Russia to transport oil through the Balkans.

By Dr. Igor Tomberg
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MOSCOW. (for RIA Novosti) - The difficult, 14-year-long negotiations on an oil pipeline from Burgas in Bulgaria to Alexandroupolis in Greece, bypassing the Turkish straits of Bosporus and Dardanelles, are drawing to a close.

On March 14-15, Russia, Bulgaria and Greece plan to sign an agreement on its construction at a trilateral summit.

Earlier this month, the parties agreed on the text of the agreement, according to which the 300-km pipeline will pump 35 million metric tons of oil a year at the first stage, with a possibility of increasing its capacity to 50 million. The project includes two sea terminals - one in Burgas able to unload 150,000-metric-ton tankers, and one in Alexandroupolis for 150,000-300,000 metric-ton-tankers. It also envisages the use of a technology that would allow different brands of oil to be pumped sequentially. The cost of the project is estimated at about 1 billion euros.

After the pipeline goes on stream, Russian oil will be shipped by sea from the Black Sea port of Novorossiisk to Burgas and then pumped to Alexandroupolis, from which it will be delivered to European, U.S. and Asia-Pacific markets.

Experts believe that if the project is implemented, the difference between the cost of pumping oil and shipping it through the straits will bring the industry an additional $1 billion annually.

The Russian participants in the project say that the route is beneficial for them. They, in turn, will help to ensure the necessary load for the pipeline. Sergei Bogdanchikov, president of the state-owned oil major Rosneft, said that "it is an absolute certainty that the pipeline will be full and supply guaranteed." He believes that the Russian companies supplying oil for the pipeline should hold a controlling stake in the pipeline consortium. Among these companies could be Rosneft, the Russian-British joint venture TNK-BP and Gazprom Neft, the oil arm of the Russian gas monopoly Gazprom.

The Russian government agrees. "After the intergovernmental agreement is signed, a company for the project will be set up, in which Russia will hold 51%, and Bulgaria and Greece will equally divide the remaining stake," said Deputy Prime Minister Sergei Naryshkin. He believes that construction could be launched early next year and completed at the beginning of 2009.

The main objective of the project is to reduce dependence on the Turkish straits, through which Russian tankers carry commodities to southern Europe.

Turkey has been consistently toughening the passage rules, and there are often "tanker jams" in the straits. A tanker spends an average of 20-25 days there, which affects exporters' revenues. In fact, Turkey is using the straits to put pressure on Russia, introducing restrictions on the passage of tankers from Novorossiisk. This way, it is seeking to force Russian oil producers to start using the pipeline from Baku (Azerbaijan) to Tbilisi (Georgia) to Ceyhan (Turkey), which is profitable for Turkey, but not for Russia. Turkey is becoming an increasingly important player on the oil transit market and is beginning to take advantage of its geographic location by raising transit tariffs. The Baku-Tbilisi-Ceyhan pipeline is not acceptable for Russia owing to both economic (it is too expensive) and political considerations. In contrast, the Burgas-Alexandroupolis project seems a good option with regard to its economic, political and even religious (Bulgaria and Greece are Orthodox countries like Russia) aspects.

Bulgaria and Greece are also interested in the pipeline, as it will better connect southern Europe to global oil markets and provide an impetus for developing the energy sector in the Balkans. Bulgaria alone may earn $35 million a year from oil transit. Both countries will also encourage the development of their transport and port infrastructures and create new jobs.

Clearly, the new pipeline bypassing the Turkish straits will reinforce Moscow's position in its pipeline confrontation with Turkey. It will further secure Russia's foothold on the global energy market, help it to find new consumers that will not link market relations with politics, make oil deliveries cheaper and expand transit possibilities for oil exports from countries like Kazakhstan that do not have direct access to the sea.

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