

Russia: BPS-2 is put into operation in test mode

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The second part of the Baltic Pipeline System (BPS-2), which will be used for transporting Russian oil bypassing transit countries (including Belarus, Poland, Ukraine and the Baltic states) was put into operation in test mode on 23 March in the presence of the Russian prime minister, Vladimir Putin. BPS-2 consists of the Unecha–Ust-Luga oil pipeline (1,000 km), four pumping stations, an oil terminal and fuel tanks in Ust-Luga by the Baltic Sea. The system's transport capacity, following its launch in working mode, will initially reach 30 million tonnes of oil annually. When the second phase of work is finished, which was originally planned for December 2013 (these plans have not been confirmed), the transport capacity of BPS-2 is expected to increase to 38 million tonnes.

The project was implemented quickly (the decision to build it was taken in autumn 2008, and construction started in mid-2009). However, in mid-2011, serious construction defects were revealed in the terminal, as a result of which the berth was subsiding. This has delayed the system being put into operation.

Commentary

- It may take a considerable amount of time to remove the technical defects found in the Ust-Luga terminal. It cannot therefore be ruled out that BPS-2 will be operating in test mode for several months. A consequence of this is that Russia will most likely be unable to export 13 million tonnes of oil using this system in 2012 as it had planned.
- The launch of BPS-2 will contribute to a further reduction in Russia's dependence on transit countries. The share of maritime transport in Russian oil exports is set to increase by 10 percentage points and will exceed 70%. At the same time, Russia will increase its surplus in oil export capacity, which allows it to use the routes of supply to European consumers in a flexible way. The consequences of the launch of BPS-2 will be felt directly primarily by those oil terminals which Russia has used for the export of oil, above all the oil port in Gdańsk.
- The launch of BPS-2 will have a political and economic impact on Central and Eastern Europe. The new oil transport system can be used by Russia as an instrument to apply pressure on the countries of Central and Eastern Europe: Belarus, Ukraine, Poland, the Baltic states, Slovakia, the Czech Republic and Hungary. BPS-2 will allow Russia to reduce transport via the cheapest route of supply – the Druzhba oil pipeline system (at

present, Russia exports approximately 80 million tonnes of oil via Druzhba). Among the consequences of this would be: higher oil prices and a lower competitiveness of the refineries operating in this region. Russian companies (which have direct access to oil) would thus have greater opportunities for taking over oil assets in Central and Eastern Europe. In effect of this, the Russian presence in the energy sector in this region will be further strengthened.

- The policy of diversifying supply routes to Europe may also have negative consequences for Russia. Central European countries, facing a possible reduction of oil transport via Druzhba, are increasingly interested in sources of oil supplies and transport routes that will provide an alternative to the Russian ones. In this context, the Croatian-Hungarian Adria oil pipeline and the planned connections: the Slovak-Austrian Bratislava–Schwechat pipeline, the Czech-German Litvinov–Leuna pipeline, and the Ukrainian Odessa–Brody pipeline with Slovakia or Poland are gaining significance.