
EU GETS WAKE-UP CALL AS GAZPROM EYES RIVAL TAP PIPELINE

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Gazproms bid to tap into a pipeline meant to wean Europe off Russian gas threatens to undermine a pillar of European energy policy and slow plans to develop rival deposits in the eastern Mediterranean.

As the European Union struggles against the iron embrace of Russian pipelines, it has made opening a new Southern Gas Corridor to carry gas from Azerbaijan by 2020 a priority.

SOUTHERN GAS CORRIDOR ON TIME, BP EXECUTIVE SAYS

The Southern Gas Corridor, a project of pipelines to bring new gas supplies to Europe, is running on time and on budget, a BP senior executive said today (12 May).

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The 10 billion cubic metre (bcm)-capacity Trans Adriatic Pipeline (TAP) is the projects end piece, joining up with the Trans Anatolian Pipeline at the Turkish border, then crossing Greece and Albania to reach Italy.

TAP PIPELINE OPEN TO OTHER SHAREHOLDERS, INCLUDING IRAN

The Trans Adriatic Pipeline (TAP), which will carry Azeri gas to European markets, and is seen as Europes alternative to its reliance on Russia, is open to new shareholders, including Iran, a spokeswoman for the project said yesterday (8 April).

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Construction work on TAP gives EU officials the first non-Russian gas pipeline to supply Europe since Algerias Medgaz link nearly a decade ago, paving the way for diluting Gazproms large one-third share of Europes gas market.

SOCAR: IT IS IMPOSSIBLE TO STOP THE SOUTHERN GAS CORRIDOR

To imagine that a project like Turkish Stream could ruin the Southern Gas Corridor is complete nonsense. Unlike the Gazprom project, the Southern Gas Corridor is about billions of dollars already being invested, Vitaly Baylarbayov, deputy Vice President of SOCAR told EurActiv in an exclusive interview.

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That at least was the plan, until Gazproms deputy head Alexander Medvedev last month said the company was considering pumping gas through the link under an auction system giving equal access to any would-be supplier.

Medvedev questioned Azerbaijan's ability to fill the pipeline, saying Russia could step in to plug any shortfalls once the link is expanded. It won't lie empty, he said.

That would be very bad, one EU official said. It would be totally contrary to everything we have agreed with partners.

The EU worries Gazprom has abused its dominant position to overcharge central and eastern European states, some of which are nearly wholly reliant on Russian gas.

It foiled Russia's South Stream project to pump gas to south-eastern Europe under the Black Sea by insisting on anti-trust rules banning suppliers from owning pipelines, without giving other vendors access.

PUTIN: WE HAVEN'T GIVEN UP THE SOUTH STREAM PROJECT

On a visit to Hungary, Russian President Vladimir Putin made a U-turn, announcing that his country has not given up the South Stream pipeline project, which he had himself declared dead in December.

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Taken together with separate Russian plans to double its Nord Stream pipeline to Germany, EU nations must fend off this iron embrace from the North and from the South, another EU official said.

SWEDEN READY TO PROVIDE PORT FOR NORD STREAM 2 CONSTRUCTION

The Swedish government said on Monday (30 January) that it would not hinder Russia's Gazprom in its plan to use a southern Swedish port as a base for constructing a gas pipeline project that has raised security concerns.

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While the first phase of TAP's capacity will be filled by the BP-led consortium developing Azerbaijan's Shah Deniz II gasfield, TAP says any gas supplier can bid for another 10 bcm of capacity through so-called Open Season auctions.

Some of TAP's shareholders – including Italy's Snam and Belgium's Fluxys – said they would welcome Gazprom's entry, and EU sources admitted there may be little they can do to keep Gazprom from bidding when the pipeline is expanded after 2020.

We see the Southern Gas Corridor foremost as a major source of diversification: new gas, new route, new supplier, European Commission Vice-President Maroš Šefčovič told Reuters.

EU sources said Russian gas flows via TAP may jar with the terms set by its financial backers, such as the European Investment Bank. The bank said it is carrying out due diligence.

At most, officials say they could extend an exemption from EU anti-trust rules to TAP in order to keep Gazprom out, but Brussels would require the firms and governments concerned to initiate the move.

TAP PIPELINE SECURES EXEMPTION FROM THIRD ENERGY PACKAGE

The Trans-Adriatic pipeline (TAP), representing the European section of the Southern Gas Corridor (SGC) which will bring gas from Azerbaijan, has obtained an extension of the validity period of the projects exemption from third party access to its pipe.

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Intervening may also run counter to the blocs goals of promoting an unregulated gas market. And it risks triggering a backlash from Moscow, whose plan to join TAP still hinges upon the construction and expansion of a major gas link to Turkey.

US DISCOURAGES GREECE FROM TURKISH STREAM

The United States wants Greece to focus on the Western-backed TAP pipeline project rather than the rival Gazprom-favoured project Turkish Stream, a US special envoy said.

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Clever strategy

By accessing TAP, Gazprom is seeking to defend market share by flooding Europe with cheaper piped gas than would-be challengers, including from the east Mediterranean and North Africa, industry sources say.

The hub around Israel, Cyprus, Egypt could compete, but if Russia can saturate the TAP, it wont be easy, a senior Italian industry source said.

OFFSHORE GAS SEEN AS GAME CHANGER IN ISRAEL-TURKEY RELATIONS

The relations between Turkey and Israel have been marred since diplomatic relations broke down six years ago, after Israeli forces raided a Turkish ship bound for Gaza, killing 10 Turkish activists. But huge offshore gas discoveries in the Israeli and Cypriot economic zone have become a game changer.

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Last year Gazprom pursued another pipeline scheme □ the Interconnector Turkey Greece Italy (ITGI) Poseidon, first backed by the EU as an alternative to Russian imports – for its own use.

GAZPROM REVIVES 'POSEIDON' ADRIATIC LINK

Gazprom has revived a project that would see an offshore pipeline built to bring Russian gas from Greece to Italy. The new project is named Poseidon.

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In the geopolitical game around Turkey and the EU, Russia is trying to keep all its options open,

said Kirsten Westphal of the SWP Foundation in Berlin. That is clever * because it makes it hard for others to take decisions on projects.

Regional instability has already chipped away at the blocs grand plan of pooling gas from Azerbaijan, Kurdistan, Iraq and Iran into a huge 100 bcm/year delivery system.

While BP says additional volumes from Shah Deniz II could be pumped into an expanded TAP, analysts are sceptical as domestic gas demand soars and oldfields fail.

But Azerbaijan's state firm SOCAR, whose gas is contracted for TAP, dismissed concerns Shah Deniz could run dry.

NEW DISCOVERIES IMPROVE THE SOUTHERN GAS CORRIDORS PROSPECTS

Azerbaijan said natural gas produced in the Absheron offshore gas field in the Caspian Sea could be exported through the Southern Gas Corridor. Until now it was planned that only gas from Shah Deniz 2, another offshore field, would be sent to Europe.

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Gazprom is not SOCAR's rival in TAP, a source at SOCAR told Reuters, saying half of the pipeline capacity would be reserved for Azeri gas.

Kaynak/Source: