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# The Great Pipeline Race: Are Europe's South Stream Fears Rational?

By: **Igor Alexeev** Date: **30 May 2013**

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### About The Author



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**Igor Alexeev**  
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Despite possessing better financing and greater energy benefits compared to its competitors (namely the pipeline), the proposed South Stream pipeline has faced considerable opposition in Europe – by countries that want to reduce the region's reliance on Russian gas. Europe must ask itself: is politics really worth losing out on the South Stream's economic benefits?

The third and fourth sections of Russia's "South Stream" will be completed by 2018. However, supranational structures in Brussels and their representatives in [Berlin](#) still cannot set forth a predictable and unified position on this project of undisputed geopolitical importance. Bureaucratic hurdles like "Third Energy Package" or even more mysterious "Southern Gas Corridor" create non-competitive and non-transparent advantage to the EU initiatives on the [energy market](#).

"We will not impose any unreasonable or unjustified level of administrative or regulatory requirements. We will act as fair partners", [promised](#) EU Energy Commissioner Guenther Oettinger in May, 2011. **Two years after this speech one can clearly see quite an opposite situation.**

"Third Energy Package" is a direct attempt to implement retroactive legislation thus [driving down natural gas prices](#). It is absolutely inconsistent with the principles on which the whole European legal framework is based.

Another notorious example of arbitrary behaviour on the part of the European Commission is its indirect support to the alleged "virtual" [reverse gas supplies](#) from [Poland](#) to the Ukraine. There is every reason to believe that this natural gas is Russian. **One can hardly call it fair play (any partner would consider such actions fraudulent), but after the [Cyprus](#) affair it is very hard to predict how far the EU can go in denying market realities.**

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On a long-term horizon this strategy may harm German national interests as a major natural gas importer and create unnecessary credibility gap between Russia and the European Union. Germany needs to get over its love/hate relationship with "South Stream" and return to thinking in terms of realpolitik. After all, it's just a pipeline, not some ad vitam Doctor Faust's contract as some analysts with Atlantic orientation often assume.

European double-game seems especially illogical if we consider the scope of [economic](#) problems which Merkel and Oettinger have to solve in their own backyard. Global natural gas demand growth should be treated as an opportunity, **not a "threat"**.

The European leaders are very well aware of "Nabucco West" and "TAP" project

limitations (lack of solid resource base and insufficient [infrastructure](#) to name a few). These pipelines may contribute to the diversification of supplies although even if completed they cannot be a game-changer.

**Recent talks of Azerbaijan's President Ilham Aliiev in Austria have shown that "OMV" and other key European shareholders prioritize "Nabucco-West" over other pipeline blueprints. Unfortunately "South Stream" remains on the periphery of European [energy policy](#), despite the fact that it is a very advanced project. In comparison, "Nabucco West" is yet to meet environmental objectives in Romania. Nabucco Gas Pipeline International, the consortium to develop, build and operate the "Nabucco West" spent less than 5 percent of the total value of the investment on the development of the project.**

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There are clear differences of opinion among the EU regulators. EU Energy Directorate's wavering position on "South Stream" sends a message to the non-EU transit states. Serbia, for instance, has officially announced it is ready to start building its section of the South Stream pipeline "once all problems are solved", announced "Srbijagas" Director-General Dusan Bajatovic.

At the same time "Nabucco" and "Southern Gas Corridor" lobbyist Zorana Mihajlović (Serbian Minister of Energy and Washington-backer) has recently been very active in her meaningless crusade against Russia's "South Stream". Many experts also remember her "to change the final draft of agreement between Gazprom and Srbijagas not that long ago. Although an old Serbian proverb says: you can't have both goatling and money. Politically motivated red tape will not undermine Serbia's energy self-sufficiency on the Balkans.

In April, 2013 Prime Minister of Slovenia Alenka Bratusek confirmed that Russia's gas pipeline remains a priority for her [country](#), which pursues economic development and foreign investments. Slovenia's investments in the project will total some 1.1 billion euros (\$1.4 billion). Bulgaria has also **expressed** its deep interest in Russia's pipeline. A look on the map of the Southern Europe reveals that political contradictions in Belgrade will cause nothing but a short delay in "South Stream" realization. Hardly the same could be said about "Nabucco".

**By Igor Alexeev**

*Igor Alexeev is a Russian journalist and blogger for [Strategic Culture Foundation](#) and [Route Magazine](#). He writes on the [oil and gas](#) sector, Eurasian energy security and shipping industries in the Arctic.*

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