

**Austria may defect from Nabucco in favor of South Stream**

The Nabucco pipeline project seems to have lost its only advantage against rival South Stream as its price rose more than 70% reaching 8 billion euros (\$12.3 billion). Now South Stream's costs only 14% more than Nabucco. In this connection, we anticipated alterations in the project participant list (in our review as of 2 June, 2008). The forecast proved true at the 12<sup>th</sup> St. Petersburg International Economic Forum during which Alexander Medvedev, Gazprom Vice President, said in a statement that Austria and Russia might sign an agreement on Austria's entering South Stream. Austrian OMV was specified as project coordinator. Nabucco is designated as a line to deliver gas to a terminal in Austria; but with no gas to fill the pipeline and a higher price, the project has become less competitive compared to Russia's South Stream.

The South Stream pipeline will link Russia and Europe bypassing any third countries, the Russian project is supported with the world's largest gas reserves and backed by Bulgaria, Greece, Serbia and Hungary. Italy's Eni is Gazprom's partner in this pipeline project. After considering all South Stream advantages and Nabucco disadvantages, the EU will likely defect from Nabucco and, seeking energy safety, join Russia's South Stream.

By Kirill Lebedev