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Austria Gas Deal Threatens Europe's Push Away From Gazprom

By The Moscow Times

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LONDON — While officials in Brussels were calling for Europe to reduce its dependency on Russian natural gas and negotiate with Moscow as a bloc, Austria was quietly bypassing the European Commission to cut its own bilateral deal on building a pipeline.

The deal on the South Stream pipeline, which will be built under the Black Sea to Bulgaria and on to other parts of Europe, shows the European Union's inability to create a unified energy policy on Moscow during the Ukraine crisis.

While EU officials are calling for Europe to wean itself off Russian gas, private and state-owned firms, with the support of politicians, are pushing ahead with projects to buy even more.

Austrian energy firm OMV agreed last week with Russia's state-controlled Gazprom to bring the South Stream pipeline to Austria's Baumgarten gas hub, outmaneuvering Italy which had

wanted it to end there.

The Gazprom-OMV agreement continues Russia's strategy of making bilateral deals that undermine the Commission, the European Union's executive arm, which wants to build up a European front on energy supplies.

Bulgaria, which imports almost all its gas from Russia, also backed South Stream last month in defiance of Commission calls that member states should not enter bilateral deals with Gazprom without its approval.

Quietly supporting smaller EU member states such as Austria and Bulgaria is Germany, where the government has said it sees Moscow as a reliable gas supplier and industry has made big investments in securing Russian gas.

Germany is by far Gazprom's biggest customer in the EU, paying about $15 billion a year for Russian gas.

After years of lobbying by former German Chancellor Gerhard Schröder, the Nord Stream pipeline began operations in 2011.

Schröder chairs Nord Stream's board and has been an outspoken critic of moves to isolate Russia diplomatically. He drew strong criticism in the German news last week for bear-hugging President Vladimir Putin during a visit to Russia.

South Stream's proposed 2,500-kilometer route would stretch from Russia under the Black Sea through Bulgaria and Serbia to Hungary and now Austria.

Germany's BASF, the world's biggest chemicals company, is a partner in South Stream through its gas supply subsidiary Wintershall.

The head of BASF's advisory board is Eggert Voscherau, brother of Henning Voscherau, who is chairman of South Stream Transport's board of directors and a prominent former politician of Schröder's Social Democratic Party.

A government adviser in Berlin, speaking on condition of anonymity said Berlin was happy that the new pipeline was now going to Austria rather than Italy: "Bringing South Stream's gas to Austria is far better for Germany's industry and gas security than pumping it far to the south to Italy."

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