

ExxonMobil Could Be In For A Naval Battle

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The logo for ExxonMobil appears above a trading post on the floor of the New York Stock Exchange. (AP Photo/Richard Drew, File)ASSOCIATED PRESS

As the Stena IceMax — the drillship that will conduct offshore explorations in Cyprus' Exclusive Economic Zone (EEZ) on behalf of [ExxonMobil XOM](#) [-0.02%XOM -0.02%](#) — approaches its target, anxiety is mounting as to how Turkey will react.

Over the last couple of years, Cyprus has granted specialized companies

drilling rights to explore its EEZ, in the hopes of discovering hydrocarbons and, more specifically, natural gas and petroleum. Some of the biggest exploration companies in the world — such as Italy’s ENI, Korea’s KOGAS, France’s [Total](#) , and even the U.S.’ [Noble Energy](#) **NBL -1.41%**[NBL -1.41%](#) — expressed interest in this pursuit and received licenses.

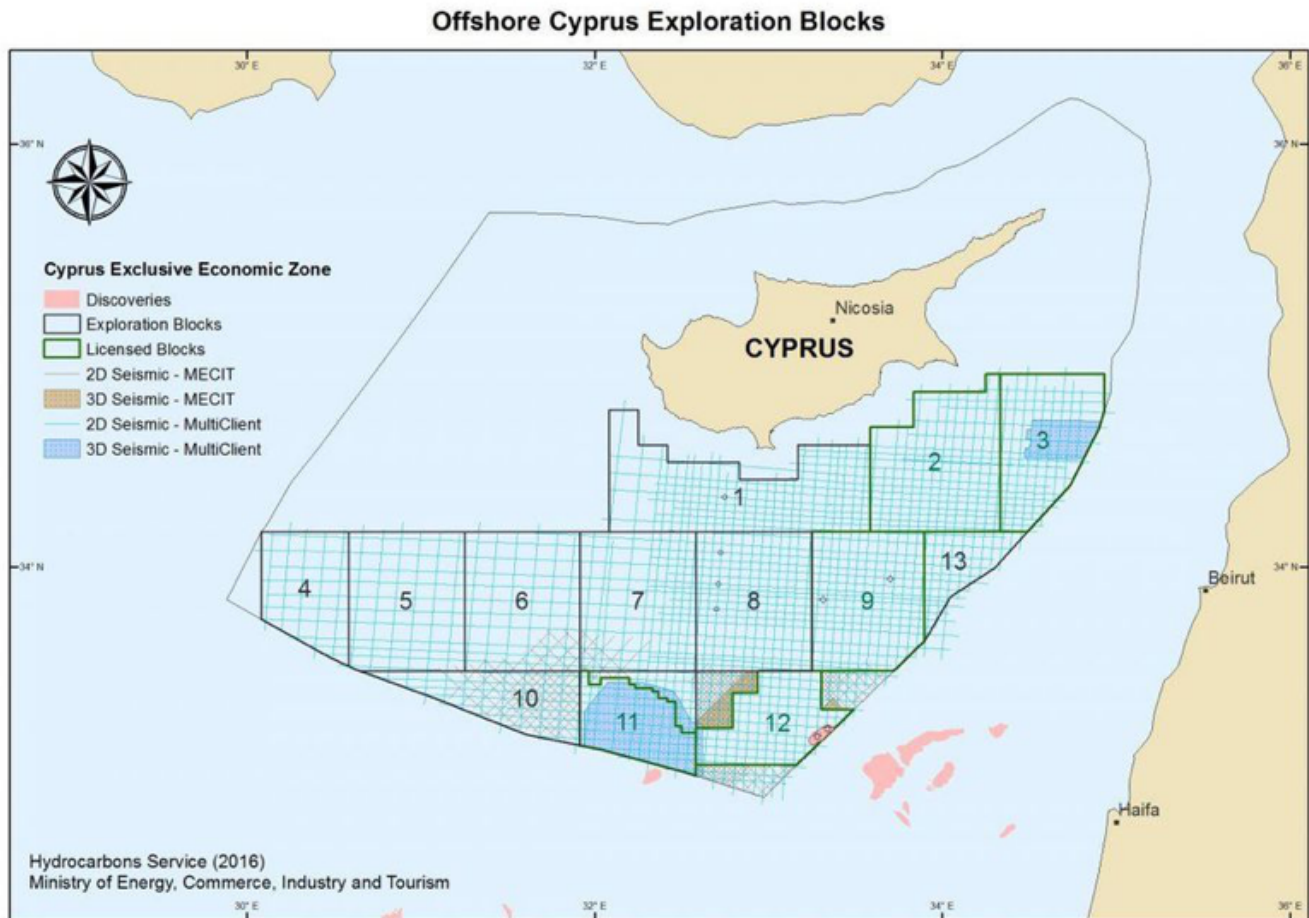
Now, ExxonMobil is expected to begin drilling in Block 10 of Cyprus’ EEZ in the coming weeks and Turkey has already warned that it will react to such an action.



