

Russian Federation: Germany's BASF joins the South Stream project

On 21 March, Gazprom and the BASF group signed a memorandum on the German company Wintershall's (a daughter company of BASF) participation in constructing the marine section of the South Stream gas pipeline. The association of another European partner in this important project for Russia is of strategic significance; it raises South Stream's importance, and increases the likelihood that it will be completed. This demonstration of German support for South Stream is part of Russia's preparations to present the project in public this April in Brussels.

The success of the agreement with BASF has assuaged the failure of the recent Russian-Turkish talks (during the Turkish Prime Minister Recep Tayyip Erdogan's visit to Moscow on 16 March), which did not produce Ankara's expected agreement to the construction of South Stream's marine section in Turkish territorial waters. Turkey's position is a bargaining chip in its negotiations with Russia on the terms of the bilateral relationship, while the agreement with Wintershall is of strategic importance.

According to the memorandum, BASF will take 15% of shares in South Stream's maritime segment from Italy's ENI (which currently has a half-share with Gazprom), whereas the Russian company will retain all of its 50% stake. The document also provides for the possibility of concluding new long-term gas supply contracts between Gazprom and WIEE (a company which operates in the Balkans and is half-owned by Gazprom). Of the estimated costs of the project, initially €15.5 billion, BASF's investment would be around €2 billion. The agreement on the German group's accession to South Stream should be signed before the end of this year.

Russia is consistently looking for partners to participate in building the marine segment of the gas pipeline. With little hope of coming to a quick agreement with Électricité de France (with whom negotiations have been ongoing since 2009), the agreement with BASF was aimed at demonstrating support from large European companies for the project itself, as well as for the idea of reinforcing guaranteed supplies of Russian gas to the EU. In Moscow's opinion, the participation of German and French companies in the South Stream project could increase the chances of it obtaining TEN-E status as a priority project for the EU, which would make it easier to finance. <epa>