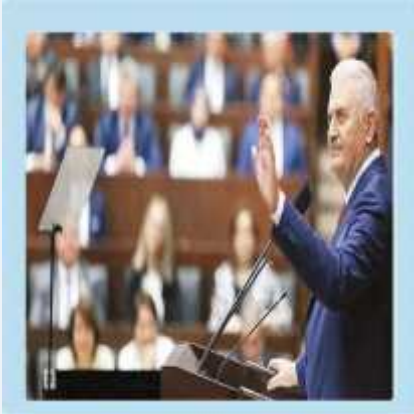


## Turkish PM: Normalization with Russia has begun

Hurriyet Daily News, 29.06.2016



A normalization process has begun between Turkey and Russia, Turkish Prime Minister Binali Yıldırım said, a day after President Recep Tayyip Erdoğan penned a letter to his Russian counterpart to express his deep sorrow over the downing of a Russian warplane last year.

“I can say the normalization process has begun,” Yıldırım told. Russian President Vladimir Putin will call Erdoğan to thank him for the letter that Turkey sent in the hopes of resurrecting the neighbors’ ties that plummet in November 2015 after Turkey shot down the jet along the border, ultimately leading to the deaths of two pilots.

The respective Turkish and Russian foreign ministers, Mevlüt Çavuşoğlu and Sergei Lavrov, are to hold a meeting on July 1 in Sochi on the sidelines of a regional summit after the phone conversation between Erdoğan and Putin. According to diplomatic sources, the meeting between the two ministers will seek to establish a road map for the normalization of bilateral ties between the two countries in line with the instructions the two presidents will deliver to them.

The removal of trade and economic sanctions imposed on Turkey and the lifting of visa requirements for Turkish citizens, as well as the resumption of stalled energy cooperation between the two countries, will likely be on the ministers’ agenda in Sochi.

In another sign of Turkey’s desire to rapidly restore ties with Russia, Yıldırım said Turkey was ready to pay compensation to the family of the Russian pilot that was killed during the incident on Nov. 24, 2015. “The content of the letter is obvious. We express our sorrow. We say we share the pain of the families of the deceased [pilots]. We say we will pay compensation if need be,” Yıldırım told the Turkish Radio Television Corporation (TRT) in an interview.

But sources from the presidential office corrected Yıldırım’s words on June 28, underlining that the letter did not mention anything about paying compensation to either the Russian state or the family of the pilots.

Yıldırım, too, corrected his statement, saying no compensation would be paid to the Russian state. “No, no, there is nothing like that. We have just expressed our sorrow and shared their pain. Legal proceedings against the person accused of responsibility for the killing of the pilot are underway,” Yıldırım said. Diplomatic sources said compensation was a legal definition and should be considered as a legal issue which has nothing to do with the current situation. “We are talking about a humanitarian issue here. [Making a payment to the family of the pilot] should be considered in this context,” a source told the Hürriyet Daily News.

In the case, the family of the deceased pilot would accept Turkey's payment then the methodological details would be discussed by diplomats from both sides. In an address to his Justice and Development Party (AKP) parliamentary group, Yıldırım said the "ice between the two countries has been broken" following Erdoğan's letter. Yıldırım said it was the duty of politicians to turn extraordinary situations into ordinary processes. "Crises are exceptions; normalization is essential."

In a statement, Erdoğan further explained what he sought in the letter he sent to Putin. "I believe we can rapidly normalize our relations by leaving the current situation that is to the disadvantage to both our countries behind," Erdoğan said. He also said he recalled the cooperation Turkey and Russia could make on regional developments on the basis of an already-established strategic partnership in recent years.

## Embassies in Turkey show respect to victims of June 28 triple suicide attack

Hürriyet Daily News, 01.07.2016



Following the devastating terror attack at Istanbul Atatürk Airport, the Embassy of Canada has changed the format of its reception for Canada Day, scheduled to be held on July 1, while the Embassy of the United States has postponed its Independence Day Reception for the same reason.

In a note sent to invitees on June 30, the Embassy of Canada said it wished to advise that the Canada Day event will take place as previously scheduled on July 1, starting at 7 p.m. "This year's event will be dedicated to the victims of terrorism, including the victims of the recent attack in Istanbul," the Embassy briefly noted.

The Hürriyet Daily News has learned that the embassy staff will be wearing black, while the open-air dance set and live music planned for the original reception in the embassy residence garden has been cancelled. A banner bearing the hashtags #weareistanbul, #nousommesistanbul and #hepimizistanbuluz, as well as one showing a Turkish crescent and star in a poppy, originally designed by The Huffington Post, will be put up.

Meanwhile, the U.S. Embassy announced that its official Independence Day Reception, planned for June 30 has been postponed to July 13, in solidarity with Turkey in light of the declaration of national mourning following the events in Istanbul. "In light of the tragic events of last night, and as sign of our shared grief with the people of Turkey, I have instructed that our embassy's commemoration of America's independence, scheduled for tomorrow evening, be postponed until a later date," U.S. Ambassador John Bass said in a statement posted on official Twitter account of the Embassy. "As I said last night, we mourn with the families of those lost in this terrible tragedy. We pray for the speedy recovery of all those wounded.

We reaffirm our commitment to the people of Turkey, our friend and NATO ally, as we continue to confront the shared scourge of terrorism,” Bass added. While harshly condemning the “hideous terror attack” on Istanbul Ataturk Airport, the Israeli Embassy in Ankara also flew its national flag at half-mast in tribute to the victims.

## Stalled process gains momentum as EU, Turkey open new membership chapter

Anadolu Agency, 30.06.2016



Turkey’s stalled European Union membership process gained new momentum on June 30, as a new chapter on financial and budgetary provisions was opened amid soured relations after the bloc asked Ankara to change its anti-terror laws before granting Turks visa-free travel to the Schengen area.

Turkish Foreign Minister Mevlüt Çavuşoğlu, EU Minister and Chief Negotiator Ömer Çelik and Finance Minister Naci Ağbal joined a news conference held in Brussels on June 30 to announce the opening of Chapter 33, which usually opens when a candidate nears membership, according to Turkish EU Ambassador Selim Yenel.

The opening of the chapter was welcomed by European Commissioner for Neighborhood Policy and Enlargement Johannes Hahn as an indicator that the enlargement process with Turkey was “moving forward.” Chapter 33 will be the 16th chapter to be opened as part of the country’s accession process. There are still five chapters being blocked by Greek Cyprus.

The revival of the process was one of Brussel’s promises to Ankara in return for its cooperation in stemming the flow of thousands of Syrians and non-Syrian refugees pouring into the bloc. As part of the March deal, the EU agreed to rekindle Turkey’s accession process, provide an additional 3 billion euros in aid and grant visa-free travel to Schengen countries for Turkish citizens. The freshly launched chapter is the second to be opened in the last seven months, after Chapter 17 on economic and monetary policy was opened in Luxembourg on Dec. 14, 2015. A total of 16 out of 35 chapters, one of which was provisionally closed, have been opened since the EU launched accession negotiations with Turkey on Oct. 3, 2005.

Çavuşoğlu praised the recent process as “historic,” highlighting that EU-Turkey summits were held over a period of four months, including summits held as part of the refugee deal. Çavuşoğlu said cooperation with the EU extended into many fields and the refugee flow in the Aegean Sea had been “taken under control.” “We succeeded in stopping deaths and the human traffic,” he added. Less hopeful messages were conveyed after the chapter’s opening when the foreign minister of Slovakia, which will take over the reins of the EU’s rotating presidency on July 1, said they had no plans to open more membership talks with Turkey, after the beginning of negotiations on financial and budgetary issues.

Slovakian Foreign Minister Miroslav Lajcak told reporters in Bratislava that “there is no prospect for further chapters,” adding that the EU and Turkey currently “differ over what chapters to open.” President Recep Tayyip Erdoğan recently lashed out at Brussels for its treatment of Ankara, saying Turkey could hold a referendum to decide on whether to continue its accession process. “We can stand up and ask the people just like the British are doing,” Erdoğan said in a speech at a fast-breaking dinner, quoted by the state-run Anadolu Agency.

With the question of Turkey’s possible membership being raised in the British referendum, Ankara was angered by comments from London suggesting that it had no realistic chance of joining the bloc in the medium term. During the campaign, U.K. Prime Minister David Cameron said Turkish membership was not “remotely on the cards” and may not happen until the year 3000.

## Turkish aid ship for Gaza arrives at Israeli port

Anadolu Agency, 03.07.2016



A Turkish aid ship carrying 11,000 tons of supplies for the Gaza Strip arrived at Israel’s Ashdod port. Turkish diplomats and Israeli Foreign Ministry deputy spokesperson Oren Rozenblat were present at the port as the Panama-flagged Lady Leyla docked.

The ship carried around 10,000 toys and 10,000 packages of food and aid for children in Gaza. It also carried five tons of flour and 2,000 tons of rice aid from the Turkish Grain Board, as well as sugar aid from the Turkish Red Crescent. The ship set sail following a reconciliation deal reached between Turkey and Israel, after six years of strained relations.

Diplomatic ties between the two countries were suspended after Israeli troops stormed the Gaza-bound Mavi Marmara aid ship in international waters in 2010, killing 10 Turkish activists. In the aftermath of the attack, Turkey demanded a formal apology from Israel, compensation for the families of those killed, and the lifting of Israel’s Gaza blockade. In 2013, Israeli Prime Minister Benjamin Netanyahu voiced his regret over the attack.

On June 27, months of talks between the two countries finally bore fruit, with Turkey announcing that a deal would be signed, normalizing relations with Israel. Under the deal, in addition to agreeing to Turkish aid’s access to Gaza, Israel will pay \$20 million in compensation to the families of the Mavi Marmara victims.



# Pivoting energy relations in the Eastern Mediterranean

Turkish Policy Quarterly, 30.06.2016



Italian energy firm Eni's discovery of the Zohr natural gas field in Egypt in late 2015 may prove a boon to Turkey's long-term goal of serving as an energy transit country. If the Egyptian market is saturated, Israel and Cyprus will be unable to export the majority of gas from the Leviathan and Aphrodite fields there, leaving Turkey as the most economical transport option for exports to Europe.

The prospect of a pipeline offers added impetus to settle long-standing conflicts between Turkey and its potential partners Greek Cyprus and Israel, which coincides with a renewed push for normalization of relations in the region.

