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Turkey gas move piles pressure on Cyprus

By Daniel Dombey in Istanbul

Turkey is seeking to ratchet up the pressure on Cyprus as the island battles with financial crisis by taking action against energy groups that collaborate with the Cypriot government over offshore gas.

Taner Yildiz, Turkish energy minister, announced on Wednesday that **Eni, the Italian energy giant, would be barred from current and future projects in Turkey** if it proceeded with a licence it won in January to explore gas off the Cyprus coast.

Turkey which invaded the island in 1974 to forestall a union with Greece, has no diplomatic relations with the internationally recognised Greek Cypriot government in the south of the island.

“We have decided not to work with Eni in Turkey, including halting their current projects,” Mr Yildiz said. Eni, which has limited activity in Turkey, expressed its hope it could reach an agreement with Ankara “and return to our usual good relations”.

Turkey’s uncompromising move comes as Cyprus is seeking to capitalise on offshore natural gas deposits that could total 200bn cubic metres and looks for alternative sources of growth to its stricken banking sector.

Turkey argues that the Cypriot government should not be permitted to assign resources that belong to both the Greek and Turkish communities on the island, although its case has not found favour with either the US or EU.

Turkey is the only country to recognise the smaller self styled Turkish Republic in the north of the island, which it economically supports.

Some Turkish officials suggest that old wounds make conciliatory gestures unlikely even as Cyprus reels from the effect of this week’s bank restructuring. Instead, they say, Nicosia may be forced to reconsider its position, given Turkey’s status as the most easily accessible market for the gas it wants to sell and the cost of exporting the energy elsewhere.

Many Turkish officials highlight the events of 2004, when the Greek Cypriot population voted down a UN-backed plan to reunite the divided island, and a proposal to allow direct trade between Turkish Cypriots and the EU failed.

“There is still great pain from 2004 and unless that is reversed . . . I don’t think we are going to consider other moves,” said one.

The continued antagonism between Turkey and Cyprus is also connected to Ankara’s aspirations to join the EU, with many of the negotiations blocked because of Turkey’s refusal to open its ports to Cypriot vessels.

“This could be exactly the moment where Turkey underlined that it is willing to help Cyprus,” said Hugh Pope of the International Crisis Group, arguing that it would be far more profitable for Cyprus to export gas to Turkey than the alternatives of building a liquid natural gas plant or a pipeline to Greece. “But Turkey’s willingness to be forthcoming – or not – is deeply linked to how it feels it can advance ties with the EU.”

Mr Yildiz’s statement followed a flurry of Turkish declarations in recent days, with Ali Babacan, deputy prime minister, comparing the Cypriot banking system to a Ponzi scheme and the foreign ministry suggesting that the island could be permanently divided if Cyprus sought to use future gas reserves as collateral.

But some analysts suggested that Turkey’s policy was largely rhetorical.

Mr Yildiz suggested that Eni be ejected from a project to build an oil pipeline from the Black Sea port of Samsun to Ceyhan on the Mediterranean – but acknowledged that the project had in any case made little progress. He did not mention Eni’s stake in an already completed project, the Blue Stream pipeline that transports Russian gas to Ankara.

David Tonge at IBS, an Istanbul-based consultancy, underlined Turkey’s reliance on gas from Blue Stream. “Other companies have been in Turkey’s black books at times but have come back in favour later on,” he added.

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