

Hungary is losing faith in Nabucco

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On 23 April, the Hungarian prime minister, Viktor Orban, suggested that the energy company MOL could withdraw from the Nabucco Gas Pipeline International GmbH consortium, which is in charge of the implementation of the gas pipeline designed to transport Caspian gas to Central and Southern Europe (from Turkey via Bulgaria, Romania and Hungary to Austria). MOL, almost 25% of whose shares are held by the Hungarian state, has neither confirmed nor denied this information. It has, however, issued a statement that it does not envisage transferring its annual tranche of funds in 2012 to the Nabucco consortium which is implementing this investment. According to reports from the Reuters news agency, MOL has taken this decision due to the uncertainty as to whether it will be possible to ensure a sufficient quantity of natural gas for this gas pipeline and also due to the increasing costs of the investment. The Hungarian company is one of the six shareholders in the Nabucco consortium. The other members are: Turkey's BOTAS, Bulgaria's BEH, Romania's Transgaz, Austria's OMV and Germany's RWE (each of the members holds a 16.7% stake).

Commentary

- The reports that MOL could withdraw from the Nabucco consortium are a further complication in the implementation of the gas pipeline construction project and fit in with the process of a significant decrease in confidence among the shareholders that this venture has a chance of success. MOL is the second member of the Nabucco consortium (after Germany's RWE) to take measures which call into question its engagement in the investment. The cause of the deadlock in the Nabucco project is the constant problem with guaranteeing sources of gas supplies. At the same time, other infrastructural projects aimed at transporting Caspian gas to the EU have been gaining strength as competitors to Nabucco over the past few months. In addition to the traditional competitors of Nabucco – the projects ITGI (Turkey – Greece – Italy) and TAP (Greece – Albania – Italy) – new competitive projects have emerged in the past few months: the SEEP gas pipeline being promoted by BP and the TANAP gas pipeline proposed by Turkey and Azerbaijan. They are oriented towards transporting smaller amounts of gas and stand a greater chance of being carried through than Nabucco. Azerbaijan has declared its readiness to send up to 10 billion m³ of gas to the EU from 2017, while the planned capacity of the Nabucco pipeline is 31 billion m³.
- Recent developments shows that Hungary is losing faith in Nabucco. The hints from the Hungarian government that it is more interested in South Stream than Nabucco should

not be understood as Hungary abandoning its efforts to ensure energy security. Developing inter-system connections with its neighbours and diversifying the routes of gas supplies are much important for Hungary than the implementation of large infrastructural projects. Additionally MOL's possible withdrawal from the Nabucco consortium will not necessarily spell the final failure of this project. It cannot be ruled out that MOL could be replaced by another Hungarian company, given Budapest's desire to maintain a share in this project, which is politically backed by the EU, and thus a better bargaining position in relations with Russia. MOL's shares in Nabucco could be taken over by the Hungarian state-controlled power company MVM, which – with strong support from the government – has been expanding its business model to include the gas sector. MVM is creating a gas exchange and is building a Hungarian-Slovakian interconnector (it took over this task from MOL in 2011). However, MVM is also engaged in a company which is to be put in charge of the construction of the Hungarian sector of South Stream, a project promoted by Russia which is in competition with Nabucco.