Italian operator Eni's discovery of the largest known gas field in the Mediterranean Sea on 30 August 2015 shook the regional hydrocarbons market. The Zohr discovery off the coast of Egypt immediately sparked speculations about its potential impact on exploration and production in the Eastern Mediterranean region. In particular, the newly discovered cache has raised questions about export options for other fields in the region, namely the Aphrodite field in Cyprus island and Leviathan in Israel.

"The Zohr discovery off the coast of Egypt immediately sparked speculations about its potential impact on exploration and production in the Eastern Mediterranean region." Holding an estimated 850 billion cubic meters (bcm), the Zohr field overshadows previous Eastern Mediterranean discoveries. Cyprus' Aphrodite is estimated to contain only 116 bcm.

Israel's Leviathan field was estimated to hold 623 bcm, but a recent review by Dutch company SGS put the figure at 470 bcm. To put this in context, the Southern Gas Corridor (SGC) is being constructed to transport production from Azerbaijan's Shah Deniz gas field, which is thought to hold 1.13 trillion cubic meters. Aphrodite is too small to develop export infrastructure for on its own, making joint development with the Leviathan, only 34 kilometers away, an obvious choice. Israel and Greek Cyprus are planning to connect their fields by 2019, so these two assets should be considered jointly when considering development and export options.

The Zohr has drastically decreased Egypt's demand for gas, forcing Israel and Cyprus to find other export markets. While Turkey is the most economically viable route for a pipeline at a time when oil and gas financing is weak, geopolitical issues between Ankara and the Cypriot and Israeli governments would have to be resolved for such a project to be implemented. While recent developments bode well for a normalization of regional relations, cooperation is far from a foregone conclusion. Prior to the Zohr discovery, gas-hungry Egypt had been negotiating deals to purchase output from the Leviathan field.



The country's energy consumption rose rapidly from 59.3 million tons of oil equivalent in 2004 to 86.2 million in 2014, with natural gas making up more than half of that figure. Already a large consumer of energy and especially natural gas, Egypt's demand is only expected to increase. While some efforts to diversify are being made, the country's electricity sector is largely fueled by gas, and the government plans to nearly double generation capacity by 2020.

The rising need for gas had prompted the government to look to secure import sources, either regionally from fields such as Leviathan and likely Aphrodite, or liquefied natural gas (LNG) from more distant suppliers.

However, the Zohr discovery means that Egypt will be able to supply a much higher proportion of its own consumption needs. At first, it appeared that the North African country might have no need for imports from the Leviathan field. "The discovery of the massive gas field in Egypt is a painful reminder that while Israel sleepwalks and dallies with the final approval for the gas road map, and delays further prospecting, the world is changing in front of us, including ramifications for [Israeli] export options," Israeli Energy Minister Yuval Steinitz was quoted as saying by the Times of Israel.

While the discovery even prompted speculation about Egypt changing from a net importer to an energy exporting country, the Zohr reserves are more likely to go towards satisfying ever-rising domestic consumption. In fact, just days after the discovery was announced, US independent upstream company Noble, operator of the Aphrodite and Leviathan fields, issued a statement saying:

Regional demand supports the further development of our world class Tamar and Leviathan fields. Noble Energy continues its ongoing discussions with natural gas customers throughout the region, and yesterday the government of Egypt publicly reiterated its support for the import of gas from Israel for both domestic and LNG export purposes.

The Egyptian government expects demand for gas to continue rising to such an extent that additional imports will be required despite the massive discovery. The Zohr discovery will not flood other export markets; it seems unlikely to even suffice for Egypt's needs. The country will probably still import Israeli gas, albeit in smaller quantities. A preliminary deal was signed in November 2015 to import 4 bcm of gas from Leviathan annually for 10-15 years.

This leaves the question of where the remainder of the 21 bcm Noble Energy plans to produce annually will be sold and – the Israeli government has sanctioned the sale of 50 percent abroad – how it will be exported. While Jordan is a likely customer, it's a small market, only planning to import 45 bcm over 15 years. Surrounded mainly by hydrocarbons-rich neighbors, Israel will have to look further afield for export markets.

According to the development plan submitted before the Zohr discovery, the Aphrodite field would produce 22.7 million cubic meters of gas per day, which was to be shipped via an underwater pipeline to Egypt. Low energy prices have thrown a wrench in this plan, likely leading to the more recent proposal to connect Aphrodite with Leviathan for development regardless of the export route chosen. Several export options have been considered, including pipelines to Greece or Turkey, as well as floating LNG or onshore LNG facilities.



“The discovery of the massive gas field in Egypt is a painful reminder that while Israel sleepwalks and dallies with the final approval for the gas road map, the world is changing in front of us. In January 2016, Israel and Cyprus announced plans to explore a natural gas pipeline to Greece to export their resources, a plan estimated to cost approximately 19.5 billion dollars, with net revenue of 54.5 billion dollars.

A pipeline from Cyprus island to Turkey is calculated at 4.78 billion dollars with net revenue of 69.3 billion dollars. From Israel, a pipeline to Ceyhan, Turkey is estimated at 2.5 billion dollars, and another 647 million dollars would fund the connection to the Trans-Anatolia Pipeline in order to transport the gas to Europe.

