RUSSIAN ENERGY INFLUENCE IN RS, FBH, MACEDONIA AND MONTENEGRO: OSINT

Summary points:

* **Russia’s two key Balkan energy interests are the South Stream Gas Pipeline and the Burgas-Alexandroupolis oil pipeline.**
* Natural gas dependency on Russia in the Balkans (as of 2007):
  + Serbia and Montenegro Serbia – 85%
  + Croatia 37%
  + Macedonia 100%
  + B&H 92%
  + Bulgaria 92%
* December 6, 2006. Russia and Serbia sign a deal with Russia clearing Serbia’s $243 million debt acquired during the 1990s in exchange for rights to work in various Serbian energy sectors.
* June 24, 2007. The Balkans Energy Summit in Zagreb brought Russia back into the region full force; in 2007 it signed agreements with several former Yugoslav states forgiving debts to Russia in exchange for allowing Russian investment in energy sectors on the Serbian model.
* In Serbia, in 2007 Russia invested $105 million in the Djerdap hydroelectric plant, and $183 million was removed from Serbia’s natural gas imports bill from Russia. In 2009 Gazprom purchased a 51% share of Naftna Industrija Srbije (NIS), with Russia investing 400 million Euros for the majority NIS share alone, with the total sum of all of the Russia-Serbia energy deals signed in 2009 worth around $2.5 Billion.
* 2007 Zarubezhneft pays €125.8 million for a 75 percent share of Bosanski Brod Refinery, 66.75 percent share in Modrica Oil refinery and a 70 percent share in Banjaluka Petrol; all located in RS. Zarubezhneft also promises to pay off all of the companies debts, exceeding €72 million Euros, promising to invest €600-700 million in the modernization of the Republika Srpska’s oil industry.
* Mar 6, 2010. Republika Srpska joins the South Stream project.
* September 15, 2010. Russia signs formal agreements with Macedonia and Republika Srpska expressing interest for the South Stream pipeline to cross through both Macedonia and RS.
* November 30, 2010. Russia and Bulgaria agree to set up a joint engineering firm to complete the Belene Nuclear power plant project.
* December 27, 2010. NeftegasInCor, a subsidiary of s Zarubezhneft, said it intends to invest $150 million in the Bosanski Brod oil refinery in Bosnia in 2011 to maintain its production capacities.
* On Jan 31, 2011 Gazprom Neft offered to purchase an additional 19% of NIS for 209 million Euros.
* Russia has small influence in the B&H Federation; Russia is not listed as a nation the Fedration exports to, however the Federation imports 3.9% of foreign goods from Russia.
* Russian energy investments in Montenegro were approximately 2 billion as of 2006. Russian aluminum (RusAl) acquired a majority interest in Kombinat Aluminijum Podgorica, an aluminum smelting facility with a thermoelectric power station, bauxite mine and coal mine.
* The Montenegrin government nationalized the failed venture in 2009 amid controversy.

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<http://in.news.yahoo.com/serb-nis-invest-740-mln-refineries-2012-20110121-080232-730.html>

BYLINE: Aleksandar Vasovic

SECTION: Serb NIS to invest $740 mln in refineries by 2012

LENGTH: 337 Words

HIGHLIGHT: NIS (Gazprom Neft is the majority shareholder) will invest $740 million to overhaul its refineries.

