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# France Ready To Leap On The South Stream Bandwagon

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French Minister of Foreign Affairs Bernard Kouchner said on October 28 that France, the current holder of the EU presidency, was interested in both the Nabucco and South Stream gas projects and was willing to join either. Kouchner suggested, moreover, that Russia be included in the Nabucco project (Kommersant, October 28). His statement contradicts the EU's declared policy of supporting Nabucco against its rival, Gazprom's South Stream. Furthermore, participation of Gazprom in Nabucco would defeat that project's basic rationale, which is to reduce Europe's dependence on Russian gas. Nabucco with Russian participation would virtually become a "South Stream Lite."

Kouchner's Kommersant interview coincided with his talks in St. Petersburg with Russian Minister of Foreign Affairs Sergei Lavrov. In those talks, Kouchner called for a quick start to EU-Russia negotiations on a partnership agreement, signaling a return to business-as-usual after Russia's recent invasion of Georgia.

The French government seeks access to Russian gas (Russian-delivered, Central Asian gas in this case) for the Gaz de France company. State-controlled Gaz de France had earlier proposed joining the Nabucco consortium but was ruled out by Turkey in 2006, following a French parliamentary vote that had recognized "the Armenian genocide." Paris is apparently now switching sides to South Stream (or looking to change Nabucco's rationale in Gazprom's favor).

The EU's French presidency is the second consecutive presidency consorting with South Stream. In June of this year, Slovenia completed its presidency of the EU by signing up with Gazprom for South Stream. Flouting EU policy becomes all the easier when even the presiding countries do so without apparent compunction.

EU support for Nabucco is admittedly largely declarative, and even those declarations sound trembling. The EU Commission's standard line, as repeated most recently by Energy Commissioner Andris Piebalgs' spokesman Ferran Tarradellas, is that the EU supports Nabucco as a priority project but does not oppose South Stream and leaves it up to member countries to choose one project or the other (NewsIn, October 29). The implication is that the EU (or at least the commission) has a preference rather than a clear policy and does not insist on carrying it through. Publicly at least, the commission does not seem to make a strong case for Nabucco on the basis of a comparative analysis with South Stream from the standpoint of EU energy security. Instead, the European Parliament has had to take the lead in that regard (see Zeyno Baran, "Security Aspects of the South Stream Project," Hudson Institute, October 2008).

South Stream's perceived bandwagon is screeching to a halt, however. The anticipation of shortfalls in Russian gas production, drying up of international credit, and Gazprom's own precarious financial position are now delaying the project. Moscow has now decided to postpone not just the start but even the detailed planning for this project.

On October 23 and 24 Gazprom announced that it would postpone the technical and economic assessments for South Stream's sections through Greece and through Serbia from 2009 until 2010. Those assessments are supposed to be included in the final assessment of the overall project. Construction is now

envisaged for the period from 2012 to 2015 instead of 2010 to 2013. There is no agreed cost estimate for this project thus far. According to Gazprom's Foreign Economic Relations Department chief Stanislav Tsygankov, the company has yet to choose among various options for pipeline routes through a number of countries and possible branch offs from those sections (RosBusinessConsulting, RIA Novosti, Interfax, October 27, 28).

Gazprom has hinted that it might invite Romania into the project, instead of Bulgaria or Serbia, or perhaps alongside them (see EDM, October 22, 24). Such hints are designed to induce various countries to compete against each other for future access to limited amounts of Russian gas. As Sergei Emelyanov, first deputy head of Gazexport (Gazprom's export arm), has made clear, Gazprom is involved in discussions with multiple countries about their participation in South Stream, so as to have a clear picture about the market potential and political situation in each customer country (NewsIn, October 28).

At the moment, Bulgaria seems to be raising objections to Gazprom owning South Stream's pipeline section on Bulgarian territory. For its part, Serbia (where pro-Europe parties are on the ascendancy) has four issues in dispute with Gazprom: the annual capacity of the proposed pipeline (Belgrade had expected more than 10 billion cubic meters); the price of future supplies of gas; the valuation of the state company Serbian Oil Industry (NIS, which Gazprom Neft wants to acquire on the cheap, as part of the South Stream package); and Belgrade's effort to eliminate the Gazprom-created intermediary YugoRosGaz, which is now at the center of a corruption scandal in Serbia.

Facing those problems in Bulgaria and Serbia, Gazprom hinted that it might circumvent both of them by offering to include Romania in the South Stream project. While some elements in the Romanian government seemed receptive, President Traian Basescu and Prime Minister Calin Popescu-Tariceanu have publicly turned down the suggestion. Both leaders cited considerations of energy security and supply diversification in reaffirming Romania's unambiguous choice of the Nabucco project (Evenimentul Zilei, Cotidianul, October 30, 31).

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