Even adjusted for inflation, the cost savings from these 2013 estimates are significant. In February 2016, Steinitz said new estimates had put the cost of a pipeline from the offshore fields to Greece at 7 billion dollars, which is still much higher than the potential conduit through Turkey.

The Cypriot government had also expressed interest in developing an LNG terminal at Vasilikos to process the resources, which would cost about 12.6 billion dollars and bring in profits of about 50.2 billion dollars.

Barring a new discovery before infrastructure investments are made, this plan has been all but abandoned because resources are insufficient to support it. Israel reportedly prefers to avoid an onshore LNG facility due to security concerns and a lack of coastal land available for such an installation. A floating LNG installation would be an option, but at six to eight billion dollars, the investment is unlikely to pay off without additional discoveries. The intended market for LNG would be Europe, the same as a pipeline, meaning the required costs of an LNG facility would cut into the profit margin without additional advantages.

The development of the Aphrodite and Leviathan fields comes at a time when investments in the oil and gas industry are dropping off with record-low hydrocarbons prices. According to energy market analysts Wood Mackenzie, 68 major upstream projects were delayed in 2015, representing investment of 380 billion dollars.

Deepwater developments have been particularly hard hit. The 29 major deepwater projects delayed made up 62 percent of the reserves and 56 percent of the capital expenditure of all suspended investments. Amid the drop in energy prices since mid-2014, deepwater services providers have reduced prices less than those operating in other areas, which, combined with the high capital requirements of working in the deep offshore, has discouraged investment in this sector.

The difficulty of attracting investment to a large project in this sector enhances the appeal of the lowest cost option – the pipeline to Turkey. More ambitious projects are unlikely to attract the necessary funding, particularly as energy prices continue to fluctuate. An unsteady market has hampered investment more than low prices alone would because investors can't count on returns at any level. “The Zohr discovery will not flood other export markets; it seems unlikely to even suffice for Egypt's needs.” Developers are eager to participate in a pipeline from Israel to Turkey. In April 2016, the CEO of Turkish energy firm Turcas, Batu Aksoy, told Hürriyet the company was considering a buyers' consortium to build a pipeline from Israel through Turkey and onto Europe, and 15 companies had expressed interest in participating.



He suggested the pipeline could carry 8 bcm annually, to be split among the partners. As project investment has been drying up, unsolicited interest in this pipeline shows how potentially lucrative it is. It also bodes well for the project's eventual completion if the political obstacles can be cleared.

While governments continue to examine their options, alternatives seem less likely. "If important reserves are discovered in Israel and Egypt, or even in [just] Egypt, this could justify the construction of a long pipeline to Greece," Agence France-Presse (AFP) quoted Steinitz as saying in February 2016.

However, if more significant reserves were discovered in Egypt, they would more likely be processed in the country's own liquefaction facilities, which the government plans to expand. The site of Egypt's Idku LNG facility was selected to accommodate up to eight trains, although only two are currently active. While the prospect of twin pipelines to both Turkey and Greece has been suggested, the current known reserves are not sufficient to justify the more than doubled investment.

Israel and Greek Cyprus could potentially export their gas to Egypt for liquefaction, but BG Group, the operator of the Idku LNG plant, merged with Shell in January. The Anglo-Dutch super-major has large projects in Qatar and is eyeing the post-sanctions Iranian market, making a deal to liquefy Israeli gas for export less likely.

Turkey's regional relations are a greater roadblock than project finance issues. Although plans to export Israeli and Cypriot natural gas through Turkey are the most expedient economically, if relations between Turkey and the two countries do not improve, the pipeline is unlikely to be built.

While plans to build a pipeline from Cyprus and Israel to Greece or Egypt are relatively unlikely to come to fruition, those export routes are still on the table if negotiations with Turkey prove untenable. Opportunities to improve relations with these countries have opened up in the past year, and steps to strengthen ties between Turkey and Cyprus could clear the way for a mutually lucrative pipeline deal, ultimately snowballing into closer Eastern Mediterranean connections.

Another effect of the Zohr discovery, the scramble by Cyprus to find similar assets in its own territory, illustrates well the tension preventing pipeline cooperation. In March 2016, the Cypriot government announced a bid round for three blocks close to the Zohr field, citing "huge interest by international companies to carry out explorations offshore Cyprus despite the energy industry's not so favorable conditions." The potential for additional discoveries is a double-edged sword. Tensions over disputed offshore rights led to the breakdown of talks between the northern and southern sides in July 2014, and negotiations only restarted in May 2015.

This new licensing round included Block 6, which Turkey maintains overlaps with its continental shelf. While the block had been included in Cyprus' first and second licensing round, it was not awarded – likely an attempt to avoid antagonizing Ankara. Northern Cypriot leader Mustafa Akıncı has said drilling on newly granted exploration blocks before unification would jeopardize the talks. Furthermore, if the increased exploration encouraged by the Zohr find leads to another significant discovery in Cypriot or Israeli waters, it may prove sufficient to make an LNG facility in Cyprus a viable investment and reduce the urgency for regional conflicts to be resolved.





At the same time, the current gas reserves could sweeten the pot for the sides to cooperate, particularly as Greek Cyprus recovers from the financial crisis. “Definitely [gas is] going to be an asset, if wisely prepared and conducted in a way not to trigger yet [more] tension in the area,” Akıncı told the Associated Press in April 2016.