By SARAJEVO, Jan 21 (Reuters) - NIS, **Serbia's largest refiner and fuel retailer, majority owned by Russian group Gazprom Neft, said on Friday it would invest $740 million to complete the overhaul of its refineries in 2012**. NIS Chief Executive Kiril Kravchenko said the project would enable the company to harmonise the quality standards of the fuels it produces with those in the European Union. "The main benefit of this project will be in the complete transfer of NIS production to Euro-5 standard and phasing out of the production of lower-standard fuels, which are no longer used in the EU," Kravcenko said in a statement emailed to Reuters. He added that NIS expected the Serbian government, its second-largest shareholder, "to fulfill the obligations ... related to the maintaining of the current requirements regarding quality of petroleum products". The Serbian government this month increased the duty on fuel imports and lowered it for domestically produced fuels, which prompted complaints from fuel traders that it would create unfair competition and push up retail prices. NIS has held a monopoly in oil processing since 1999, when NATO bombing heavily damaged its two refineries. The monopoly, approved by the government to give NIS time to recover and become competitive, expired this month when the government cancelled price caps on gas, diesel and heating oil. **Gazprom Neft paid 400 million euros ($533.8 million) last year for 51 percent of NIS as part of an energy pact between Serbia and Russia. The Serbian government holds 29 percent of NIS. The remaining 20 percent belongs to former employees and about 4.8 million citizens, who got shares as a part of a government plan to distribute stock in public companies. Gazprom Neft earlier said it was mulling an acquisition of another 19 percent stake in NIS at 4.8 euros per share and would launch the offer as soon as it got approval from Serbia's Security Commission.** (Reporting by Maja Zuvela; Editing by Aleksandar Vasovic).

<http://www.pennenergy.com/index/articles/newsdisplay/1330377512.html>

BYLINE:

SECTION: Zarubezhneft's subsidiary to invest $150mn in Bosnian oil refinery in 2011

LENGTH: 159 words.

HIGHLIGHT: 150 million to be invested in the RS oiol refinery in Bosanski Brod.

**Zarubezhneft's subsidiary to invest $150mn in Bosnian oil refinery in 2011**  
  
Russian Financial Control Monitor(RFCM): Business News (English)  
December 27, 2010

MOSCOW. NeftegasInCor, a subsidiary of state-controlled oil and gas producer Zarubezhneft with operations outside of Russia, said it intends to invest $150mn in the Bosanski Brod oil refinery in Bosnia in 2011 to maintain its production capacities.

Company president Yuri Smirnov said they would invest a total of (EURO)750mn in the Bosnian oil refinery by 2015 to increase its annual capacity to 3.5mn metric tons (70,479 bpd) and to supply its products to both domestic and foreign markets.

In 2010, the refinery plans to process 1.3mn metric tons of oil (26,178 bpd). It processes Russia's Urals oil blend delivered via the Druzhba and Adria pipelines.

NeftegasInCor bought a majority stake in Bosnian oil refinery Modrica in late 2007. It currently owns 75.65% of Modrica, 80% of Bosnia's other oil refinery, Bosanski Brod, and 80% of fuel retailer Petrol.

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Russian Financial Control Monitor(RFCM): Business News (English)

Wire News provided by LexisNexis

<http://www.energetika.net/eu/novice/electricity/brod-and-modrica-oil-refineries-fulfil-their-operative-plans>

BYLINE: Mirsad Bajtarevic

SECTION: Brod and Modrica Oil Refineries Fulfill Their Operative Plans

LENGTH: 213 words

HIGHLIGHT: Zarubezhneft predicts that 2009 figures will be met.

**Brod and Modrica oil refineries fulfill their operative plans**

January 28th 2010

Milorad Dodik, Prime Minister of Republika Srpska and Slobodan Puhalac, Minister of Industry, Energy and Mining met in Banja Luka with a delegation of the Russian company Zarubezhneft, led by Director General Nikolaj Brunic.

**Representatives of the Russian company informed Prime Minister Dodik and Minister Puhalac that the Brod and Modrica refineries managed to reach the planned production volumes in 2009 and obtained a satisfactory quality of oil products.**   
  
The government of Republika Srpska further released that the representatives of Zarubezhneft also presented the operating plan for 2010, quoting that over the past few days the Brod refinery released the first volumes of liquid sulphur onto the market and that the objective of the company was to introduce state-of-the-art technologies into oil processing and laboratory work, so that the derivatives produced at the respective refinery would achieve the highest standards of quality.   
  
Prime Minister Dodik said that the government supported the work of both Brod and Modrica refineries, to which he also highlighted that the two companies employed a considerable number of people and that thanks to Brod refinery, the import of oil derivatives to Republika Srpska was substantially lower.

<http://www.balkaninsight.com/en/article/russia-energy-minister-in-sofia>

9 Feb 2010 / 09:31

BYLINE:

SECTION: Russia Energy Minister in Sofia

LENGTH: 371 words

HIGHLIGHT: Rosatom ready to help finance the Belene nuclear power plant.

