

➤ Energy as a Source of Recovery in Southern European Economies

Christopher Coats

As Southern Europe struggles towards recovery, a number of countries have put forth the idea of new energy development as a path forward. In a region not known for production or domestic potential, can oil, gas or renewable energy be the tools they are looking for?

Like much of the world, Southern European countries began experiencing a drastic economic downturn in 2008 – one that proved far deeper than many expected. Facing financial challenges similar to much of Europe in terms of credit availability and market confidence, Southern European countries also stumbled upon a number of additional economic hurdles. Whilst often grouped together in news reports under derisive acronyms (such as PIGS), the reasons for their economic contractions were varied, as must be their solutions.

In the years since, each country has attempted to craft a path to economic recovery. Few have made much progress, and some have even slipped back into double-dip recessions. Eurozone states across Europe have faced months of economic contraction, and Southern Europe has faced this even more acutely.¹

The blame for this prolonged slowdown has been widespread. Broadly, Southern Europe-based critics have taken aim at austerity-minded leadership in Brussels and Berlin. This criticism has targeted the spending cuts that European institutions and some fellow member states have called for in exchange for fiscal assistance for Southern Europe's banking systems or, in some cases, entire governments. Pointing to slow progress and increasingly high unemployment rates, these critics have insisted that long-term recovery will not come solely from reduced state spending, but must include new sources of growth.²

Meanwhile, fellow Eurozone states and the leadership of those financial institutions involved in trying to restore the Eurozone's economic well-being have taken issue with what they see as unwillingness by Southern European governments and economic actors to address foundational economic issues. This includes structural as well as institutional changes that they feel must be addressed before any significant, sustainable growth can occur.³

Throughout this period, each of these crisis-stricken countries have proposed the idea of developing domestic energy options to meet local needs and in some cases even serve as a source of revenue. Few have a history of energy sector involvement despite reports of substantial domestic potential. This would therefore be a new field of investment, whose short- and long-term economic potential remains unproven. With the region's energy security and economic future in question, these countries have explored a number of new energy options, including oil, gas, unconventional options (shale) and renewable solutions to domestic and export markets.

¹ 'European Economy guide - Taking Europe's Pulse,' *The Economist*, 18 July 2013. In addition to slower or negative growth, most of these countries have seen FDI reduced by about half since 2011.

² See Robert Boyer, 'The Four Fallacies of Contemporary Austerity Policies: The Lost Keynesian Legacy,' *Cambridge Journal of Economics* 31/1 (2012). See also Paul De Grauwe's contribution.

³ G. Rachman, 'Blame the Great Men for Europe's Crisis,' *Financial Times*, 1 October 2012.

This paper will explore how the current regional landscape has shaped energy policy and consider options available to Southern European countries, including traditional oil and gas, unconventional and renewable efforts. The fundamental question is whether these options can contribute to the region's immediate economic recovery or whether their impact is too long-term to be considered in a discussion of recovery. In addition to domestic production efforts, these cases will also include consideration of transport- and downstream roles, including potential refining efforts. For this discussion, Southern Europe includes Spain, Italy, Greece, Portugal and Cyprus.

SOUTHERN EUROPE'S ENERGY OPTIONS AND CONSTRAINTS

In the decade leading up to the 2008 financial crisis, most of Europe's southern states experienced significant growth and economic momentum, accompanied by faltering energy independence as progress necessitated foreign oil and gas.⁴ Limited domestic resources and an unwillingness to pursue those options due to environmental concerns exacerbated the situation, leading to a heavier focus on import options, including trans-Mediterranean pipelines and Liquefied Natural Gas plants.

According to data provided by the US Energy Information Administration, the economic progress of the decade also prompted a steady increase in energy imports. From 1998 to 2006, Italy's net natural gas imports climbed steadily from 1,028 to 2,720 billion cubic feet.⁵ Spain showed similar progress, increasing from 466 to 1,437 billion cubic feet of gas in 2008.⁶

Beginning in 2008, imports to the region decreased as a share total consumption due to a slowdown in industrial and consumer demand. This trend excluded Portugal, as its dependence on foreign natural gas continued to grow despite significant progress in renewable energy development.