“Although plans to export Israeli and Cypriot natural gas through Turkey are the most expedient economically, if relations between Turkey and the two countries do not improve, the pipeline is unlikely to be built.”

There have been several hopeful signs pointing to a resolution to the Cyprus conflict by the end of 2016. Akıncı and his Greek-Cypriot counterpart have met more than 25 times in the year since Akıncı’s election in April 2015, and both have said a settlement is possible within the year as agreements have been reached on issues such as property, governance, and application of EU law in the Turkish section.

Although Greek Cypriot President Nicos Anastasiades cancelled a scheduled meeting for UN-brokered peace talks in late May after Akıncı was also invited to an official dinner in Turkey, he said “never, but never before, do I think there was another such good opportunity, as long as we all make use of it with mutual respect.” Akıncı has noted that to reach a settlement this year, faster progress will be necessary. Eurasia Group, a consultancy, puts the odds of success at 60 percent.

As the only country to officially recognize the Republic of Northern Cyprus, Turkey has publicly stated its support for an agreement between the two sides. When Turkish President Recep Tayyip Erdoğan spoke at the Brookings Institution in Washington, DC in March 2016, he said the Cyprus issue had to be resolved this year, and that talks would restart in May. He cited energy projects as among the opportunities that would be possible if the issues are resolved.

As the possibility of Turkish membership in the EU appears up for discussion once again, if the ruling Justice and Development Party (AKP) decides to push for membership, which Deputy Prime Minister Mehmet Şimşek called “the most important strategic target of Turkey for a long time,” normalized relations with Greek Cyprus will be a prerequisite. Turkey may push the Turkish Republic of Northern Cyprus for additional concessions and take its own steps towards rapprochement to improve its position with the EU, as well as the benefits it would see from energy cooperation.

The EU, seeking to diversify its energy import options away from Russia and resolve the Cyprus situation, is likely to support a potential Cyprus-Israel-Turkey pipeline, as it includes the Cyprus-Crete-Greece pipeline on its list of projects of common interest. While the potential imports are only a drop in the bucket compared to its vast needs, the EU sees varied energy import sources as a high priority, and the bloc’s support could only help push a rapprochement forward.

US Vice President Joe Biden has also taken a personal interest in finding a resolution to the division of Cyprus. After his January visit to Turkey, the White House released a statement about “his positive discussions with Turkish officials on finding a settlement to reunify Cyprus as a bizonal, bicomunal federation” and pledging ongoing support from the US to reach a settlement.



Following the cancellation of talks in May, the vice president called the leaders of both sides to urge them to return to the bargaining table. As Biden looks to establish a legacy during his last months in office, the Cyprus dispute is one area that he may focus on as an achievable goal.

While Turkey and Israel had close ties, especially as fellow US allies, the relationship deteriorated rapidly following the 2010 Mavi Marmara incident. However, recent signs of a potential rapprochement are promising.

In May 2016, Israeli Consul General in Istanbul Shai Cohen told reporters that a resolution would come once a new government was formed in Turkey following the resignation of Prime Minister Ahmet Davuto lu. "I believe it will take another round or two in order to conclude the deal (...) Most of the issues between Israel and Turkey are already, to a certain extent, clear." Ankara has also said the talks are in the final period.

The details of the agreement, negotiated at high-level talks in Switzerland, are unclear. Turkey has maintained it would require the lifting of the blockade against Gaza and compensation for the victims of the Mavi Marmara incident in order to restore ties. AKP spokesman Ömer Çelik told HaberTürk that a deal on compensation had reached the point where it could be signed, but did not comment on the blockade issue. Erdoğan said in April 2016 that the two countries were discussing the possibility of Turkey sending a power generation vessel to Gaza as part of the normalization process.

"The EU, seeking to diversify its energy import options away from Russia and resolve the Cyprus situation, is likely to support a potential Cyprus-Israel-Turkey pipeline (...)" The Turkish downing of a Russian jet in November 2015 likely served as an extra impetus to reach a deal. As Turkey receives most – 55 percent in 2014 – of its natural gas from Russia, the incident heightened the country's desire to diversify its energy sources. The fact that Israel has gas it wants to export gave Turkey an extra reason to find a way to re-establish ties.

One option to encourage the Turkish side to accept the terms of rapprochement would be the inclusion of the Gaza Marine field in the pipeline development. The shallow-water field, discovered in 1999, is estimated to hold 28.3 bcm and will be technically simple to extract resources from.

The snag has been repeated conflicts between Hamas and Israeli forces, as well as legal disputes over its ownership. If Turkey and Israel reach an impasse over the blockade issue, including a clause about potential exports from Gaza Marine through a Cyprus-Israel-Turkey pipeline could offer benefits for all parties. Palestinians could benefit from increased access to electricity and energy-intensive desalinated water, while the additional income from exports could be used to pay the region's electricity debts to Israel.

While a major breakthrough with long-time regional rivals may seem unlikely, the export relationship between Turkey and the Kurdistan Region of Iraq (KRI) serves as a counterexample. While Ankara could have been expected to view the semi-autonomous government as a threat that would promote the idea of autonomy for Kurdish people in the region, Erbil and Turkey have developed a close energy relationship. Almost all of the region's crude oil exports pass through Turkey, averaging 421,210 barrels per day by the Kirkuk-Ceyhan pipeline, and most of the 12,436 barrels per day exported by truck also go through Turkey.



