

Putin's South Stream to Enrich Serbia

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Putin posters adorning Belgrade on Wednesday. Russia is considering an \$800 million project loan for Serbia. **Marko Drobnjakovic**

BELGRADE — Serbia's participation in the South Stream pipeline will generate billions of dollars in transit fees and turn it into a regional gas hub, Russian and Serbian officials said Wednesday.

Serbia, which imports almost all of its annual gas needs from Russia through a single pipeline coming across Hungary via Ukraine, is looking diversify its supply routes.

That effort includes participating in the \$21.5 billion South Stream project through a joint venture with Russia's Gazprom.

The pipeline will transport up to 63 billion cubic meters of gas to central and southern Europe, when it opens in 2015. Moscow has said the diversion of seaborne liquefied gas cargoes from Europe to quake-hit Japan has left a supply gap that more Russian gas can fill.

"South Stream will help Serbia develop national networks and become a regional gas hub ... with long-term safe supply," Marcel Kramer, South Stream chief executive, told reporters on

a visit to Belgrade that also included Prime Minister Vladimir Putin and Gazprom officials.

Kramer, who said details of the pipeline's route will soon be finalized, estimated Serbia's earnings in transit fees from the joint venture would be up to 4 billion euros (\$5.7 billion) over 25 years and that projects would create 2,500 new jobs.

In 2010, Serbia's gas monopoly Srbijagas and Gazprom agreed to set up a joint venture to manage a major underground gas storage facility in the northern town of Banatski Dvor as part of South Stream.

Srbijagas general manager Dusan Bajatovic said total investments into the Serbian portion of South Stream, excluding new storage facilities, would amount to 1.5 billion euros.

"South Stream must be and will be constructed," Bajatovic said. "When you have only one transit route, like we have now from Hungary, then you have a problem whenever someone pulls the plug for whatever reason."

The visit came a day after Russia said it was reviewing three options for the South Stream project since the go-ahead from Turkey for the underwater pipeline is still pending.

Leonid Chugunov, head of the Gazprom project management department, told reporters that Turkey has asked for additional documents related to the project and he was confident of gaining approval.

Turkey, also a major player in the rival, European Union-sponsored \$10.8 billion Nabucco project to pipe gas from Turkmenistan to Europe, has been in discussions with Russia over prices on gas it buys for domestic consumption.

"There were some legal issues in Turkey about the permit to pass the pipeline undersea," he said. "The Turks asked us about the route of the pipeline and as soon as we know it exactly, they will allow us to pass. They are only asking for additional documents."

LUKoil is expanding its network of filling stations in Serbia, Prime Minister Vladimir Putin told journalists at a news conference Wednesday, Interfax reported. The company also operates three oil depots in Serbia.

"Just this one company paid in \$161 million to the Serbian budget last year," he said. Gazprom Neft invested 250 million euros in Serbian national oil company NIS in 2010 and will invest 500 million euros this year.

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