

SOUTH STREAM VS NABUCCO

SERBIA VS TURKEY

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, MAY 14, 2009

The South Stream project is moving forward as Russia's Gazprom and Serbia's Srbijagas have finally agreed on construction of a portion of the pipeline in Serbia.

According to the initial agreement, the capacity of the 450km long Serbian segment was 10 billion cubic meters with the extension option. The latest agreement stipulates that the capacity will be increased to 21-23 billion cubic meters. It means that there will be more gas distribution stations in Serbia.

Serbia is positive about the deal for two reasons. First, with enhancement of its gas transportation system, Serbia will have gas to be used in case of consumption growth, which will strengthen the country's energy security.

Secondly, with higher capacity of the Serbia's segment of the pipeline and more gas distribution stations, Serbia will play a greater role in energy supplies to Europe and energy security in the region.

Gazprom made well-though concessions. It does not matter via what territory Gazprom will boost gas exports (choosing between the project member countries); so it is better to use the territory of its traditional ally.

Besides, Russia seeks to minimize risks of emergence of gas pumping routes that would by-pass its territory. The Nabucco pipeline, to link Turkey and Austria, is a direct competitor to South Stream. Backed up by EU and the USA, this project enjoys strongest support from Turkey who aspires to become an energy hub in the region. Regulating energy streams from Central Asia, Turkey can get closer to EU entry.

The latest events show that Russia reckons South Stream as a rivaling project to Nabucco, and Serbia – as a competitor to Turkey.

Cooperation between Serbia and Russia will strengthen as the two understand that it is hard to act alone in this situation.

South Stream – Serbia is not worse than Nabucco – Turkey, because the both pipelines have the same capacities and Serbia's geographical situation in the center of Europe is not worse than that of Turkey. With Russia (possessing one-fourth of the world's gas reserves) being the main natural gas supplier for the project and Central Asian countries' (Kazakhstan, Uzbekistan and Turkmenistan) refusal to sign the Nabucco agreement during the Prague summit, the Nabucco – Turkey project is doomed to fail.