Security issues have put a strain on the relationship between Ankara and Erbil. In August 2015, the Kurdistan Regional Government (KRG) said attacks on the Turkish segment of the pipeline in July and August had cost it more than \$500 million in revenue. The conduit was shut down another three weeks in February and March 2016 due to sabotage on the section running through southeastern Turkey, which has been seeing the worst violence in decades since the 2013 ceasefire between the Turkish government and the PKK broke down in July 2015. The resumption of operations against the PKK and the obstruction of exports have led the KRG to pursue an export pipeline to Iran.

However, despite these setbacks, the Turkish government is seeking to expand this cooperation, having signed a gas sales agreement in 2013 for up to 20 bcm, sourced from Anglo-Turkish Genel Energy's Bina Bawi and Miran fields, annually. This support has continued as Reuters reported in late April 2016 that state-backed Turkish Energy Company (TEC) was in talks with Genel Energy to invest in the "entire value chain of the project." Turkey's cooperation with the KRG in Iraq for mutually profitable energy projects is a model that may also prove possible with Israel and Cyprus island.

A reconciliation between Turkey and Israel appears imminent, thanks in large part to the countries' shared interest in energy cooperation. If the issues between Turkey and Israel are solved by mid-2016, as both sides seem to expect, it could add momentum to a settlement on the Cyprus issue as well.

Without another viable option to monetize the Aphrodite field, action on a pipeline from Israel to Turkey could push Nicosia to ensure it doesn't miss out. If the three countries do not cooperate, Israel may be forced to export a smaller portion of its gas and produce from Leviathan more slowly, while Aphrodite would remain stranded unless or until another, more substantial field is found. If Tel Aviv and Nicosia proceeded jointly without Turkey, they will lose a large portion of their net profits to much more expensive export infrastructure.

"Turkey's cooperation with the KRG in Iraq for mutually profitable energy projects is a model that may also prove possible with Israel and Cyprus." The domestic legal battles delaying the Leviathan field development have had the unexpected side effect of weakening the sense of urgency about settling these regional issues and smoothing the way for a Cyprus-Israel-Turkey pipeline.

It would be in Turkey's interests to secure a pipeline deal sooner rather than later, as any new discovery in the area would lead to a recalibration of interests. A good starting point would be agreeing to a maritime boundary with Cyprus. Both sides could make concessions on the disputed territory, which holds only the potential for economically valuable resources, in exchange for the concrete financial gains possible through collaboration.

Greek Foreign Minister Ioannis Kasoulides has said the Eastern Mediterranean's natural gas resources could serve as the "steel and coal of the 21st century" to bring the littoral states together as the EU joined long-time rival powers several decades earlier. The prospect of cooperative hydrocarbons exploration has already warmed relations between Greek Cyprus and Israel, who have agreed a maritime delineation in 2010 to facilitate exploration. Turkey, Greek Cyprus, and Israel have the chance to expand on this collaboration in a way that would benefit them all.

## US, Russia discuss Syria cooperation

Reuters, 01.07.2016



The Obama administration is considering a plan to coordinate air strikes on the al-Nusra Front and the Islamic State of Iraq and the Levant (ISIL) if Damascus stops bombing moderate rebels, U.S. officials said June 30 amid discussions with Russia.

Washington backs the moderate rebels, who are under pressure from ISIL and government forces, but the plan depends in part on whether Russia is willing to press Syrian President Bashar al-Assad to stop bombing them. Many U.S. officials and outside experts doubt Moscow is willing to do that.

It would also require moderate opposition forces to disentangle themselves from al-Nusra and move into identifiable areas where they would be vulnerable to government and Russian air attacks. Although Russia says it has targeted ISIL, most of its strikes have been on the U.S.-backed moderate rebels, who distrust the al-Assad government, which they and Washington have accused of most of the cease-fire violations.

“If the moderates separate themselves from al-Nusra, immediately the Russians and al-Assad go kill them,” said Chris Harmer, an analyst with the Institute for the Study of War. “The idea that the moderate rebels will separate themselves from al-Nusra is just not going to happen. [The administration plan] is a Hail Mary pass that is dead on arrival. It’s staggering to me that anybody even at year five of this civil war thought this would be a good idea.”

The Washington Post, which first reported the plan, said the Obama administration had submitted a written proposal to Moscow, but two U.S. officials, speaking on condition of anonymity, said that while the plan is under discussion within the administration, no decisions have been made.

That Washington is even considering such a plan, however, reflects the unraveling of a Feb. 27 cessation of hostilities agreement that was supposed to bring some calm to a country riven by five years of civil war and promote a political settlement, as well as the weakness of the U.S.-backed moderate opposition forces.

In one sign of their predicament, U.S.-backed Syrian rebels were pushed back from al-Bukamal, an ISIL-held town on the Iraq border, suffering casualties and seeing some of their fighters and arms captured, a rebel source said. Finally, targeting the al-Nusra Front could end up boosting the popularity of the al-Qaeda affiliate, which is widely hailed by anti-government Syrians as the most effective fighting force seeking to oust al-Assad.

Prospects for a political deal to end the conflict appear dim, not least because there is no agreement on the future of al-Assad, whom the United States wants to step down, but whom Russia has supported with its military intervention since last September.



U.N. Syria envoy Staffan De Mistura is in Washington this week to meet senior U.S. officials to discuss efforts to reduce attacks on civilians and the provision of humanitarian aid as he “continues to work to advance a political transition,” National Security Council spokesman Carl Woog said.

## Britain, France mark 100 years since bloodiest WWI battle

AFP, 01.07.2016



With a cannon blast and a piercing whistle, Britain and France marked 100 years since soldiers emerged from their trenches to begin one of the bloodiest battles of WW1 at the.

Under grey skies, unlike the clear sunny day that saw the biggest slaughter in British military history a century ago, the commemoration kicked off at the deep Lochnagar crater, created by the blast of mines placed under German positions two minutes before the attack. A lone piper walked around the edge of the crater at the ceremony, to be followed by a main event attended by the royal family and PM Cameron, as well as President Hollande and former president Koehler.

The commemoration ceremony was held at the Thiepval Memorial, which honors more than 72,000 missing servicemen. Just over a week after Britain’s vote to leave the European Union, Hollande highlighted the friendship that saw British and French soldiers fight side by side.

“I want to recall that it is the European idea which allowed us to overcome divisions and rivalries between states, and which has brought us peace for the past 70 years,” Hollande said in a statement before the ceremony. Britain’s Prince William paid tribute to a generation lost at the Battle of the Somme at the start of an all-night vigil in memory of the Allied soldiers who would have been preparing themselves to charge the German side.

The following day some 20,000 soldiers were mowed down -- after a week of bombardment failed to destroy German defenses -- in the deadliest day in British military history. Another 30,000 were wounded and maimed. “We lost the flower of a generation, and in the years to come it sometimes seemed that with them a sense of vital optimism had disappeared forever from British life,” said William, attending alongside his wife Kate and brother Prince Harry.

“It was in many ways the saddest day in the long story of our nation.” The Battle of the Somme lasted 141 days, involving troops from across what was then the British Empire, and left around one million dead, injured or missing while moving the frontline only a few miles. “Tonight we think of them... We acknowledge the failures of European governments, including our own, to prevent the catastrophe of world war,” said Prince William.

# Tusk: EU 27 agree 'no single market a la carte' for UK

AFP, 29.06.2016



EU leaders agreed that Britain cannot have access to the single market after leaving the union without accepting the bloc's rules on free movement, the bloc's president Donald Tusk said.

"There will be no single market a la carte," Tusk told a news conference in Brussels after the 27 other leaders of bloc countries met without British Prime Minister David Cameron for the first time. "Leaders made it crystal-clear today that access to the single market requires acceptance of all four freedoms including freedom of movement," the president added.

The 27 EU leaders will also hold a summit – without Britain – in Bratislava on Sept. 16 to further discuss the fallout from Britain's decision to leave the bloc, Tusk said. The summit will come just days after Britain's ruling Conservative Party is due to choose a successor to Cameron, who resigned after his country voted in a referendum to leave the EU by 52 percent to 48.

"This was a first exchange so it is too early to draw conclusions. This is why we started a political reflection with 27 states and we'll meet on Sept. 16 in Bratislava to continue our talks," Tusk said. The former Polish premier stressed that negotiations on Britain's future relationship with the EU cannot start until it formally triggers the two-year process leading to a divorce. Cameron has said this is a task for his successor.

Tusk, meanwhile, said at the "calm and serious" discussion – the first EU talks without a British leader present for 40 years – they agreed it was a "serious moment in our common history." "One issue is clear from our debate. Leaders are absolutely determined to remain united," he added.

Meanwhile, a European Union official said Tusk had no plans to meet with Scottish First Minister Nicola Sturgeon because the situation at the moment was too delicate, the Associated Press reported. Sturgeon said there cannot be three months of drift until a new leader is chosen for Britain, and has indicated there might be a new referendum vote on Scottish independence. The official, who spoke on condition of anonymity because of the sensitivity of the issue, said that "this is not the right, appropriate moment to meet."

# EU's Juncker tells Britain to 'clarify position as rapidly as possible'

AFP, 28.06.2016



European Commission chief Juncker urged U.K. PM Cameron to clarify quickly when Britain intends to leave the EU, saying there can be no negotiation on future ties before London formally applies to exit.

“I will see the prime minister later this morning to ask him to clarify the situation. We cannot get into a period of extended uncertainty,” Juncker told the EP, adding: “No notification, no negotiation.” Following the referendum in which a majority of Britons voted to leave the EU, London has to invoke the so-called Article 50 of the Lisbon Treaty, starting the clock on two years to negotiate the terms of the exit.

But Cameron, who was scheduled to be in Brussels later for probably his last summit of EU leaders, has said that London will not take this step yet, saying that Britain needs first to “determine the kind of relationship we want with the EU.” Juncker however, echoing the leaders of Germany, France and Italy after their meeting in Berlin, said that there could not even be informal discussions until London has formally filed for divorce from the 28-nation bloc.

“It cannot be that people now secretly seek to start negotiations,” he said. “It is we who must decide what happens, not just those who wish to leave the European Union.” Meanwhile, Juncker asked lawmakers of Britain’s anti-EU UKIP why they had attended a European Parliament session to discuss the consequences of the British vote to leave the bloc.

