



Oil in the Greek Seas

| by Ioannis Michaletos

The rapid increase of the oil price index has brought to the surface the idea of exploiting potential oil reserves deep underneath the Greek Seas. The government is about to initiate research and relay information about the prospects of oil exploration in the Aegean waters.

The current high oil prices make offshore exploitation in the Aegean viable. According to the Greek national council for energy policy, oil production here costs some \$ 60-70 per barrel and even a bit less in the western parts of the country.

A major bottleneck for oil production are the perennially strained relations between Greece and Turkey. The two countries do not see eye to eye on the division of their seabed territories. They disagree over the location of their Exclusive Economic Zones (EEZ) in the Aegean Sea.

The first player to have arrived on the scene is the the Kavala Oil Corporation which managed to secure exploration licences from the Greek state in the "Prinos" region in Northern Aegean. The company, owned by Greek shipping interests, has announced a \$225 million investment plan for the next two years. According to Director Mathios Rigas it has 'secured the necessary financial capabilities for the project'.

Dr. Plato Balza of Kavala has said that 'a new geophysical map for the Prinos field will be ready in the autumn of 2008 and most probably production will begin in early 2009'. The company is currently negotiating with international oil drilling companies to secure the necessary equipment and it is going to hand out the project management to a foreign partner. For the moment Kavala Oil produces around 2,000 barrels of oil per day from an old offshore installation that has operated since 1978 but is going to be depleted soon. This field is situated close to the Prinos field which is estimated to be able to reach a production that is ten times higher.

According to estimates from the company and energy analysts in Greece, the Prinos field contains approximately 50 million barrels of recoverable reserves and 17,000 -20,000 barrels per day could be produced over the next couple of years.

Potential |

So what is the overall potential of all known offshore fields in Greece? Recent scientific and economic conferences have presented figures around the existence of 22 billion barrels in the Ionian Sea (In Western Greece) and some 4 billion barrels in the Northern Aegean Sea, of

which 10% would be recoverable. It should be noted that other regions such as the Southern Aegean Sea and the Sea of Crete have yet to be explored. The Greek national council for energy policy said in an official report published in May 2008 that 'production in the oil fields in Northern Aegean could reach 200,000 barrels per day ... Greece is one of the least explored countries in Europe regarding its hydrocarbon potentials.'

The government has announced that it will set up an organisation that will manage the research and exploitation activities and be responsible for attracting prospective investors. According to a reliable source in the Ministry of Industry and Development in Athens the new organization 'will be formed as a public company with the state having 100% of the shares initially. Most likely this will happen in late 2008'. The first area to be explored would most likely be 'the sea region between the island of Zante and mainland Peloponnesus in Southern Greece'.

The Greek geologist Antoni Foskolo and an associate from the Canadian geological service have said that this region 'has the potential for up to 2 billion recoverable barrels of oil'. The region is not part of the disputed area between Greece and Turkey.

The former Greek Minister of Industry, Mr. Evangelo Kouloumbis, believes that Greece can cover '50% of its needs with the oil to be found in offshore fields in the Aegean Sea. The only obstacle to that is the Turkish opposition to Greek exploitation'.

Turkish opposition mainly has to do with the lack of an agreement about the ownership of the seabed between the two countries. As Professor Theodoro Kariotis of Maryland University explains, 'Greece has a lot to gain regarding the oil fields if it signs a deal with Turkey based on a double agreement that will divide both the seabed and the Exclusive Economic Zones'.

Rivalry |

For its part Ankara is planning oil explorations in the Aegean soon, at least according to the Dubai National newspaper, which quoted the Turkish Energy Minister Mr. Hilmi Güler when he visited Dubai recently. Earlier this year the Turkish Petroleum International Company (TPIC), a subsidiary of the Turkish Petroleum Corporation (TPAO), began research in the Gulf of Saros right beside the Greek territorial waters.

The Director of the Athens-Based Research Institute for European & American Studies, John M. Nomikos, believes that 'Almost all Greek-Turkish crises such as those in 1976, 1987 and 1994 had as a starting point the supposed Aegean oil fields. Further one can pinpoint the start of the rivalry between the two countries back in 1973 when the Greek government announced that the Aegean Sea contains large oil fields and that it planned to exploit them in the near future'.

However, all the available information from political circles in Athens indicates that the current Greek government would not like to see its relations with Turkey strained due to the Aegean oil issue. For this reason, exploration will focus initially only on the Western part of the country and on the Ionian Sea, across Italy, until some sort of political agreement had been reached.

The Director of the Institute for Energy Studies in Southeastern Europe, Kostas Stabolis, has proposed that Greece and Turkey should enlarge their territorial waters from 6 miles to 12 miles. According to Stabolis, they have the authority to do so based on the 1982 United Nations Convention on the Law of the Sea. In that case, the seabed to be negotiated between the two states would be just 20% of the total Aegean Sea instead of 80% as it is now. 'Of course Turkey threatens Athens with a "casus belli" since 1994 if it proceeds, therefore any initiative could be undertaken only after a serious diplomatic and military preparation by Greece', says Stabolis.

It seems certain that any future oil exploration and production in the Aegean will be heavily contingent on political and military developments. ■

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