
BULGARIA MAY RESTORE RUSSIAN GAS PIPELINE, NUCLEAR PLANT

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Bulgaria and Russia agreed to resurrect the canceled South Stream natural gas pipeline across the Black Sea and the Belene nuclear power plant as the Balkan country strives to reduce penalty payments over unfulfilled contracts awarded to Russia by international courts.

Bulgaria and Russia agreed to set up working groups that will seek ways to resume work on the two energy projects, Prime Minister Boyko Borissov said on Saturday in the Black Sea city of Varna, according to an e-mailed statement. He spoke after a phone conversation with Russian President Vladimir Putin on Aug. 5. Borissov has discussed the projects with the European Commission and they will be done in compliance with European Union rules, he said.

We are facing difficult court procedures over intergovernmental agreements on the South Stream pipeline, which were signed in 2006, before the EU imposed new requirements on the energy industry, Borissov said.

Gazprom PJSC canceled in 2014 the project to deliver gas to southern Europe via the Black Sea with entry point in Bulgaria after the EU forced Bulgaria to withdraw because the pipeline would have violated the 28-member blocs competition rules.

Russia, which supplies about 30 percent of Europe's gas, has sought to bypass Ukraine, once its main transit route, as tensions have erupted into increasingly serious conflicts between the former Soviet allies. Russia shelved last year an alternative route through Turkey, known as Turkish Stream, as relations between the countries soured over the conflict in Syria. Gazprom signed a memorandum in February with Greece and Italy on a new Black Sea gas pipeline.

Nuclear Plant

Bulgaria will also look to build the 2,000-megawatt nuclear plant at Belene on the Danube river as a private project with some participation from the state, because without a state stake nobody wants to invest in it, he said. Bulgaria has already paid 700 million euros for the initial construction of the nuclear plant before canceling the project in 2012 after disagreement with Rosatom Corp on the cost, then estimated at 10 billion euros.

The EU's poorest state in terms of per-capita economic output faces the option to pay about 3 billion lev, take the two reactors and put them in a museum, as it's impossible to sell them, Borissov said, after the International Court of Arbitration ruled in June for Bulgaria to pay 620 million euros in damages and buy the reactors and other equipment produced for the plant by

Rosatom.

Gas Hub

Bulgaria imports all its gas from Russia and seeks to diversify supplies after they were cut in 2009 over disputes between Ukraine and Russia. The Black Sea country is working to connect its natural gas grid with neighboring Greece, Romania, Serbia and Turkey. Bulgaria also wants to take part in an LNG terminal project in the Greek Aegean port of Alexandroupolis in an effort to become a regional gas transit center.

When talking about a gas hub, where are we going to find that much gas to transport, if theres no Russian gas? Borissov said. Lets be honest.

Ruslan Stefanov, program director at the Center for the Study of Democracy in Sofia, saw more risks than benefits for Bulgaria in the two projects.

The risk is that these projects may become a permanent spending source for Bulgaria, while the government wont be able to control the possible benefits, Stefanov said by phone. Projects with Russias participation are always asymmetrical and have so far generated high public costs for Bulgaria, risking the countrys fiscal position, he said.

Total SA, OMV AG and Repsol SA may start exploration drilling for hydro-carbon deposits in the deep waters of the Black Sea off the Bulgarian coast this year. Royal Dutch Shell Plc signed a five-year contract for oil and natural gas exploration in another Black Sea block near Bulgaria in February.

By Slav Okov

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