

Russian Federation: Is the Burgas–Aleksandroupolis pipeline plan close to collapse?

On 16 February, the Russian newspaper *Vedomosti* reported that Russia intends to withdraw from the international consortium to construct the Burgas–Aleksandroupolis oil pipeline. On the same day, Transneft denied this report. The project still remains frozen because of the reluctance of Bulgaria, which is looking for a way to withdraw from it without having to pay any financial penalties. Russia seems ready to implement the alternative, less beneficial Samsun-Ceyhan pipeline project; however, this plan is subject to obtaining concessions from Turkey on other matters of energy cooperation, including the construction of the South Stream pipeline in Turkish territorial waters.

In 2007, Russia, Bulgaria and Greece signed an agreement to construct the Burgas–Aleksandroupolis pipeline (285 km, with a capacity of 35 million tonnes of oil per year), via which oil from Russia and Kazakhstan was to be transported, bypassing the Turkish straits. The Russian side (consisting of Transneft, Rosneft and Gazpromneft) controls 51% of shares in the Trans-Balkan Pipeline BV company (which is supposed to build the pipeline), whereas Bulgaria and Greece have 24.5% each. However, in 2009 the project was blocked by the new Bulgarian government under Prime Minister Boyko Borisov. In November 2010, Sofia contested the project's environmental expertise, which was their way of trying to withdraw from the project without having to pay compensation. Bulgaria most likely considers that the profits from the transit charges will be too low compared to the risk of ecological disaster, which would jeopardise the development of tourism in Bulgaria. It seems that Russia is no longer counting on the project's implementation, and started talks on a Turkish-Italian construction project to construct the Samsun–Ceyhan pipeline in 2009 (Russia intends to take 25% of the shares). However, it is holding off on the decision to quit the Burgas-Aleksandroupolis project, in order not to weaken its negotiating position with Turkey, including on the South Stream pipeline. <wojk>