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Adriatic Pipeline MOU Signed

By The Moscow Times

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Representatives of the Italian, Greek and Albanian governments signing the memorandum of understanding in New York last week.

Europe moved a step closer to loosening Russia's grip on European Union energy supplies after Italy, Albania and Greece signed an agreement supporting the construction of a pipeline to deliver gas from Azerbaijan.

At a ceremony in New York late last week, the three countries signed a memorandum of understanding bringing the Trans-Adriatic Pipeline, or TAP, closer to reality, although construction is not likely to commence until 2014 or 2015.

The deal improves TAP's chances against Nabucco West, the other remaining contender in the race to become the first pipeline to deliver Azeri gas to Europe, diversifying the supply. Nabucco West would run from the Turkish border via a northerly gas hub in Austria, while TAP would link to Europe via Italy.

TAP's managing director, Kjetil Tungland, called the agreement "a testament to TAP's

commercial and technical strengths" and the European commissioner for energy, Guenther Oettinger, said it represented a significant breakthrough.

"This is another important step towards our aim to get gas directly from the Caspian region," Oettinger said Friday.

Nabucco West spokesman Christian Dolezal said Nabucco still had "the most advanced legal framework" and therefore remained in a strong position to challenge TAP. "We consider this a benchmark in the Southern Corridor," he said.

The Southern Corridor is the commission's name for whichever project is selected to help wean the continent off its dependence on Russia, which supplies more than 30 percent of all EU gas imports, including nearly 100 percent in six EU states.

Tension between the European Union and Russia over energy has flared repeatedly and worsened since the commission, the EU's executive, announced this month that it was investigating suspected anti-competitive practices by Gazprom, the state-controlled gas monopoly.

Whether TAP or Nabucco West wins depends on the consortium of companies operating the Azeri field that will supply the gas, known as Shah Deniz II.

The consortium, led by BP, Statoil, SOCAR, Total and Eni, is expected to make a decision over the coming months on which of the routes to link up with.

TAP's shareholders are EGL AG of Switzerland (42.5 percent), Norway's Statoil (42.5 percent) and E.On of Germany (15 percent).

Russia is likely to contest European Union energy rules at the World Trade Organization in what would be its first trade dispute since it joined the global body, a government source said late last week.

The rules, known as the Third Energy Package, restrict Gazprom's control over its European pipeline assets and have been an irritant in relations between Russia and the EU, which accounts for half of Russia's trade.

"If the WTO rules are applicable to the Third Energy Package, as well as other measures restricting the Russian imports, we will contest them at the WTO," the source said, speaking on condition of anonymity. He said this should be clear in two weeks.

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