

## EASTERN MEDITERRANEAN FOCUS

### INTERVIEW

#### *LNG is the Best Solution for the Gas on Block 12 Off Cyprus for Economic, Strategic and Geopolitical Reasons,*

the consultant **Solon Kassinis** tells AOG

- ▶ I think Israel will export part of its natural gas via the future LNG terminal in Cyprus
- ▶ Despite the threats from **Turkey**, more foreign companies can be expected to participate in the future bid rounds launched by Cyprus
- ▶ Cyprus should create a **national hydrocarbon fund** basing itself on best practice in this area
- ▶ There are strong signs of the possible existence of oil in Cyprus, particularly in the south-western part of its exclusive economic zone.

(Following is the text of an interview with Mr. Solon Kassinis, founder and Managing Director of **Kassinis International Consulting Ltd.** Before setting up its own consultancy Mr. Kassinis was the Executive Vice-President of **Cyprus National Hydrocarbons Company** – see his CV on the following page).

**AOG:** *The Executive President of the **Cyprus National Hydrocarbons Company (CNHC)**, Mr. Charles Ellinas, said that **discoveries of up to 60 trillion cubic feet** of natural gas resources could be expected in Cyprus' Exclusive Economic Zone (EEZ). What do you think of such an estimate?*

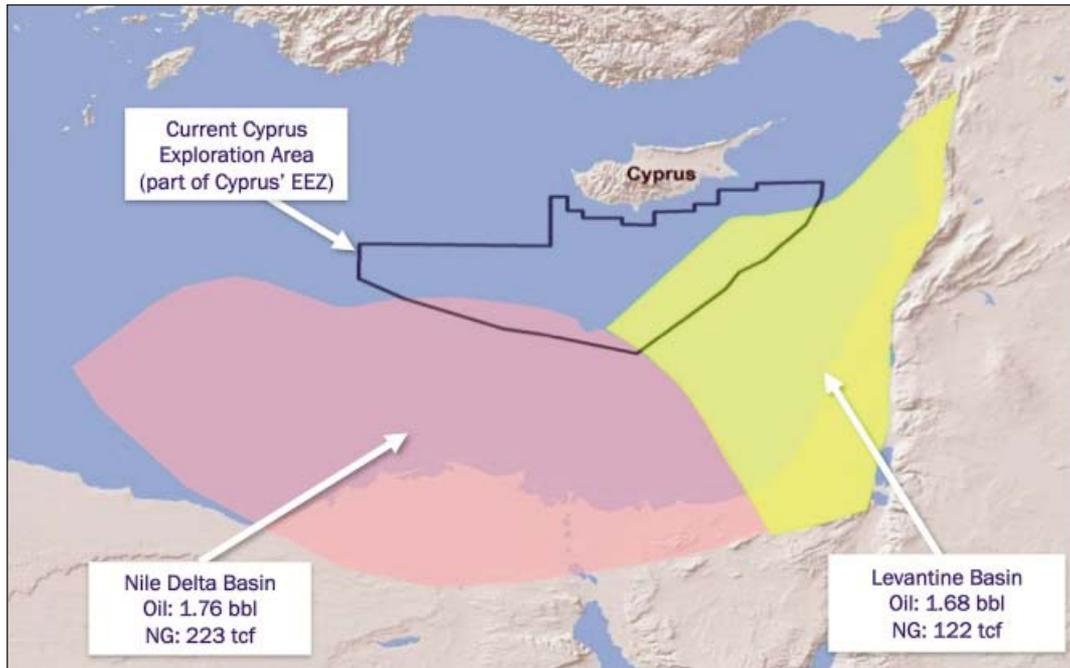
■ **Solon Kassinis:** Based on the **U.S. Geological Survey (USGS)** assessment of undiscovered oil and gas resources in the Eastern Mediterranean reported in 2010, estimates show that the **Levantine Basin** holds 1.68 billion barrels of oil and 122 trillion cubic feet of natural gas, while the **Nile Delta Basin** holds 1.76 billion barrels of oil and 223 trillion cubic feet of natural gas.

A small portion of these two areas, as can be seen in the above figure, falls within part of the Cypriot Exclusive Economic Zone (EEZ).

Various multichannel seismic surveys have been carried out within the current exploration area of the Cypriot EEZ, as can be seen in the figure below.



Photo Kassinis International Consulting Ltd.



