
Putin gives go-ahead for oil pipeline.

By Kerin Hope in Athens
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President Vladimir Putin will give the go-ahead today for a \$1bn pipeline to carry Russian oil from Bulgaria's Black Sea port of Burgas to Alexandroupolis on Greece's Aegean coast.

The Russian president joins Sergey Stanishev and Costas Karamanlis, the Bulgarian and Greek prime ministers, in Athens to sign a three-way inter-state agreement that ends years of dispute over the project's shareholding structure and whether the pipeline would carry Russian or Kazakh oil.

Russia owns 51 per cent of TransBalkan Pipeline, the project owner, with Bulgaria and Greece each holding 24.5 per cent. Three state-owned Russian oil companies - Rosneft, Transneft and Gaz-promneft - will supply 35m-50m tonnes of oil annually to fill the pipeline.

The deal supported Russia's drive to become a bigger player in the European Union energy market, as well as boosting Greece's ambitions to become a regional hub for transporting oil and gas, analysts said. Bulgaria's oil terminal at Burgas will be an important storage facility for the Balkans. "Russian oil companies will have access to the Mediterranean even though the amounts are not so large.

But given the high price of oil, this project has started to make economic sense," said Milko Kovachev, a former Bulgarian energy minister.

The Greek participants will include Hellenic Petroleum, the state-controlled oil refiner in which the Latsis group holds a minority stake, and Prometheus, a joint venture between Gaz-prom and the Kopelouzos group.

Two state-owned Bulgarian companies, Bulgargaz, the gas utility, and Techno-exportstroy, a construction company, will initially share the Bulgarian stake. Mr Stanishev's government has raised the possibility of selling Bulgaria's stake to a Caspian oil producer, perhaps Chevron of the US.

A Greek official said yesterday the 280km pipeline across the Rodopi mountains would be completed at the earliest in 2010. Russian oil would be shipped across the Black Sea from Novorossiysk to a terminal at Burgas. Greek tankers would load oil from the pipeline at an offshore facility near Alexandroupolis.

But given the project's fractious record, there are doubts about the timetable for its implementation. "The pipeline project is welcome but a complex commercial agreement has still to be negotiated," said Thomas Lamnides, energy specialist at KLC, an Athens-based law firm.

With the deal signed, Mr Putin is expected to re-new pressure on Mr Karamanlis to let Gaz-prom participate in a \$300m (\$400m, £205m) cross-border gas pipeline from Turkey, which is due to start operating in June.

The pipeline, with capacity to carry 11bn cubic metres yearly, is a joint venture between Depa and Botas, the Greek and Turkish state-controlled gas utilities. Under an agreement with Italy's Edison group, it will be extended beneath the Adriatic sea to Italy by 2012.

Greece already imports Russian gas from Bulgaria and liquefied natural gas from Algeria to supply an expanding domestic market.

A Depa official said this week that Greece currently planned to buy gas from Azerbaijan, which would be shipped through the new pipeline from Turkey, rather than increase its dependence on Russian gas supplies.