Russia Energy Minister in Sofia

Russia's readiness to finance the multi-billion euro nuclear project in the Bulgarian Danube town of Belene, which has stalled over lack of funding, will top the agenda of the meeting of Bulgarian and Russian energy ministers Friday in Sofia.

Russian Energy Minister Sergey Shmatko and the head of the Russian Atomic Energy Corporation, Rosatom, are set to arrive in the Bulgarian capital today, Novinite reports.

The meeting comes just two days after the surprising visit of Gazprom CEO Alexei Miller, who arrived in Sofia on Wednesday at the invitation of the Bulgarian company Bulgargaz and conferred with Prime Minister Boyko Borisov and President Georgi Parvanov. The essence of his visit has been described as “negotiations for the start of negotiations”.

Bulgaria's minister of the economy and energy, Traicho Traikov, announced earlier this week that the country plans to seek a loan of about €2 billion from Rosatom so that construction work on the site in the Danube town of Belene can continue in 2010 and 2011.

Meanwhile Finance Minister Simeon Djankov said that he will never allow the provision of any state guarantees for loans.

Rosatom announced at the end of last year that it was ready to finance the multi-billion euro nuclear power plant project in Bulgaria.

The tender for a consultant to help the government decide how to proceed and attract new investors for the planned Belene plant is scheduled to be announced by the end of February.

Bulgaria's new centre-right government, which has put the 2,000 megawatt Belene under review due to rising costs, came up with the idea to hire a new consultant after German utility RWE walked out of the project due to funding problems and Sofia decided to redesign it in order to attract new investors.

RWE's departure from the Belene nuclear plant project put extra pressure on the government to find new shareholders.

The new government plans to cut its shares in the project from 51% to 20-30%, which would still allow the country to keep its blocking quota.

Belene's reactors are to be of the Russian VVER-1000 class, while western companies will provide instrumentation and control systems.

State power utility NEK has a majority stake in the plant.

<http://en.rian.ru/world/20101130/161568332.html>

BYLINE: Dimitar Dilkoff

SECTION: Russia, Bulgaria sign memorandums on Belene nuclear plant

LENGTH: 203 words

HIGHLIGHT: Russia/Bulgaria create a joint engineering firm to finish the Belene project, Bulgaria ceases financing to Belene.

**Russia, Bulgaria sign memorandums on Belene nuclear plant**

**Russia and Bulgaria agreed to set up an engineering company to complete Bulgaria's Belene nuclear plant and appointed the first strategic investors in the project, a spokesperson for Russia's nuclear corporation Rosatom said on Tuesday.**

The three memorandums were signed in Sofia.

Rosatom head Sergei Kirienko earlier said that that apart from Rosatom and Bulgaria's National Energy Company, the agreements also involved the Fortum and Altran companies.

On Tuesday, the Bulgarian news agency BGNES announced that the country's prime minister, Boyko Borisov, had said that Bulgaria would not allot any more money to Belene.

**The Bulgarian prime minister emphasized that he would continue further discussions on Belene only if Russia invests additional money into the project, adding that Belene construction costs were around 6 billion euros.**

Construction of the 1000 MW Belene project was launched in 1984, but was halted in 1991 over a shortage of funding and protests by environmental groups.

In 2004, the Bulgarian government decided to resume the construction of two reactors at 1000 MW each.

**In January 2008, Russia's Atomstroyexport and Bulgaria's National Electric Company (NEC) signed a contract for the design, construction and installation of Belene's Units 1 and 2.**

MOSCOW, November 30 (RIA Novosti)

<http://english.ruvr.ru/2010/03/06/5082488.html>

BYLINE:

SECTION: Bosnia’s Republika Srpska Joins South Stream

LENGTH: 131 words

HIGHLIGHT: Russian companies ready to invest 1 billion dollars into Republika Srpska over the next five years, 1.5 billion cubic meters of gas will be pumped into Bosnia with new pipelines.

