

Executive Says South Stream Pipeline is a Reality, Will Be Built

By [The Moscow Times](#)

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BRUSSELS — The giant South Stream pipeline to transport natural gas from Russia to the European Union is a reality and is on schedule to be built by the end of 2015, the chief executive of the offshore section of the line said, rebutting widespread doubts that it will ever be built.

Viewed as Russia's response to EU attempts to find alternative suppliers, the \$39 billion link will stretch more than 2,000 kilometers through the Black Sea and Bulgaria, Serbia, Hungary and Slovenia to northeast Italy.

Many analysts and some diplomats have questioned the economic viability of the pipeline.

In addition to the huge price tag, it faces the technical challenge of running 900 kilometers beneath the sea and going as deep as 2,000 meters.

"The decision to invest has been taken. The shareholders have instructed us to work toward the first pipeline being in place by the end of 2015, and that is the schedule we are working on," Marcel Kramer, CEO of South Stream Transport, said in one of a series of interviews this week on gas in Europe. "It's a reality."

'South Stream's
shareholders have
instructed us to build
the first gas pipeline
by the end of 2015'
Marcel Kramer
South Stream CEO

Shareholders in South Stream are the Russian gas export monopoly Gazprom, French utility EDF, German firm Wintershall and Italian group Eni.

The link is viewed as a rival to Nabucco West and TAP, two pipeline projects vying to ship gas from Azerbaijan's huge Shaz Deniz gas field.

By the end of June, the Shaz Deniz operators are expected to select Nabucco or TAP to ship gas from the second phase of Shah Deniz, which is expected to begin production in 2018 or 2019 and rise to 16 billion cubic meters (bcm) per year: 10 bcm earmarked for Europe and 6 bcm for Turkey.

South Stream should be pumping gas well before then, Kramer said, adding that the company was close to concluding the financing for the project by the second half of this year or early 2014.

"That is the ultimate acid test for the viability of a project like that," he said.

Kramer said South Stream was likely to have more than 20 parties involved, including banks and credit export agencies.

Russia has already built Nord Stream, majority-owned by Gazprom, which pumps gas from Russia to Germany while avoiding the eastern European transit states.

At the start of 2009, a pricing dispute with Ukraine severely disrupted supplies to the European Union, which relies on Russia for roughly a quarter of its gas, more than 60 percent of which passes through Ukraine.

The incident has left Europe wary of relying too strongly on Russian gas, and EU energy policy is permeated by the desire to reduce dependence on Russia.

Gazprom, also seeking diverse outlets and pipeline routes, has said the three weeks of shutdown in 2009 cost it \$2 billion.

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