Coupled with an EU push to reduce the role of Russian gas imports⁷ (European heads of state have committed to completing the integration and liberalisation of the internal European energy market by 2014), this import dependence spurred governments to cultivate expanded trade relationships with energy producing countries, occasionally putting them out of step with the rest of Europe. The most blatant example was perhaps that of Italy, where (under the guidance of then Prime Minister Silvio Berlusconi) energy firms invested billions towards expanding energy ties with Muammar Gaddafi's Libya.⁸

The delicate nature of this dependence became startlingly clear in early 2011, when protests erupted in Tunisia that toppled the long-standing government of Zine al-Abidine Ben Ali and started the domino effect later dubbed as the Arab Spring. As protests in Libya evolved into civil war, temporarily halting production and exports, Southern Europe felt the impact of the unrest. This was particularly true for the two largest economies, Spain and Italy, which look to Algeria for a third of their energy needs and Egypt and Libya for an additional 10 percent.

4 While Italy's growth rates were more modest than its regional its, their GDP growth still signaled a positive, if not record-setting growth pattern. According to the World Bank, Italy's GDP growth remained positive from 2004 through the beginning of the downturn in 2008.

5 EIA, Italy Energy Profile, <http://www.eia.gov/countries/country-data.cfm?fips=IT#ng>

6 EIA, Spain Energy Profile, <http://www.eia.gov/countries/country-data.cfm?fips=SP#ng>

7 G. Prodhan and K. Schaps, 'Update 3 – TAP to carry Azeri gas via Greece as Austria loses out,' *Reuters UK Edition*, 26 June 2013. The EU has long sought to reduce dependence on Russian gas reserves, especially following a pricing dispute with Ukraine in 2006. This effort has had its share of set-backs, most recently with the failure to create an alternative gas pipeline linking the European market to reserves in Azerbaijan in 2009. More recent efforts have proved more successful, such as the approval of the TAP pipeline project during the summer of 2013.

8 G. Dinmore and H. Saleh, 'Oil and Trade lure Berlusconi to Libyan talks,' *Financial Times*, 28 August 2009. Berlusconi also worked to expand Italy's resource base by pushing to reintroduce nuclear power to the mix after a 25 year absence. Italy had voted to ban nuclear development after the Chernobyl disaster in 1986. Berlusconi's plans to reintroduce development through a popular referendum collapsed almost as soon as news of Japan's Fukushima disaster reached Rome.

Algeria, currently Europe's third largest provider of natural gas, managed to avoid the kind of public action that led to the dissolution of governments in neighbouring countries.⁹ Nevertheless, regional instability did permeate its borders, specifically in regard to oil and gas facilities. This was exemplified by the January 2013 attack against a BP and Statoil gas facility at Al Amenas carried out by a militant group from Mali. The attack resulted in over 70 deaths and halted production.

Energy assets in both Algeria and Libya have also experienced delays due to protests by local community groups. Recognising the value placed on oil and gas production, these groups have begun to target local facilities and halt production and exports in an attempt to demand greater labour and political representation. These groups were especially visible in Libya during discussions on authority over the country's energy assets. With the majority of Libya's oil reserves situated in the eastern half of the country, groups from areas surrounding Benghazi have demanded greater local authority. One group even suggested the creation of a separate state. This pressure ultimately resulted in the decision to create a headquarters of the National Oil Corporation in Benghazi. Furthermore, militias hired to provide protection for energy facilities have spurred halts in production after clashing with competing groups over claims to project authority.

North Africa's energy sector has also been hindered by dwindling confidence amongst certain key foreign production partners. Algeria's production has suffered in recent years as foreign investors have found the local working environment increasingly inhospitable to outside energy actors.¹⁰ In the weeks following the January attack, several firms operating in the country expressed concern about the security of their employees.

CAN NEW ENERGY DEVELOPMENTS SAVE THE DAY?

The one glaring exception to this foreign dependence trend came with the rapid development of renewable energy options over the last decade. With strong state support, solar and wind development surged across southern Europe, led by vibrant markets in Spain and Portugal and an EU push towards sustainable development defined by renewable usage goals of 20 percent by 2020.¹¹ According to EIA data, Spain grew from a two percent usage of solar and wind in 2000 to about 20 percent in 2008, while Portugal grew from two percent to 15 percent from 2004 to 2009. Italy also increased renewable energy production as a share of total consumption, though with far less of a contribution from wind energy than its neighbours. The progress in Greece and Cyprus was less pronounced, with only moderate increases reported.

