
Serbian PM praises oil and gas agreement with Gazprom

RIA Novosti - 22/1/2008

BELGRADE, January 22 (RIA Novosti) - The joint construction of a stretch of a natural gas pipeline with Russia's Gazprom under the South Stream project will turn Serbia into a regional economic leader, Serbia's prime minister said on Tuesday.

The Serbian government approved on Tuesday an international agreement on cooperation with Russia in the oil and gas sector, which includes the sale of a majority stake in state-owned Serbian oil monopoly Naftna Industrija Srbije (NIS) to Russia's Gazprom, the development of Serbia's natural gas transportation system under the South Stream project, and an increase in the capacity of underground gas storage in Serbia.

The agreement is expected to be signed on January 25 in Moscow.

Gazprom offered \$580m for NIS last month, and the European Union subsequently urged Serbia to make sure its interests were "objective." The mooted deal again raised fears in Europe over perceived growing energy dependence on Russia.

Prime Minister Vojislav Kostunica said that after the agreement is signed Serbia will become more stable and will "turn into an energy leader in the region."

The South Stream pipeline proposed by Russia's Gazprom and Italy's Eni is a rival project to the Nabucco pipeline backed by the European Union and United States, which will pump Central Asian gas to Europe via Turkey bypassing Russia.

The pipeline will run from Russia's Black Sea coast under the sea to Bulgaria, where it will branch off to different destinations in the European Union, supplying 30 billion cubic meters of gas annually.

In the fall of last year a delegation from Gazprom visited Serbia, where company's CEO Alexei Miller voiced the gas giant's intention to bid for a stake in the state-run NIS after meeting with Serbian President Boris Tadic and Prime Minister Vojislav Kostunica.

Serbia initially planned to sell a 25% stake in NIS for \$300 million and oblige the buyer to invest another \$250 million in the development of the company. The company is estimated as being worth \$1.2 billion.

In December 2006, Gazprom, the Serb government, and Serbia's state-run Srbijagas signed a memorandum of understanding, expressing their interest in the construction of a new natural gas pipeline through the Balkan country's territory to ensure uninterrupted gas supplies to European countries.
