
Hungary to join Russia's South Stream gas project

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Hungary will join Russia's South Stream gas pipeline project to transport Russian natural gas across the Black Sea to the Balkans and on to other European countries.

A relevant agreement was signed late on Monday during a visit to Budapest by Dmitry Medvedev, a Russian first deputy prime minister and board chairman at Russian energy giant Gazprom.

"We have coordinated a draft intergovernmental agreement to build a pipeline for the transit of natural gas through Hungary, paving the way for [Hungary] to join the South Stream route and for an underground gas storage project," said Medvedev, who is the Kremlin's front-runner in the upcoming presidential elections.

Hungarian Prime Minister Ferenc Gyurcsan told a news conference after talks with Medvedev that the two countries would sign a contract on Thursday. He said the gas storage facility would have a capacity of at least 1 billion cubic meters.

"The signing is expected to take place on Thursday, February 28, in Moscow," the Hungarian premier said. He earlier accepted Russia's invitation to hold talks with President Vladimir Putin also on Thursday.

The South Stream project is planned to transport 10 billion cu m of Russian gas annually across the Black Sea, with the first deliveries scheduled to start in 2013.

The South Stream project proposed by Russia's Gazprom and Italy's Eni is a rival project to the Nabucco pipeline backed by the EU and U.S., which will pump Central Asian gas to Europe via Turkey bypassing Russia. Nabucco, which is due to go on line by 2011, will involve Turkey, Bulgaria, Romania, Hungary and Austria.

Hungary first said it was seeking to participate in the South Stream project during a visit to Budapest by Russian Prime Minister Viktor Zubkov in December 2007. The country is also considering joining the Nabucco project.

Both Medvedev and Gyurcsan agreed that the two gas projects would not affect each other.

Gyurcsan said the Hungarian sector of the South Stream pipeline worth around \$10-14 billion would recoup its outlay within 15 years, with Hungary controlling a \$1.5 billion stake. Medvedev added that the country's sector would have a capacity of at least 10 billion cubic meters.

The two parties agreed to establish a joint venture on a parity basis, involving Gazprom, and a 100% state-owned Hungarian company for construction of the Hungarian sector.

Russia is a major gas supplier to Hungary, meeting around 70% of the country's gas demands. Last year, Russia delivered 7.5 billion cubic meters of gas to Hungarian consumers, with a commitment to supply 10.7 billion this year.

Hungarian gas meets just 18-20% of local needs. The European country

currently consumes 15 billion cubic meters a year, with experts predicting that gas consumption will increase to 17-18 billion cubic meters by 2015.

Hungary is also a transit country for Russian natural gas to Serbia, Montenegro and Bosnia.

Russia and Serbia signed an agreement on Monday to build a gas pipeline for the transit of Russian natural gas through the Balkan country. The agreement was signed in Belgrade in the presence of Medvedev and Serbian Prime Minister Vojislav Kostunica.
