

South Stream to require \$20 billion

The project for the construction of the gas pipeline South Stream will require investments of \$20 billion instead of \$10 billion. There are several reasons why the necessary investment amount has doubled, and the increase may not be final, so Gazprom's partners will closely study the project feasibility.

During the construction period, inflation and dollar exchange rate fluctuations should be taken into account. A section of the pipeline will run via the Black Sea bed.

According to the latest data, the cost of the North Stream project is around \$11.5 billion while its undersea section length is almost 300 km longer than that of South Stream. Thus, North Stream might become more expensive or, alternatively, the amount of investment in South Stream might be reduced.

Despite the South Stream cost growth, the competitor Nabucco project will hardly be a rival to it.

The cost of Nabucco exceeds \$12 billion and there is no gas to pump via it. Also, South Stream will directly link Russia and Europe, excluding transit risks. Thus, Serbia, Hungary, Bulgaria, Greece and Italy are not likely to drop the Gazprom-led project as energy safety is what they have been seeking.

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