress to restart negotiations

# Gas prospects

- ExxonMobil came to East Med because of the prospect of a major gas discovery
- Likely to pursue rapidly LNG exports by all means – technical, commercial and political – if commercially viable
- Global market price sensitive – low gas prices
- EM: critical to demonstrating project commercial viability
- Must find ways to reduce geopolitical risk – multibillion dollar projects and investments need certainties
- ENI drilling promising Noor prospect offshore Egypt
- Major discoveries could alter East Med gas development plans and regional geopolitics irrevocably

# ExxonMobil may reconsider Vasilikos



# Concluding remarks

- **Solution of Cyprus problem could go a long way in improving regional geopolitics. But is this going to happen? Glimmer of hope that negotiations may resume**
- **East Med oil and gas plans need to be tempered with a dose of reality. Fierce competition to secure markets**
- **Gas exports from East Med face political and commercial challenges. But with Israeli and Cypriot gas exports to Egypt becoming more likely, there is hope.**
- **Key conclusion: East Med still has strong prospects for more gas discoveries, especially ExxonMobil in Cyprus, but securing export markets remains a challenge.**