

CHC – Professor Toula Onoufriou, President – Cyprus

The new president of the [Cyprus](#) Hydrocarbons Company (CHC) discusses the many changes that the young NOC has undergone in recent months, from a change of branding to a series of managerial appointments, and how this will help [Cyprus](#)'s hydrocarbon future.

Since it commenced operations on the 1st January 2013, the [Cyprus](#) Hydrocarbons Company, the youngest National Oil Company (NOC) in the world, has already gone through its fair share of challenges. We've had a rebranding with the change of name and a number of managerial shake-ups. Can you please briefly resume the evolution of the CHC and introduce us to how you see its remit today?

As you alluded to, a new setup was established for the CHC in March of this year based on a decision of the Ministerial Council so we have been busy since then developing a fresh strategy for building up the company. It is, of course, a very exciting time, both for us and the country as a whole, in terms of kick-starting a [Cypriot](#) hydrocarbons industry and exploiting this newfound prospect for the benefit of the country.

The CHC's primary role is to act as the commercial arm of the Republic of [Cyprus](#) in the marketing and sales of hydrocarbons. We also participate in the management committees for the Production Sharing Contracts (PSCs) that have been signed by the operators. This ensures we play a very active role in the production process and the monetization options for [Cyprus](#)' oil and gas wealth. We also take ownership, on behalf of the country, of any major infrastructure projects that will be established in relation to the sector such as the proposed land-based LNG plant in Vasilikos.

At some point in the future, we even aspire to develop into an operator in our own right with the capabilities to perform exploration and extraction. At the moment we are, quite naturally, a long way from that ultimate ambition and our focus has to be firmly on fulfilling the various roles that I have just mentioned. This means that, in the initial years, we will have participation in the upstream arena solely through the management committees and we will not be shouldering the burden of funding and investment directly in E&P activities though this is something that may well change over the long term.

There have been numerous debates over whether the CHC should assume regulatory functions and merge with the public natural gas entity, DEFA. Could you maybe comment on this?

There was certainly an important period of deliberation as to how the different bodies in the energy sector of the Republic of [Cyprus](#) would best interact, but this has now been finalised and our roles are clearly demarcated as outlined under the relevant Decisions of the Ministerial Council of the Republic of [Cyprus](#). These ultimately assign very different roles to the CHC and DEFA and the two companies are focusing on executing the mandate that we have been tasked with.

When we spoke with Energy Minister Yiorgos Lakkotrypis this morning, he mentioned Norway as an example of establishing a well-functioning hydrocarbons sector that maximizes the benefits accrued by the state. To what extent is the Norwegian national oil company, [Statoil](#), a model that you are seeking to emulate?

In developing our strategy as a company we are looking at short, medium and long-term objectives and one of the longer term goals is for the CHC to bolster its capabilities to be able to assume functions akin to a national operator in the mould of [Statoil](#). Obviously there is a certain transition period in which we are looking to build up our capacity and that includes developing our human capital. Right now, for example, we are recruiting for the general manager position and have a carefully formulated strategy underway to source well-seasoned expertise from industry along with young talent straight from the universities. Our seven-member board of directors already features some of the best minds in the industry composed of [Cypriot](#) nationals with considerable expertise working for oil majors and other energy sector multinationals abroad. Beyond the robust management of the oil

and gas industry itself one of the other key positive lessons that [Cyprus](#) can learn from the Norwegian experience is the demonstrated value of the societal benefits to be gained from sustained investment in the research and development of cutting edge technology.

Meanwhile, the [Cypriot](#) context also has its own unique features that need to be taken into account. For example, we are also aiming to develop an appropriate framework for [Cyprus](#) to act as an oil and gas hub for the region not just in terms of infrastructure, but also support systems. The idea would be to draw in services such as education and innovation that will support the regional oil and gas industry while simultaneously building up additional strengths within our national economy which has historically been overly reliant on a handful of sectors such as tourism, financial services and shipping

What are [Cyprus](#)'s main selling points for becoming this logistics, oilfield services and petrochemicals hub for the Eastern Mediterranean region?

[Cyprus](#) is geographically situated at the meeting point between three different continents and also centrally placed in a very active region from an oil and gas standpoint. It's also an attractive part of the world to be working in, characterized by a reputation for stability and proper rule of law in an increasingly unstable region. We operate under European law and are actually the only EU member state in the Eastern Mediterranean. Historically we also enjoy very good relationships with our neighbors and often find ourselves acting as facilitators and partners in areas of common interest.

One example of this is the domain of health, safety and environmental protection where we have been promoting a region wide collaboration aimed at harmonizing approaches and ensuring that joint action procedures are in place for the most effective way of dealing with any incident that might happen. An environmental disaster such as an oil spill would obviously not respect geographical boundaries and therefore the collaboration among the region is essential for dealing with that kind of eventuality. We have been engaging closely with our neighbours with the aim of aligning our national policies and preparedness.

Additionally, there are also many commercial advantages to be reaped from region-wide cooperation in the energy domain and, in view of its unique geographical, geopolitical and strategic positioning, we feel that there is much potential for [Cyprus](#) to develop itself into a conduit for channeling Eastern Mediterranean natural gas to European markets and the rest of the world and facilitate further collaboration within the region.

The irony is that if there is one country in the region that really does have a demand for energy then it's Turkey. Does that imply that oil and gas could ultimately be a force for the resolution of the "[Cyprus](#) problem"?

We certainly hope so. We do believe that our recent oil and gas discoveries could act as an additional incentive for Turkey to be much more positive towards identifying a solution to this ongoing problem

Could you please tell us more about [Cyprus](#)' plans to develop itself as a conduit for the transport and sale of gas from the Eastern Mediterranean region?

We believe that the next six months will be critical in determining the future direction of the [Cypriot](#) oil and gas sector because we expect to be able to release additional information on new discoveries resulting from geophysical studies and a drilling programme that are currently underway. This could, of course, be significant when evaluating the viability of establishing an onshore LNG terminal at Vasilikos, through which we can also collaborate with other countries in the region, with [Cyprus](#) potentially acting as a corridor to Europe and the rest of the world.

In parallel with the above priority, we take steps to increase our understanding of the technical and commercial aspects of alternative options for monetization of Aphrodite and possible new discoveries so as to be in a position to select a different concept, if needed, without losing valuable time.

Those options include possible projects that would allow the [Cypriot](#) gas to be transferred to Europe, with monetisation of gas through a Floating LNG Terminal (FLNG) and export of Cypriot gas by pipeline to regional markets.

As responsible technocrats, we are examining all the options so as to identify what would work best for the nation in the long run. One of the challenges is that the parameters are constantly changing. Some of these are technical and they relate to the discovery of new reserves. Others are more to do with the geopolitical environment which can also be fluid.

What are your immediate priorities looking forwards?

It is clear that Cyprus needs to establish a solid basis for the industry to grow in a way that will be attractive to international investment and the participation of oil majors from around the world. In order to attract these serious players it will be essential to put in place the right foundations which means setting up appropriate and robust legal and regulatory frameworks based on international best practice. In parallel with that we are focusing on supporting the whole process of exploration and production and the development of the right conditions for the selection of the best monetization options, marketing and sales for Cypriot gas.. CHC in accordance will its mandate will be playing its own important part in this process.