

# Gazprom Sees South Stream Costing \$39Bln

By [The Moscow Times](#)

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Gazprom said it will have to spend 510 billion rubles (\$16.9 billion) upgrading its domestic gas pipeline system for the planned South Stream undersea link to Europe, increasing the project's cost.

The overall cost for South Stream — pipes going under the Black Sea to bypass Belarus and Ukraine through which Russian gas exports to Europe currently need to travel — is now seen at 29 billion euros (\$39 billion).

Russia's gas export monopoly had previously estimated the cost of South Stream at 16 billion euros.

Disputes over gas prices between Russia and Ukraine in the winters of 2006 and 2009 led to stoppages in exports to Europe, which gets over a third of its gas from Russia.

The dispute flared up again over the weekend when Ukraine said Gazprom had hit it with a \$7 billion bill for alleged arrears under a long-term contract.

Construction of South Stream, with an offshore section stretching 900 kilometers under the Black Sea, began on Dec. 7.

The official launch of gas flows is scheduled for late 2015 at an annual pace of 15.75 billion cubic meters, with full capacity of 63 bcm set to be reached in 2018, when all four parallel lines are set up.

Many analysts have questioned the need for South Stream, saying Gazprom should concentrate on talks with Ukraine, the company's second-largest customer after Germany.

The project has also been losing appeal as gas demand has been falling in Europe, where exports of Russian gas last year fell 8 percent to 138 bcm.

Citi analysts said South Stream would unlikely reach its planned capacity should there be agreement with Ukraine.

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