

Bulgaria is strengthening its position in gas negotiations with Russia

The deadline for Bulgaria to conclude a new long-term gas supply contract with Russia, which was set last year as a result of arrangements between Gazprom and Bulgargaz, expired on 1 July. The lack of a new contract and Sofia's intensive efforts to diversify the directions and sources of gas supplies indicate that Bulgaria wants to conclude a short-term agreement on gas supplies from Russia instead of a long-term contract.

Bulgaria imports on average 3 billion m³ of Russian gas annually, which satisfies 95% of total gas consumption in this country (the remaining part is satisfied with domestic production). Sofia has been negotiating a new gas contract for more than a year now in connection with the upcoming expiry of contracts with intermediaries in Russian gas supplies. The contract with the Russian-German company, WIEE, will have expired at the end of 2011 and with the Russian-Bulgarian company, Overgas, at the end of 2012. In July 2010, Gazprom and Bulgargaz, the key gas distributor, signed a protocol envisaging the conclusion of a new ten-year contract by the end of June 2011. However, according to statements from representatives of the two companies, the parties have been unable to reach agreement on the price, quantity, term of the contract and the presence of the 'take or pay' clause in the contract, to name a few issues.

At the same time, Bulgaria has intensified talks on gas supplies from Azerbaijan, counting on supplies of 1 billion m³ starting from 2014. These supplies will be possible owing to the gas interconnector with Greece (a connection to the ITGI gas pipeline) which is under construction and scheduled to be launched in 2013. Bulgaria is also opening up its domestic market to foreign companies engaged in shale gas exploration. For example, this June, an exploration licence was granted to the US company, Chevron. These moves are to lead to a diversification of gas supply sources and to improve Sofia's position in the negotiation of new gas contracts with Moscow. <dab>