Unfortunately, reflecting a global downward trend, this pace of growth did not last. Governments found quick targets for spending cuts in the state subsidy systems for renewable energy as the 2008 crisis took hold. Such cuts slowed interest in the sector, making it a far less attractive investment and hindering future planning. However, in more drastic cases like that of Spain, cuts were more widespread and even applied retroactively. Spain went from being a global leader of solar development and installation to a pariah of foreign investors in a matter of months.¹² Early cuts resulted in legal action against Madrid from over a dozen investment funds with stakes in the country's solar market and may spur more before the end of the year.¹³ Leading investors have started to shun the Spanish energy market, which has lost all its original attractiveness as a consequence of the government cuts.

9 Behind Norway and Russia

10 S. Reed, 'Gas Field attack is a blow to Algeria's Faltering Energy Sector,' *New York Times*, 18 January 2013.

11 Energy: Targets by 2020, The European Commission, http://ec.europa.eu/energy/renewables/targets_en.htm

12 M. Roca, 'First Large Solar Plants Without Subsidy Sought in Spain,' *Reuters UK Edition*, 21 December 2012

13 K. Abiven, 'Spanish Downturn a Disaster for Green Energy,' *Expatica*, 24 June 2013.

The dependence on imported fossil fuels and the crisis of the fledgling renewable energy sector therefore play an unsteady and often burdensome role in Southern Europe. Time will tell whether new industry development could play a part in the region's immediate economic recovery.

Just as the reasons for each economy's challenges vary, so too does their particular energy situation and options for development. For this reason, it is worth exploring the choices and opportunities each country faces and how new energy will figure into a path towards recovery.

SPAIN

As the region's strongest economy over the decade leading up to the financial crisis of 2008, Spain's ability to weather its financial storm and find viable way forward has caused the most concern among fellow Eurozone member states.

The country's strong performance before the 2008 collapse spurred strong investment in new domestic production efforts and import options, including seven Liquefied Natural Gas regasification facilities. However, due to minimal access to a wider European gas grid, Spain could mostly only meet domestic needs. Much of its domestic energy momentum focused on solar and wind potential, complete with generous and ultimately unsustainable state subsidy programmes. As Spain's economic downturn extends into its sixth year, existing energy options have suffered. For example, a new pipeline connection to Algeria has experienced underutilisation due to faltering demand from Southern Europe.

Once heralded as the future of Spain's economic expansion, renewable energy has slowed as subsidy cuts became actions. Lawsuits and threats have hindered progress and have made investment in the Spanish market highly unpalatable to vital foreign partners. In addition to collective legal challenges by investment funds in 2012 and 2013, Madrid has also faced the threat of local lawsuits filed by solar production and installation associations.¹⁴

Parts of Northern Spain have begun to explore the possibility of shale exploration in the Cantabria region. However, while they previously avoided the kind of resistance to the controversial shale extraction process seen in Germany and France, local communities have begun to take action against the practices citing deep concerns about environmental impact.¹⁵ Earlier this year, the regional government of Cantabria voted to ban hydraulic fracturing or fracking.¹⁶

Even if Spain manages to navigate around such local protests by way of Madrid and to meet substantial early investment demands needed for shale extraction, it will still face the obstacle of inserting that output into a wider European marketplace. Planned expansions of the country's current transport systems via pipelines through the Pyrenees would rely on increasingly elusive structural funds from Brussels.¹⁷

14 'Foreign Investors Set to Sue Spain over Energy Reform,' *Reuters*, 1 February 2013.

15 G. Dinmore, 'Italy Moves to Overturn post-Macondo Oil Ban,' *Financial Times*, 19 June 2012. Environmental concerns have energised local opposition to energy development across the region since the Deepwater Horizon spill in the Gulf of Mexico in 2010. As time passes these groups are having a tougher time competing with the promise of domestic production. The Italian ban was eventually overturned.

16 P. Laya, 'Repsol Delays First Shale-Gas Project in Spain After Frack Ban,' *Bloomberg*, 4 July 2013. Fracking is the practice used to extract shale oil and gas by drilling down into deep set reserves compressed in shale rock, then horizontally across before shooting a high volume of treated water into the well to fracture the rock and allow the reserves to escape. The practice has attracted criticism in North America and Europe due to the potential environmental and structural impact.

17 M. McGrath, 'Trillion-euro shortfall facing EU energy sector – Lords Committee,' *BBC News – Science and Environment*, 2 May 2013. February 2013 marked the first EU budget proposal to present a reduction in spending, including less funds dedicated to regional energy infrastructure projects.

