

A virtual reactivation of Gazprom's southern gas pipeline to the EU

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On 24 February in Rome, Gazprom signed a memorandum with Italy's Edison (controlled by the French company EDF) and Greece's DEPA on Russian gas supplies via the Black Sea and (unspecified) third-party countries to Italy and Greece. The results of work carried out as part of the ITGI Poseidon project will be used to organise supplies. This project, initiated in 2005, envisaged exports of around 12 billion m³ of natural gas from Azerbaijan via Turkey and Greece to Italy. The parties did not disclose information such as the volume of supplies, the gas pipeline's planned capacity or the financial assumptions of their co-operation.

Commentary

- The memorandum is another initiative of the Russian plan for organising gas supplies to Europe via the so-called 'southern route'. Between 2007 and 2014, Gazprom was pushing through the South Stream project (a gas pipeline running from Russia via the Black Sea to Bulgaria and then to other European customers); in December 2014 this project was replaced with Turkish Stream envisaging the construction of a gas pipeline running through the Black Sea to Turkey, with the aim of supplying around 49 billion m³ of natural gas to the Turkish-Greek border. The latest project proves that the objectives of Moscow's gas policy towards the EU remain unchanged. Russia still wants to build its own southern gas corridor that would undermine the rationale of implementing other projects that are supported by the EU and which provide for supplies of non-Russian gas to Europe. Furthermore, the construction of the southern gas pipeline would make it possible, along with the new branches of Nord Stream (the gas pipeline running from Russia via the Baltic Sea to Germany) to exclude Ukraine as a transit country for Russian gas exported to Europe.
- However, it is rather unlikely that any of the 'southern' projects announced by Russia will be implemented in the next few years. Firstly, Gazprom's investment priorities in the budget for 2016 are the gas pipelines Nord Stream-2 and Power of Siberia-1 (Russian gas exports from Eastern Siberia to north-eastern China). Secondly, the large number and the frequency of changes in the variants of its own 'southern corridor' proposed by Russia prove that a coherent and well thought out tactic of action is missing here. Therefore, any analyses of the potential economic consequences of another, so far only virtual, Gazprom project are premature at this moment.

- Therefore, at present Russia is counting mainly on temporary political benefits linked to the project. The new variant of the southern gas pipeline is intended as a kind of compensation to Italy for Moscow's withdrawal from the South Stream project, which would contribute to neutralising Italian criticism of the Nord Stream-2 project. The fact that no transit countries for supplies of Russian gas via the Black Sea were specified in the document is intended to force potential candidates (Turkey in the Turkish Stream variant and Bulgaria in the South Stream variant) to vie for the final shape of the route of the maritime section of the southern gas pipeline. Russia also hopes that the new memorandum will provoke a broader discussion on joining the project in which other Central and Southern European countries will participate, and expects that this will result in a reactivation of the gas alliance of the countries participating in the South Stream project. The creation of the two gas axes in the EU (around Nord Stream-2 and around the Russian 'southern project') could be used by Moscow as an instrument impeding the development of the EU's common energy policy.