

Bulgaria is no longer interested in shale gas

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On 18 January, the Bulgarian parliament imposed a total ban on the use of the hydraulic fracturing technology applied in the exploration and production of shale gas and oil. Almost all the parties in parliament voted for the ban. The firms using this technology for the exploration of resources are required to discontinue this within three months. A day earlier the minority centre-right government led by Boyko Borisov also revoked the permit for gas exploration near Novi Pazar (north-eastern Bulgaria), which had been granted to the US company Chevron in June 2011. According to estimates from the Ministry of Energy, the natural gas reserves there could reach between 300 billion and 1 trillion m³. Prime Minister Borisov has justified these two decisions by stating that there is insufficient proof that hydraulic fracturing poses no environmental risk and also by citing the related fears of the Bulgarian public (a series of demonstrations of shale gas opponents has taken place over the past few months).

Commentary

- These two decisions spell a radical change in the policy of the centre-right government led by Boyko Borisov, which saw shale gas as an opportunity for improving the country's energy security (almost 95% of gas consumed in Bulgaria is imported from Russia). The new energy strategy to 2020 adopted by the government in 2011 envisaged the exploration of domestic shale gas deposits. Also in 2011, the government granted more than ten exploration licences to foreign firms specialising in shale gas (America's Chevron and Direct Petroleum Exploration, and Canada's Park Place Energy). As a consequence of the ban which has been imposed, they will be able to continue their work using only traditional methods (with the exception of Chevron, whose licence was cancelled). This way the assessment of Bulgarian shale gas reserves has de facto become impossible.
- The main reason why the government has changed its stance are its fears of falling support for the ruling party as a consequence of the active campaign launched by shale gas opponents. The environmental threats gas production could potentially pose have become a focal issue of public concern. Demonstrations made by the opponents of shale gas were not large-scale events (numbering between several hundred and several thousand people), but they were perfectly organised, coordinated and publicised in the media. The campaign launched by ecological organisations was supported by those politicians and businessmen who are commonly believed to be advocates of Russian interests, for example the former minister of energy, Rumen Ovcharov, who is associated

with the nuclear lobby. Increasing public fears and an active campaign in the media was not accompanied by an adequate information campaign from the government or the companies dealing with gas extraction. As a consequence, Prime Minister Boyko Borisov concluded that since parliamentary elections would be held in mid 2013, his further support for shale gas production could carry an excessive political risk.

- This decision by the Bulgarian parliament is beneficial for Russia's Gazprom. It will temporarily weaken Sofia's position in negotiations on a new gas contract with Russia which are currently in place (the present contract expires in 2012). Furthermore, it will be used as an argument for blocking or limiting the exploration and production of shale gas in other European Union member states, which also perfectly serves Gazprom's interests. A ban on shale gas exploration and production has so far been imposed only by France and the German federal state of North Rhine-Westphalia. Sofia's decision concerning Chevron will have a negative impact on the investment climate as it will provide proof for the opinion that Bulgarian law is unstable, which is shared by many investors.