“We must respect British democracy and the way it has expressed its view,” Juncker said in a speech to parliament, words that were greeted by rare applause from the UKIP members present. “That’s the last time you are applauding here... and to some extent I’m really surprised you are here. You are fighting for the exit. The British people voted in favor of the exit. Why are you here?” Juncker continued, breaking from his speech text. “It’s a pleasure,” UKIP leader Nigel Farage retorted.

Juncker spoke from a desk next to that of Farage, who followed the largely French and German speech with headphones and with a British flag planted in front of him. Before the session began, Farage had gone over to speak to Juncker. Both men appeared relaxed and as Farage made to leave, Juncker pulled him close and gave him an air-kiss on the cheek. Juncker said he would make no apology for being “sad” at the result of the British vote - “I am not a robot,” he said, “I am not a grey bureaucrat.” On a rare personal note, the 61-year-old former Luxembourg prime minister, struck out at critics, notably in the German press but also among east European governments, who have called on him to stand down following the Brexit vote. “I am neither tired or sick, as the German papers say,” he said. “I will fight to my last breath for a united Europe.”

# Clinton regains double-digit lead over Trump, says poll

Reuters, 26.06.2016



U.S. Democratic presidential contender Hillary Clinton regained a double-digit lead over Republican rival Donald Trump this week, according to a Reuters/Ipsos poll.

The June 20-24 poll showed that 46.6 percent of likely American voters supported Clinton while 33.3 percent supported Trump. Another 20.1 percent said they would support neither candidate. Trump had enjoyed a brief boost in support following the June 12 mass shooting in Orlando, Florida, as he doubled down on his pledge to ban Muslims from entering the country, cutting Clinton's lead to nine points.

But Trump's rise in popularity appeared to be only temporary, unlike his lasting surge among the Republican field last year after the attacks in Paris and in San Bernardino, California. Clinton's 13.3 percentage point lead is about the same as she had before the Orlando attack.

Trump's slip this week came as he struggled to show that he can keep up with a Clinton campaign apparatus that has dwarfed his in size and funding. Campaign finance disclosures released earlier this week showed Trump started June with a war chest of just \$1.3 million, a fraction of Clinton's \$42 million. Trump sought to ease concerns among his allies by saying that he could tap his "unlimited" personal wealth if needed, and also by bolstering efforts to raise money through fundraising events and online donations.

Meanwhile, Bernie Sanders said that he would vote for Clinton in the presidential election in November, bowing to his rival for the Democratic nomination but stopping short of endorsing her. Asked on MSNBC whether he would cast his ballot for Clinton, the Vermont senator - who waged a surprisingly tough campaign against the former secretary of state during the primaries - said, "Yes."

"I think the issue right here is I'm going to do everything I can to defeat Donald Trump," Sanders said, according to AFP. But rather than praise Clinton or offer an outright concession - something many Democrats have been hoping to hear ahead of the party's nominating convention next month - Sanders instead laid into the Republican flag bearer as unfit for the Oval Office.





# Announcements & Reports

## *Transatlantic Economic Statecraft*

**Source** : CSIS  
**Weblink** : <https://www.csis.org/analysis/transatlantic-economic-statecraft>

## *European Banking Supervision: The First Eighteen Months*

**Source** : Bruegel  
**Weblink** : <http://bruegel.org/2016/06/blueprint-european-banking-supervision-the-first-eighteen-months/>

## *The Effectiveness of The European Central Bank's Asset Purchase Programme*

**Source** : Bruegel  
**Weblink** : <http://bruegel.org/2016/06/the-effectiveness-of-the-european-central-banks-asset-purchase-programme/>

# Upcoming Events

## *The Search for Europe*

**Date** : 03 July 2016  
**Place** : Brussels - Belgium  
**Website** : <http://bruegel.org/events/the-search-for-europe/>

## *The UK and the EU: Managing the Euro and the Single Market*

**Date** : 04 July 2016  
**Place** : London - UK  
**Website** : <https://www.chathamhouse.org/event/uk-and-eu-managing-euro-and-single-market>

## *Competitive Gains in the Economic and Monetary Union*

**Date** : 06 July 2016  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/534-competitive-gains-in-the-economic-and-monetary-union/>

## *The Future of Capitalist Democracy: UK-Japan Perspectives*

**Date** : 06 July 2016  
**Place** : London - UK  
**Website** : <http://www.chathamhouse.org/event/future-capitalist-democracy-uk-japan-perspectives>



## *Emerging Markets and Europe: Time for Different Relationships?*

**Date** : 07 July 2016  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/524-emerging-markets-and-europe-time-for-different-relationships/>

## *What future for Europe's Social Models?*

**Date** : 08 July 2016  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/526-what-future-for-europes-social-models/>

## *Challenges for Growth in Europe*

**Date** : 08 July 2016  
**Place** : Brussels - Belgium  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/521-challenges-for-growth-in-europe/>

## *Global Governance of Public Goods: Asian and European Perspectives*

**Date** : 10 July 2016  
**Place** : Paris - France  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/529-global-governance-of-public-goods-asian-and-european-perspectives/>

## *The Future of the Welfare State*

**Date** : 10 July 2016  
**Place** : Berlin - Germany  
**Website** : <http://www.bruegel.org/nc/events/event-detail/event/541-the-future-of-the-welfare-state/>