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Speaking Russian in Bulgaria: New Government, New Policy?

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Considered the Soviet Union's "16th republic" in all but name, during Communist times Bulgaria was one of Russia's staunchest allies. After the democratic changes in 1989, the relations between the two countries were influenced by Bulgaria's new western course. Having joined NATO in 2004 and the European Union in 2007, Russian influence over the 7,3 million Balkan country seems to have diminished significantly.

In one key area, however, it has in fact grown: energy. Bulgaria imports most of its natural gas from Russia. Its only nuclear power plant, in Kozloduy, is Soviet-built. And, after a privatization in 1999, Bulgaria's biggest oil refinery is owned by Lukoil which is also the country's biggest company.

Even after joining the EU, Bulgaria's policies appeared to strengthen the energy ties with Moscow. In what former President Georgi Parvanov called a "Grand slam", Bulgaria agreed to cooperate with Russia on three major projects: a new nuclear power station at Belene, an oil

pipeline between Bulgaria and Greece and the Gazprom-led South Stream gas pipeline.

Bulgaria's previous center-right administration under Prime Minister Boyko Borisov, however, scrapped the nuclear plant and oil pipeline projects in an effort to diversify the country's energy sector away from Russia, although it still went on with the development of the South Stream pipeline.

The fall of Borisov's government in early 2013 and Bulgaria's new Socialist-led government revived Russia's hopes that the abandoned projects, especially the multibillion-dollar Belene plant, could be resurrected. The new PM, Plamen Oresharski, was finance minister in the 2005-2009 Socialist-led government which signed the "Grand slam" agreements with Russia. Although he seems skeptical about the oil pipeline, the Belene nuclear project could soon be back on the table.

If it does, this will not be the first time the project will be restarted. Since its inception in the early 1980s, Belene has always been an on-again, off-again project. A construction contract was finally signed in 2008 with Atomstroyexport, a subsidiary of Rosatom but after Germany's RWE withdrew as strategic investor one year later, Borisov's government stopped the development of the project. Besides RWE's departure, spiraling costs and the global financial crisis prompted the move. It was also seen as a step into diversifying away from the Russian influence in the energy sector.

The nuclear drama continued, however, with Atomstroyexport filing a claim for 1bn Euro compensation for work it had carried out already. Meanwhile, a referendum on the nuclear power plant's future initiated by the Socialists in January 2013 failed due to insufficient turnout and the outgoing Parliament sealed the decision to scrap the project in February.

While short of voicing outright support, Plamen Oresharski looks more favorable on the project saying, in his first interview as PM, that he had "a feeling that it would be better to finish it". He sees the nuclear power station "as economics not politics." It's the economics part, however, that many are questioning — throughout 2013 Bulgaria registered large surplus in energy production and had to stop some of its power stations. Moreover, skeptics say, the cost of the project — around 10 bn Euro — would render the electricity price uncompetitive. Even so, Russia's carrot-and-stick tactics — filing large compensation claims and offering to drop them if the project is restarted — as well as the pressure from some circles of the Socialist party could force the new government to consider restarting the Belene construction for the third time in thirty years.

While Belene's fate is yet to be decided, the oil pipeline project Burgas-Alexandroupolis seems all but abandoned. Signed with a lot of pomp in 2007 by Vladimir Putin together with then Prime Ministers of Bulgaria and Greece Sergey Stanishev and Kostas Karamanlis, the project foresaw Russian and Caspian oil being carried from the Black sea port of Burgas to the Aegean port of Alexandroupolis in Greece. Bulgaria's previous government under Borisov shelved it, however, after an environmental assessment and after concerns about its impact on tourism in the Burgas region.

Unlike Belene, Burgas-Alexandroupolis would be much harder to resurrect. For one, the environmental concerns are something no government can ignore. What is more, Russian companies have already been searching for alternative routes through Turkey and Italy while

Greek oil companies are struggling financially. Therefore, Oresharski's statement that the project "is not on our agenda," comes as no surprise and looks to seal off the debate about the oil pipeline.

The least controversial of the major Russian energy projects in Bulgaria, the Gazprom-led South Stream pipeline project, doesn't seem to have any obstacles, at least in Bulgaria. As the pipeline to transport Russian natural gas through the Black Sea to Bulgaria and then to Greece, Italy and Austria is seen as rival to the EU-favored Nabucco pipeline, the project is still hostage to negotiations between Brussels and Moscow. For Bulgaria, supporting both the Nabucco and the South Stream pipelines may be a stretch given flagging gas demand in Europe. Still, Bulgaria used South Stream as a bargaining chip in its negotiations with Gazprom last year on the price of natural gas where it won a 20 percent discount. With both the previous and the new governments supporting the project and about 70 percent of preparatory work preceding construction of the Bulgarian part completed, no changes in the country's stance are to be expected.

Where the Russian political leadership stands on the developments in Bulgaria remains to be seen. While surely welcoming the change in general policy towards Russian investments in the energy sector the Oresharski government brings, the development of all energy projects, and especially the South Stream pipeline, might not be a priority for Kremlin at the moment due to dwindling production and broader regulatory issues for Gazprom. Furthermore, development of the South Stream in Serbia will also largely impact how it proceeds in Bulgaria, delays rather than immediate action being the more probable outcome. Thus, pressure to restart the Belene plant will likely resurge as Bulgaria reopens for Russian state business while the two pipelines get shelved for a brighter day, a standard Kremlin (foreign) policy.

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