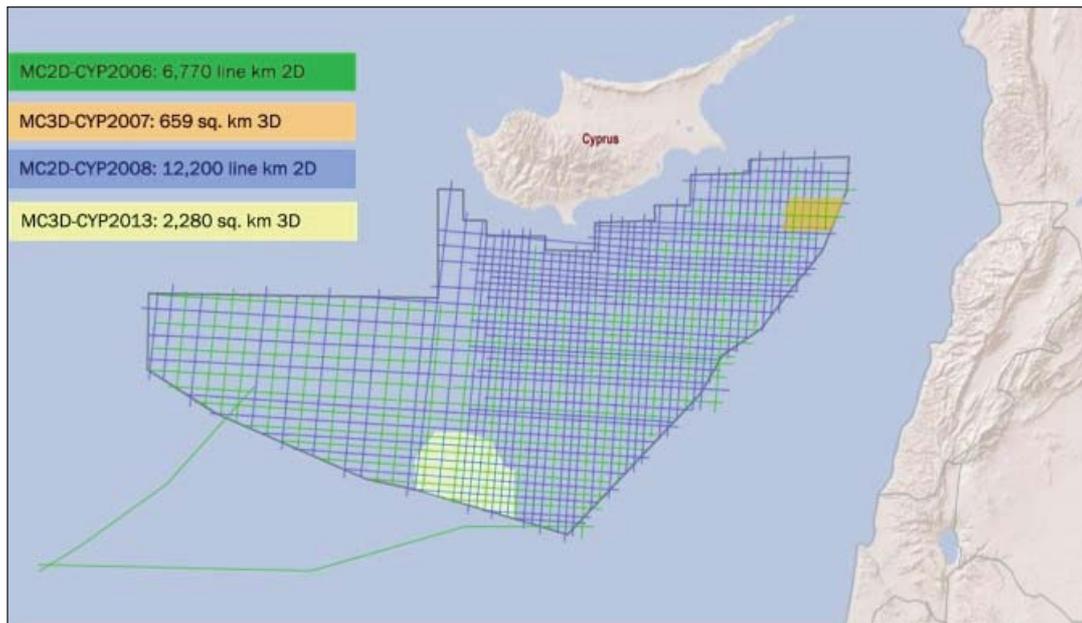
Using the above information and the assessments performed on the seismic data acquired within the current exploration area of Cyprus, it was estimated that up to 60 trillion cubic feet of natural gas possibly exist within the explored portion of the Cypriot EEZ.

**AOG:** *Could Cyprus go alone with a one-train LNG plant of 5 million tons per year in Vasilikos? Could it be a profitable project?*

■ **S. K.:** Preliminary economic valuations show that it will be profitable for the Cyprus gas to be processed in a liquefaction plant and exported as LNG to the Asian markets. However, such a capital-intensive investment (estimated at **\$6 billion**) will certainly require partners and a robust and well-thought financial plan.

**AOG:** *Is LNG the best option for Cyprus on the basis of the Aphrodite field?*

<b>WHO'S WHO</b>	<p>&gt; <b>Solon Kassinis</b> President of the Solon Kassinis Energy Training School and Research Centre</p>
	<p>Solon Kassinis is the President of the <b>Solon Kassinis Energy Training School and Research Centre</b>, of <b>UCLan Cyprus</b>. He was until recently the Executive Vice-President of <b>Cyprus National Hydrocarbons Company</b>. Prior to that, he also served as the Director of the <b>Department of Energy Service of the Ministry of Commerce, Industry and Tourism</b>.</p>
	<p>Solon Kassinis has been closely associated with the oil and gas industry for more than 35 years and, through his positions in the Ministry of Commerce, Industry and Tourism, he was dealing with the development of the hydrocarbon exploration activities offshore Cyprus.</p> <p>He is now an independent consultant and Managing Director of his newly founded company <b>Kassinis International Consulting Ltd.</b>, offering consulting services for the oil and gas sector and the petrochemicals business.</p>



■ **S. K.:** The preliminary results from the Block 12 appraisal well announced on 13 October 2013 by **Noble Energy** reveal the following:

- 3.6 trillion cubic feet – 6 trillion cu ft of natural gas (based on the 75th and 25th percentiles)
- Average of 5 trillion cubic feet of gas
- 250 million cubic feet per day of production capacity

A 5 million tons per year LNG production train requires approximately 4.75 trillion cubic feet of gas to sustain a 15-year plateau production.

Further to the existing estimated mean resources, additional resources are expected from new discoveries in Block 12, while larger natural gas fields are expected to exist in other blocks.

Therefore, unless oil is discovered, the best solution for utilizing the Block 12 gas is LNG, for economic, strategic and geopolitical reasons.

**AOG:** *In your previous responsibilities you spent a lot of time discussing various cooperation options with Israel. Will they commit part of their gas to projects based in Cyprus or involving Cyprus?*

■ **S. K.:** It seems that under the prevailing situation in the Eastern Mediterranean and the Middle East, and the current circumstances in Israel, the only possible option for Israel will be to export its gas through the Cypriot LNG Terminal. This being said, I am of the belief that Israel will commit part of their gas for export as LNG through Cyprus.

Israel and Cyprus have of course always been open to potential cooperation in the hydrocarbons sector. However, any cooperation is always a complex situation and Israel will have its own demands and terms for using the Cypriot LNG plant to liquefy its gas.

**AOG:** *Do you think that Turkey's threats could deter some companies from investing in the exploration of Cyprus' EEZ?*

■ **S.K.:** Turkey's threats are unsubstantiated and unrealistic. The **United Nations Convention on the Law of the Sea** (UNCLOS, 1982) dictates how the various maritime borders are delimited and almost all countries respect it and follow it (UNCLOS was ratified by 164 States and the European Union). Even Turkey follows it in the Black Sea.

The fact that there are already four big international companies operating in the Cypriot EEZ is promising that additional companies will take part in future hydrocarbon exploration licensing rounds despite Turkey's unsupported threats.

**AOG:** *What are the key measures, mechanisms and policies Cyprus should put in place in order to maximize the benefits of its future gas revenues for its population?*

■ **S. K.:** A **national hydrocarbons fund** has to be drafted and implemented, based on international practices and other successful funds. Such a fund has to be well designed/structured and be integrated with all proceeds from hydrocarbon activities, while it should remain independent and not linked with the national budget. Instead, the fund should seek to invest in high-value assets internationally and support public welfare activities in Cyprus through its profits.

**AOG:** *Is there a significant probability of oil discoveries offshore Cyprus?*

■ **S. K.:** In addition to the estimates of the USGS assessment previously mentioned, current seismic data reveals other strong indications for possible oil existence, particularly in the southwestern part of the Cypriot EEZ.

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