

Russia and Bulgaria are establishing a company to build the South Stream gas pipeline

Representatives of Russia's Gazprom and the Bulgarian Energy Holding (BEH) in the presence of the two countries' prime ministers, Vladimir Putin and Boyko Borisov, signed agreements on 13 November in Sofia which will establish a company to implement the Bulgarian section of South Stream. The agreements do not mean that the pipeline will be implemented but they are a sign of improving the so far strained relations between Sofia and Moscow.

Gazprom and BEH will each have an equal share in the newly established company. The joint venture will be in charge of financing, building and operating the Bulgarian section of the pipeline. The technical and financial feasibility study for the Bulgarian section will be developed by an independent firm to be selected in an open competition. Only then (in April 2011 at the earliest) will it be possible to take an initial decision regarding the implementation of the pipeline. It cannot be ruled out that this process will be delayed due to the lack of consent from Turkey for laying the pipeline through Turkish territorial waters (South Stream is to run from Russia via the Black Sea bed to Central and Southern Europe). Reservations regarding the agreement have also been brought by the European Commission, which demands a guarantee of respecting the principle of third-party access (TPA) to the planned gas pipeline.

Bulgaria had been delaying the establishment of the company in charge of implementing South Stream, which had a strong detrimental effect on its relations with Russia. Sofia informally made its consent to the establishment of the joint venture dependent on being granted preferential gas prices and the elimination of agent companies from the gas supply process (contracts with the agents are to expire at the end of 2010 and 2012). Although Russia has only promised to fulfil Bulgaria's demands (new contracts have not been signed as yet), Sofia has softened its stance on South Stream. At the same time, it is prolonging the negotiations regarding the construction of the nuclear power plant in Belene and is questioning the Burgas–Alexandroupolis oil pipeline project, in which Russian firms are engaged both directly and indirectly. <dab>