ITALY

Italy has faced a similar series of circumstances, but without the potential of developing future unconventional resources.¹⁸ It too saw a surge in solar and wind activity over the last decade thanks to government assistance programmes and has also introduced tariff reductions to the conversation as a part of the country's *Conto Energia V* energy plan, which implemented a spending cap on renewable support. Unlike Spain, the government did stop short of retroactive action.¹⁹

Despite the rigour of its renewable progress, it will not likely serve as anything more than a domestic contribution for the foreseeable future. This results in part from the technical limitations of transporting wind and solar energy to foreign markets and in larger part from Italy's heavy dependence on energy imports. Currently, the country looks abroad for about 80 percent of its energy needs, making the reduction of such dependence a priority for new energy development.²⁰

In addition to renewable projects, Italy's new energy options include refocusing official support for domestic oil and natural gas production. After reversing a ban on offshore drilling that was put into place following the Deepwater Horizon disaster in 2010, the Italian government announced plans to boost crude production by 150 percent in late 2012. While domestic efforts have steadily declined since 2005, Italy does sit on what is estimated to be Europe's third largest oil find with a little more than a half a billion barrels of proven reserves.²¹

The proposal was part of the country's first new energy plan in nearly two decades and was billed as part of a drive to reduce the country's energy bill by about \$18 billion. Despite such support, the path between proposals and an actual concrete effect on the country's economy in the form of import reduction or local jobs is long and full of obstacles. In addition to questions of financing and attracting needed foreign investment, Italy faces an unsteady political environment that makes necessary policy decisions all the more difficult to come by. Following its February 2013 election, Italy saw confidence in the government at a stunning low of five percent and in the Parliament at eight per cent.²² Successful exploration efforts will require a clear regulatory framework that the government has yet to make clear.

PORTUGAL

Aside from certain factors, Portugal shares an economic story similar to its Southern European neighbours, including a difficult adjustment period following its introduction into the European monetary union. One factor that sets it apart is its soaring private debt levels.²³ Its enthusiasm for renewable energy options is another. In 2005, Lisbon announced a far-reaching plan to move the country away from traditional hydrocarbons and vigorously towards Europe's sustainability goals.²⁴ Despite the considerable strain placed on consumer prices, which rose 15 percent over this period, these efforts proved successful as Portugal is now on track to provide domestic renewable options to cover about 60 percent of its electricity needs and about 31 percent of overall energy needs by 2020.

18 L. Moloney, 'Italy Won't Develop Shale Gas as Plans National Production Boost,' *4-Traders*, 3 July 2013. As for Italy's shale future, the government was quick to address any speculation with an assurance that the country has none to offer.

19 G. Wynn, 'EU Countries to Cut Renewable Support Further,' *Reuters*, 14 August 2013.

20 Eurostat, 'Net imports of Primary Energy, 2002 – 2010,' *European Commission – Energy Production and Imports*, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Net_imports_of_primary_energy_2002-2010.png&filetimestamp=20121012131900. According to Eurostat, Italy's dependence on imports to meet about 82 percent of its energy needs, while Spain looks abroad for about 75 percent, Greece 70 percent, Cyprus 99 percent and Malta 100 percent.

21 A. Migliaccio, 'Oil Fields Under Olive Groves Offer Italy Economic Boost,' *Bloomberg*, 30 May 2013. Norway (5.32 billion barrels) and the UK (3.12 billion barrels) dwarf Italy's reserves, but Italy has more onshore reserves than either, according to IEA data.

22 C. Bastasin, 'Italy's Post-Election Chaos Isn't What You Think,' *Reuters*, 3 January 2013.

23 'Presidential Intervention Plunges Portugal Into New Bailout Crisis,' *Reuters*, 12 July 2013.

24 E. Rosental, 'Beyond Fossil Fuels – Portugal Makes the Leap to Renewable Energy,' *New York Times*, 8 October 2010.

This effort kept in line with a wider EU push towards renewable energy options, but for Portugal this was a matter of necessity. As Portugal has no fossil fuel reserves to call its own, foreign energy imports pose an enormous financial burden on a population that has seen energy consumption rise steadily. Portuguese authorities have nonetheless tried to explore viable domestic energy options. For decades, the Portuguese government has invited firms to explore and test the country's potential, with a heavy focus on the Lusitanian Basin. More recently, it has begun to promote investigations into Portugal's unconventional (shale) potential. However, none of these efforts have led to a commercially viable discovery, keeping official estimates at zero.

In terms of new energy development and its impact on the country's still ailing economy, it would appear that traditional hydrocarbons will remain more of a burden to state and individual spending than a benefit. Portugal's energetic support for renewable options may ultimately prove beneficial for the wider economy in terms of gradually driving down dependence on expensive gas from North Africa and LNG imports from beyond.²⁵ However, the sector's impact on the country's growth prospects and ability to attract needed foreign interest is minimal considering Portugal's dismal investment environment and continued dependence on foreign energy resources.

GREECE

As the most volatile economy in Southern Europe, Greece has faced immense pressure from abroad to restructure its economic system in exchange for assistance. Throughout these discussions, the government has proposed the idea of introducing new energy development as a source of recovery, jobs and a way to establish itself as a provider for the wider European market. These proposals include the construction of a sprawling solar plant that would some day produce 10 GW of power and the opening of offshore areas to oil and gas exploration. Usually presented in the context of negotiating the country's access to financial support packages, these projects falter under closer scrutiny.

The solar plan, called Helios, came with an expected \$27 billion price tag and a decades-long time line to reach full capacity. After nearly six years of uncertainty and bailouts sought from abroad, the country's economy hardly seemed like a safe investment for the kind of sums needed to even begin to pay for such a large-scale project and local financing was all but impossible.

Building on the enthusiasm of the Eastern Mediterranean's recent discovery, which recently resulted in eight bids for oil and gas exploration in the western part of the country,²⁶ Greece made a push for exploration in the Aegean Sea. With Israel, Lebanon, Cyprus and Syria all now within reach of trillions of cubic feet of gas, the hope was that similar finds could be made in Greece. Despite a series of reports exploring the region's potential, however, little progress has been made outside of pledges for future licensing rounds. While this suggests the political will necessary to move forward, it also places actual revenues years out of reach.

In recent months, both the Greek leadership and the European Commission have publicly explored the idea of a European Exclusive Economic Zone in the Mediterranean, including a report exploring the subject by the European Commissioner for Maritime Affairs and Fisheries in July.²⁷ This process would clarify the country's claims to potential offshore reserves by elevating the discussion beyond national debate and into a European level discussion. While this approach has the potential to strengthen Athens' position against likely Turkish protests related to activity in the Aegean Sea, it is far from clear whether it will be enough to keep Ankara calm and supportive. A signal of how Turkey might respond to EU member state energy expansion can be found in their reaction to Cypriot efforts to expand their own offshore plans in the area.

25 C. Aston, 'Could Portugal Ever Run Entirely On Green Energy Again?' *BBC News*, 22 June 2012.

26 'Greece Receives 8 Bids for Oil, Gas Exploration,' *Reuters*, 2 July 2012.

27 Establishment of maritime zones, including Exclusive Economic Zones (EEZs), in the Mediterranean: speaking points; http://europa.eu/rapid/press-release_SPEECH-13-634_en.htm.

CYPRUS

While the effect of new energy development in the region on immediate economic recovery efforts appears hampered by extended timelines and limited impact beyond meeting some domestic needs, Cyprus offers one exception. Offshore natural gas reserves have produced revenue estimates far exceeding the country's modest economy. Faced with daunting pressure to restructure its financial system, Cyprus has the very real opportunity to build long-term growth on natural gas—especially after the discovery of natural gas in 'Block 12,' the so-called Aphrodite reserve, during drilling that took place from September 2011 to the end of that year.

Cyprus is one of a handful in the Eastern Mediterranean with a workable claim to one of the largest natural gas finds. In waters shared by Israel, Lebanon and to smaller degrees Syria and possibly Turkey, Cyprus has access to an estimated 50 to 60 trillion cubic feet of gas and 1.7 billion barrels of crude in waters off its south-eastern coast. If extracted and brought to market, the reserves could provide the country with as much as \$400 billion over the next several years. For a country that looked abroad for virtually all of its energy needs, this represents a transformative potential.

Progress nonetheless has challenges. Exploration efforts require foreign partnerships, which will be difficult to build considering the country's erratic financial landscape. Cypriot efforts have received some interest from abroad, led by Texas-based Noble Energy and more recently Italy's Eni, which has expressed interest in commencing with offshore exploration over the next year.

However, a significant hurdle to incorporating potential gas reserves into immediate recovery efforts can be found at home. The country's new political leadership has repeatedly made it clear that even if foreign investors are willing to overlook the dire challenges the country faces, future earnings will be kept where they are – in the future. In the weeks leading up to the February 2013 elections, then candidate Nikos Anastasiades insisted that while he supported the country's offshore exploration and exports, potential revenue should be kept out of reach until projects actually began producing. The country's current leadership expects this to occur no earlier than 2018 or 2019. Now President Anastasiades put this position to the test when now he had to deal with pressure from Russian creditors who suggested including future production agreements in discussions regarding the restructuring of an existing € 2.5 billion loan.

