

KEYNOTE SPEECH

**BY THE CHAIRMAN OF THE CYPRUS ENERGY REGULATORY
AUTHORITY**

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INTERCONTINENTAL APHRODITE HILLS RESORT HOTEL

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Mr Chairman,

Distinguished Guests,

On behalf of the Cyprus Energy Regulatory Authority I would like to thank the Mare Forum Organizers for giving me the opportunity to say a few words on the new energy developments in the area and to welcome also the participants to this event.

It becomes evident, especially when we look at the map of the eastern Mediterranean, that the oil and gas prospects could provide tremendous growth in the area.

The discovery in late 2010 of the huge natural gas reserve off Israel's Mediterranean shores triggered other neighboring countries to look more closely at their own potential. The results revealed that the entire Eastern Mediterranean has in accordance to the forecasts of the specialists, huge untapped oil and gas reserves. That discovery is having enormous political, geopolitical as well as economic consequences.

In December 2011 the Government of Cyprus and Noble Energy announced the success of the first well offshore Cyprus in a field estimated to hold at least 7 trillion cubic feet of natural gas.

The confirmation of the presence of significant quantities of natural gas reserves in the Exclusive Economic Zone of Cyprus, signals the start of a new era for Cyprus, an era during which Cyprus can claim a key position in the regional energy map and be transformed into a regional energy hub.

The second licensing round of Cyprus in its Exclusive Economic Zone was even more successful. Five blocks were allocated to major international companies, two of them to the French TOTAL and three to the consortium of the Italian ENI and the Korean KOGAS.

The participation of these major companies, strengthens further the sovereign rights of our Republic in its Exclusive Economic Zone and increases the possibility of enhancing security and peace in the region.

Since last year's forum, certain steps were taken by the Government towards organizing and developing the Hydrocarbons sector of the economy.

A State owned Hydrocarbons company was established that will represent the State's interests in the exploitation of the natural gas reserves and in the development of the new energy infrastructures.

In addition, the legal framework for establishing a National Fund that will manage independently the future revenues from the Hydrocarbons is in progress.

Currently NOBLE Energy started the drilling of the appraisal well in block 12 of Cyprus' Exclusive Economic Zone and this process will last approximately up to three months. The next step is the signature of a Memorandum of Understanding between Noble and Cyprus that would initiate the procedures towards infrastructure development.

In the context of the development of indigenous natural gas deposits, a subsea pipeline for the transportation of natural gas from Block 12 to Cyprus, would be required so that natural gas can then be distributed initially for power generation.

It is estimated that Cyprus internal market would consume less than 1 bcm of gas per year. Therefore Cyprus needs to exploit its reserves by developing an LNG export terminal with an initial capacity of 5 million tonnes of LNG per year with a prospect of future expansion to three trains with a capacity of 15 mtpa after it is proved that additional reserves exist in the EEZ of Cyprus. This ambitious project presents technical, financial and commercial challenges that have to be handled professionally in order to be successful.

An LNG terminal offers flexibility to the exporter in terms of the destination of the exports, and access to the markets worldwide.

It is our view that the development of this infrastructure, is fully in line with the EU Energy Policy regarding diversification of sources, routes and suppliers of Natural gas in order to enhance security of supply and competitiveness. Cyprus within the context of the EU Infrastructure

regulation, has been included in the Southern Gas Corridor ("SGC") for the transmission of gas from the Caspian Basin, Central Asia, the Middle East and the **Eastern Mediterranean Basin** to the Union to enhance diversification of gas supplies.

These developments create tremendous opportunities as well as challenges for Cyprus of financial, geostrategic and political nature. Cyprus, being a long established and successful international business and financial centre, is suffering seriously currently due to the economic crisis. With the right strategy, our newly found wealth can launch Cyprus into economic reform, investment in infrastructure, research and innovation, and can bring back the confidence on the prospects of the economy.

Having in mind that this is a shipping specialists forum, I expect that the opportunities of LNG used as bunker fuel and possible future benefits for the Cyprus Liquefaction plant can be explored.

In conclusion, Ladies and Gentlemen, I am sure that the findings of this Forum will help move a step forward in respect to the development of an oil and gas sector of Cyprus and Eastern Mediterranean.

Cyprus Energy Regulatory Authority (CERA)