

New Western Partners Mean Green Light for South Stream

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SOCHI — The lineup of partners to build the huge and controversial South Stream pipeline took its final shape Friday as Germany's BASF and France's EDF agreed to join Gazprom and Italy's Eni in the project, in a critical step toward its accomplishment.

With two more major Western energy companies on board, the profile of the pipeline will rise in the eyes of antagonistic policymakers in the European Union, and the start of construction will become more imminent.

Come the second half of next year, the partners will finish estimating the required investment — tentatively set at 10 billion euros (\$14 billion) — and start asking banks to extend loans for the link that will carry Russian natural gas to Europe across the bottom of the Black Sea, Eni chief Paolo Scaroni said.

Under the Friday agreement, BASF and EDF each chopped 15 percent off Eni's original stake,

which measured half of the project. Gazprom retained its 50 percent.

The magnitude of the deal, which ended about two years of talks, was reflected even in body language between the company chiefs and Prime Minister Vladimir Putin, who attended the signing ceremony. Better known for his steely composure, Putin went as far as to hug all four signatories with a smile.

When the formalities were over, Scaroni beamed with satisfaction. Walking up to Energy Minister Sergei Shmatko, he told the Russian to trash his haute-couture suit, in an apparent reference to the Italian tradition of throwing things away to usher in the New Year, or a new era in this case.

"We finally signed it. You have to change everything!" Scaroni joked in English as he grabbed Shmatko by the flaps of his unbuttoned suit jacket and tugged them gently.

Shmatko told reporters separately on the sidelines of the International Investment Forum in the sun-kissed Black Sea resort of Sochi, where the companies signed the deal, that South Stream faced no insurmountable hurdles from the European Union's political leaders.

"The statements by EU Energy Commissioner Günter Oettinger, which many regard as opposition to South Stream, shouldn't be treated that way," he said, adding that he planned a meeting with the EU official on the matter.

Oettinger has warned that the pipeline would make the EU too dependent on Russia for energy supplies. South Stream would snake across eight EU members — as a result of a separate investment — after surfacing in either Bulgaria or Romania.

Harald Schwager, a member of the board of executive directors at BASF, said Friday that the company, which had partnered Gazprom in the Nord Stream pipeline under the Baltic Sea, joined the sister project in the south with the same goal of "strengthening the reliability of gas supplies," according to a joint statement by the four companies.

Commercial deliveries via Nord Stream are scheduled to start next month.

The other new entrant, EDF, believes the EU needs South Stream to meet the growing demand for energy, the company's chief Henri Proglio said, according to the statement.

Gazprom chief Alexei Miller said that the involvement of EU energy companies served as testimony of South Stream's "good timing and necessity."

Eni's Scaroni said the expansion of the pipeline consortium was another step toward cementing relations between Russia and the EU.

Russia's progress with the pipeline is likely to unnerve Ukraine, which risks losing substantial transit revenues should Gazprom reroute its westward gas flows now traversing the country. Nord Stream could take some of those shipments away as soon as the next few months. Ukrainian President Viktor Yanukovich proposed Friday that Gazprom and its partners move the Black Sea pipeline to run along the country's coast, but Gazprom quickly rebuffed the suggestion. Part, if not the entire reason for South Stream is an effort to gain an alternative to transit through Ukraine, whose bilateral gas trade disputes with Russia

caused disruption to deliveries down the line.

Russia has yet to win permission from Turkey to build the pipeline in its waters.

Italy's Eni will press on with an agreement to sell half of its stake in Libyan oilfield Elephant to Gazprom, Eni said in a statement Friday, Reuters reported. Eni, the biggest foreign oil producer in Libya, has a 33.3 percent stake in the Elephant field, 800 kilometers from Tripoli. Eni valued the stake at \$170 million. In February, Eni said Gazprom would take 50 percent of its Elephant stake, pending approval by Libyan authorities. Analysts are concerned Eni could lose assets or opportunities in the long run if Rome's hesitant support for the rebel government early in the conflict triggers a backlash.

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