A TRANSPORT ROLE

Faced with limited domestic potential for extraction, a few countries have begun exploring the possibility of new energy roles not only as producers, but also as smaller parts of transport wholes. Over the last year, both Cyprus and Greece staked out claims for possible mid-stream roles for reserves from the Eastern Mediterranean and Azerbaijan.

Earlier this summer, a long-running competition for who would move gas from Azerbaijan finally came to an end when Azeri company SOCAR decided on the Trans-Adriatic Pipeline as the route into the European market. The EU-backed route will be run by Norway's Statoil, the Azeri state oil company SOCAR, BP, France's Total, Belgium's Fluxys, Germany's E.ON and Switzerland's Axpo, bringing an estimated 10 billion cubic metres into the European market in the short term, and potentially 20 billion cubic metres in the coming years.

More importantly for Greece, the project stands to bring in about €1.5 billion from the pipeline's construction, offering some relief for the lack of progress made by the country's privatisation push earlier this year. The lack of interest in the country's Public Gas Corporation (DEPA) produced a billion Euro hole in the government's

privatisation goal. The choice of the TAP option also offers Greece jobs at a time when it needs them most. On the same day that of the environmental assessment submission in May, the Associated Press reported that Greece's unemployment rate at hit a record high of 27.6 percent.

Still, while project proponents have hailed the decision as a sign of renewed confidence in the Greek economy and a step towards establishing the country as a reliable transport point of Eastern gas into the European market, others warned that much remains to be done before. Konstantinos Filis, research director of the Institute of International Relations at Panteion University in Athens told the Wall Street Journal earlier this year that 'TAP is very important for the country, but it is only an indirect investment.²⁸ Greece will move away from the vicious circle only if it implements reforms and adopts a flexible investment plan in order to make it attractive to foreign investments.'

The recent thawing of relations between Israel and Turkey has further hampered a possible transportation role in the case of Cyprus.²⁹ Once proposed as a likely candidate for handling some of Israel's downstream capacity in the form of LNG facilities or even Europe-bound pipelines, Cyprus may have to compete with Ankara for upcoming projects. If, however, any of the Mediterranean-bordering countries outline a transport role, it may be its only opportunity for support from the wider European community.

The EU's current approach to energy policy limits itself to issues of connectivity, energy security and the harmonisation of member states' fragmented markets, and it is unlikely that the EU will seek to incentivise new hydrocarbons exploration and production.' Instead, funding will likely be directed towards those projects that directly assist in securing the flow of energy resources into the European market, allowing some argument for new pipeline projects explored by Greece and Cyprus to qualify for financial support. A focus on grid connectivity could also assist new energy development projects overcome infrastructure obstacles currently hindering investment and foreign interest. However, the EU's weakened financial standing has made funds increasingly elusive, as seen by this year's budget proposal's first ever reduction in spending.

CONCLUSION

While Europe's Mediterranean states offer viable options for energy production to meet both domestic and export needs (including traditional, unconventional and renewable efforts), few offer the kind of benefits that could significantly assist region's immediate economic recovery. Even in cases where levels of output justify initial investments, domestic demand, extended project timelines and a lack of a viable transport infrastructure restrict the impact of the export market on short-term economic growth.

This is not to say that energy development has no future in Southern Europe in terms of meeting domestic demand, creating jobs and even serving as a driver of growth. Indeed, this is entirely possible as untapped reserves and the natural benefits of the Mediterranean region (plentiful sun and wind) could serve as strong sources of economic growth and stability for decades to come. It would serve the EU's broader resource and security goals to support further production efforts across Southern Europe through direct investment and finance assistance. However, these projects are unlikely to play a part in the discussions on how these economies will navigate the long path to recovery. ■

28 N. Stamouli and P. Pangalos, 'Greek PM Hails TAP Gas Pipeline Award,' *The Wall Street Journal*, June 28 2013, <http://online.wsj.com/article/SB10001424127887324328204578573123152385886.html>.

29 'Israel, America and Turkey, A Useful First Step,' *The Economist*, 30 March 2013. A US-brokered reconciliation effort was put into motion in March 2013 meant to help normalise relations between the two countries. Progress has been slow, though talks surrounding the effort continue.