

Putin Favors Gas Pipeline Project, Euro Stabilization

By [The Moscow Times](#)

July 23, 2012

The  Moscow Times

SOCHI, Krasnodar Region — President Vladimir Putin threw his weight Monday behind plans to build a gas export pipeline to southern Europe, saying the project was still justified despite the continent's deepening economic crisis.

Speaking after talks with Italian Prime Minister Mario Monti, Putin said construction of the South Stream project could begin at the end of this year and be completed in two years — a tighter timeline than previously envisaged.

"This is a common, multilateral European project in which the overwhelming majority of our largest gas customers in Europe is interested," Putin told a news conference after meeting Monti at his summer retreat in the Black Sea resort of Sochi.

"I am certain that this project will be realized."

South Stream, a Russian-backed pipeline project to ship gas from the Caspian region, is expected to cost more than 15 billion euros (\$18 billion) and export 63 billion cubic meters of gas to southern Europe from 2015.

A final investment decision on South Stream, a rival to an EU-backed pipeline project called Nabucco, is expected in November, with construction to start in December, the Kremlin said ahead of Monti's visit.

"It's already clear to us who will buy, and how much they will buy of the product that will flow through South Stream, along the bed of the Black Sea, to our customers in Western Europe," Putin said.

Project partner Eni of Italy said this month that it expected the final investment decision for South Stream in late 2012 or early 2013.

Speaking alongside Putin, Monti said he considered South Stream to be an important new lever necessary for the European Union and for Italy's development.

The South Stream consortium includes France's EDF and Germany's Wintershall.

Russia, which has launched the first line of the Nord Stream pipeline across the Baltic Sea to Germany, continues to push export routes for its conventional gas that bypass transit nations like Ukraine.

Energy relations between Moscow and Kiev remain difficult after a pricing dispute resulted in the disruption of supplies to Europe in the winter of 2009, and Ukraine is still pushing for easier pricing terms for its purchases of Russian gas.

The historic link to oil prices in gas export monopoly Gazprom's long-term export contracts has, however, come under pressure from weak European demand and the U.S. shale gas boom, raising questions over the viability of capital-intensive pipeline projects like South Stream and Nabucco.

Meanwhile, Putin said that Russia, which holds a large share of its foreign exchange reserves in euros, will not take any action that would complicate efforts to manage the euro-zone debt crisis.

Putin also said that the country supported efforts by the European leaders to stabilize the situation.

"Russia is not decreasing the [share] of euro-denominated assets in its reserves and has no plans to change it," Putin said.

Russia, holder of the world's fourth-largest central bank reserves, has just over 40 percent of its forex reserves in euros. Its gold and foreign exchange hoard is just over half a trillion dollars.

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