



WELCOME SPEECH
BY THE CHAIRMAN
OF THE CYPRUS ENERGY REGULATORY AUTHORITY
Mr. GEORGE SHAMMAS
given at the 3rd MARE FORUM

INTERCONTINENTAL APHRODITE HILLS RESORT HOTEL
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Mr Chairman,

Distinguished Guests,

On behalf of Cyprus Energy Regulatory Authority I would like to thank the Mare Forum Organizers for giving me the opportunity to address a welcome speech in this conference.

Despite the international financial crisis that has inevitably an impact on the energy field of electricity and natural gas, the advances in the Eastern Mediterranean and the new developments that emerged, have allowed us to look at the future in a more optimistic way.

After the discovery of substantial natural gas fields in the Exclusive Economic Zone (EEZ) of Israel, the important decision of Cyprus to proceed with the conduct of the exploration drillings at the Block 12 of the Cypriot EEZ followed in September 2011. The crucial positive development in December 2011 confirming the existence of natural gas fields in Block 12 signalled the beginning of a new era for Cyprus.

In October 2013, Noble Energy made an announcement following its appraisal drilling which confirmed the presence of very large quantities of good quality natural gas in Block 12 while the preliminary results estimated the hydrocarbon reserve between 3,6tcf and 6tcf with a gross mean resource of 5 tcf.

In addition, there were good indications from seismic surveys of another six smaller gas fields in Block 12, with two of these estimated to hold 2 tcf each.

In this respect, the ENI/Kogas consortium that was awarded a license for hydrocarbons exploration in Blocks 2, 3 and 9 of the Cyprus EEZ is planning to drill in the third quarter of 2014, while France's Total holding the license for Blocks 10 and 11 with potential both for oil and gas, has completed the seismic survey program with exploration drilling scheduled within 2015.

Concurrently, USA's oilfield services giant Halliburton concluded last month a deal with the government to use Cyprus as their base of operations for the Eastern Mediterranean providing a "vote of confidence" for the prospects of the Cypriot Economy and, hence, transforming Cyprus into a key spot of exploration activity in the years to come.

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, stability and peace in the region and transformation of Cyprus into a regional Energy hub.

A significant step that has been taken by the Government towards organizing and developing the Hydrocarbons sector of the economy can be considered the establishment of a State owned Hydrocarbons company 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.

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 main strategic goal to exploit its reserves, is the development of an onshore LNG export terminal with an initial capacity of 5 million tonnes of LNG per year and a prospect of future expansion to three trains with a total capacity of 15 mtpa after it is confirmed that additional reserves exist in the EEZ of Cyprus. Although this ambitious project presents technical, financial and commercial challenges, proper and transparent administration of this major national issue is needed in order to reach a positive result by exploiting this important chance the Cypriot Government has in its hands.

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 belief 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.

Having in mind that these developments create tremendous opportunities as well as financial, geostrategic and political challenges for Cyprus, we realize that 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.

Moreover it can transform Cyprus **into an energy and political bridge** between EU and Middle East Countries while constituting a ground of stability between the countries of the region. Furthermore, following solution of the Cyprus problem, gas could be sold to Turkey's market under commercial terms and considering market conditions while East Mediterranean developments in the energy sector could provide excellent opportunities for cooperation between the Mediterranean countries and their people.

Ladies and Gentlemen,

In conclusion, I would like to thank you once more for the invitation to this interesting shipping specialists forum and I am confident that the findings of this Forum will help move a step forward in respect to the development of the oil and gas sector of Cyprus and Eastern Mediterranean.

Cyprus Energy Regulatory Authority (CERA)