The drillship Stena IceMAX Source: Stena Drilling website

Turkey invaded Cyprus in 1974, still illegally holds 36% of the country’s landmass and doesn’t recognize its EEZ, even laying claim to parts of it. Turkey claims that parts of Blocks 1, 4, 6 and 7 fall within its own EEZ and

that the Turkish Cypriot community can rightfully claim any possible discoveries within Blocks 1, 2, 3, 8, 9, 12 and 13. Though Block 10 does not fall within one of the aforementioned areas, Turkey has nevertheless warned that it will “react” to any kind of exploration activity.



Exploration blocks in Cyprus' EEZ Source: Hydrocarbon Service, Cyprus Ministry of Energy

Just recently during an interview with Cypriot newspaper, *Phileleftheros*, the so-called Foreign Minister of the illegal Turkish Republic of Northern Cyprus (recognized worldwide only by Turkey), Kudret Ozersay, reiterated that Turkey will react to ExxonMobil's drilling, explaining that Ankara claims areas within Cyprus' EEZ on behalf of both itself and Turkish Cypriots.

In fact, an announcement by the Turkish foreign ministry noted that — in its

view — the decision of the Cypriot government to explore its EEZ is “proof that the equal rights and interests of the Turkish Cypriot side with regard to the island’s natural resources continue to be ignored.”

Continuing, the announcement once more threatened that the “Turkish Republic of North Cyprus” and Turkey are ready to take all necessary steps to defend their so-called rights and interests in the region, including carrying out its own hydrocarbon exploration activities.

ExxonMobil’s Senior Vice President, Neil Chapman, was in Cyprus recently and met with the President of the Republic, Nicos Anastasiades. Talking to journalists after the meeting, Mr. Chapman avoided giving a straight answer when questioned about the Turkish threats: “We are a commercial entity and our business is about producing and developing natural resources on behalf of governments. Any government issues, that’s for governments to discuss and resolve,” he explained.

History repeated?

But both Mr. Chapman and the Cypriot government know that Turkey is not all words and no action.



ExxonMobil Senior Vice President Neil Chapman, left and and Cyprus' Energy Minister Georgios Lakkotrypis leave after a meeting with Cyprus' president Nicos Anastasiades at the presidential palace in capital Nicosia, Cyprus, Friday Oct. 5, 2018. (AP Photo/Petros Karadjias)ASSOCIATED PRESS

Last February, when the Italian company ENI tried to drill in Block 3 of Cyprus' EEZ, Turkish warships interfered and disallowed SAIPEM 12000 (the drillship the company was planning to use for the exploration) to approach the specific drilling point. SAIPEM 12000 remained in the area for 12 days waiting for the Turkish ships to leave in allowing it to proceed. Ultimately, that didn't happen and the exploratory drilling at target "cuttlefish" was abandoned.

Cyprus' Government Spokesman, Prodromos Prodromou, has stated that the country is carrying on with its energy plans on the basis of international law and in cooperation with the companies that are licensed in its EEZ. It is

obvious that the government doesn't want what happened in February to be repeated and that is why it is making diplomatic moves to ensure that the drilling will be carried out without any problems.

To this end, U.S. Assistant Secretary of State for European and Eurasian Affairs, A. Wess Mitchell, revealed: "We've been clear in our messaging with Turkish officials that harassment of drilling vessels in the Cyprus EEZ is not something that we will allow to go unnoticed or not speak up about."

Whilst Turkey is notoriously belligerent in its conduct as evidenced by last year's interference with ENI, blocking ExxonMobil's drilling will have wider ramifications. Besides challenging an important and powerful American company, Turkey will also — by association — challenge a timeless ally: Qatar. The state-owned Qatar Petroleum has partnered with ExxonMobil to win the exploration rights for Cyprus' Block 10. Turkey and Qatar have good diplomatic relations and any move that could affect the interests of the state-owned petroleum company could affect the overall relations between the two countries.

The exploration drilling in Block 10 is very important for Cyprus' energy sector. If the results are positive and a significant amount of commercialized hydrocarbons is discovered, it would open the way for the creation of an onshore liquefied natural gas (LNG) plant. Plans for an LNG plant have been brewing for years in Cyprus, but until now the discovered gross amount of gas has not been sufficient to support the creation of such a facility, which comes with an estimated cost of over \$6 billion when fully developed.