Mar 6, 2010

Bosnia’s Republika Srpska joins South Stream

Bosnia’s Republika Srpska joins the South Stream project, said the republic’s Prime Minister Milorad Dodik on his return home from Moscow. According to him, the capacity of a pipeline to be laid to Bosnia from Serbia, will make up 1.5 billion cubic metres of gas per year. The ITAR-TASS news agency quotes Prime Minister Dodik as saying that he is prepared to have his republic connected via more gas pipelines to Croatia and the Muslim-Croat Federation of Bosnia-Herzegovina. Russian companies, Dodik said, are prepared to invest in Republika Srpska’s energy industry over 1 billion dollars in the next five years. Republika Srpska is, besides, prepared to sign a concession treaty to authorize Russian companies to prospect for oil in the republic proper, Milorad Dodik said.

<http://jutiagroup.com/20101011-russia-makes-major-headway-with-south-stream-pipeline/>

BYLINE: Jen Alic

SECTION: Russia Makes Major Headway with South Stream Pipeline

LENGTH: 709

HIGHLIGHT: Russian formal agreements with Macedonia and Republika Srpska over

Russia Makes Major Headway with South Stream Pipeline

By Global Intelligence Report, on October 11th, 2010

Russia’s South Stream pipeline plans have increased momentum, netting formal agreements in the Balkans, most recently with Bosnia’s Serb-dominated entity of Republika Srpska and Macedonia. The president of Bosnia’s Republika Srpska entity, Milorad Dodik, and Russian Energy Minister Sergei Shmatko signed an agreement on 15 September in Moscow formally expressing interest in the construction of a branch of the South Stream pipeline through Republika Srpska.

If a feasibility study carried out by Russia’s state-owned gas giant Gazprom over the next couple of months proves positive, Republika Srpska would build a 480-kilometer branch of the South Stream pipeline through northern Bosnia, carrying up to 1.5 billion cubic meters of gas annually. Dodik told news agencies after the signing of the agreement that he expected the feasibility study to be completed and the green light given for the project within a couple of months.

Then, on 1 October, officials in Macedonia met with a Russian delegation from Gazprom to discuss the feasibility of participating in the South Stream pipeline. Macedonia is interested in joining the project, with Macedonian [Finance](http://jutiagroup.com/20101011-russia-makes-major-headway-with-south-stream-pipeline/) Minister Zoran Stavrevski telling local media on 2 October that the country’s involvement would lead to long-term gas supply stability that is of “crucial importance for the country’s economic development … and foreign investment.”

Gazprom Project Director Leonid Chungov said that the Russian state-owned gas giant was now considering the feasibility of Macedonia’s involvement in the pipeline, telling reporters that “we have come to a joint conclusion that, due to rising gas demand, we need to consider the option of a gas pipeline transiting Macedonia.” Slovenia signed on to the project in November 2009, and Croatia signed on in March 2010.

Analytical Note:

Macedonia’s involvement in the South Stream gas pipeline is still unclear. Gazprom officials say that it will take at least a year to determine the feasibility and type of role Macedonia could play. At the same time, the Macedonian finance minister told reporters that constructing a branch of the pipeline through the country might not be an option as it would necessarily automatically involve neighboring countries Albania and Kosovo.

Unlike its main competitor, the Nabucco pipeline – a Western endeavor seeking to transport Middle Eastern, Central Asia, and Caucasian gas to Europe, bypassing Russia – Russia’s South Stream pipeline has met with fewer political and logistical obstacles. The South Stream pipeline, which should be operational by 2015, will transport Russian gas to the Black Sea and then on to Europe.

Serbia, Bulgaria, Hungary, and Greece are all formal participants, while Croatia, Slovenia and Bosnia having formally expressed interest pending further discussions and feasibility studies. The race to complete both pipelines will largely determine the balance of power in the Balkans and the wider region.

While Nabucco has the support of Turkey, Bulgaria, Romania, Hungary, and Austria, the South Stream has the support of Italy, Serbia, Macedonia, Slovenia and Greece. Presently, Russia’s South Stream pipeline plans are more concrete, though in recent months, Nabucco has made some progress.

That said, the back-and-forth between Turkey and the European Union over the former’s membership in the bloc could set more obstacles in the way of the pipeline’s progress. The South Stream pipeline has not been plagued with such disagreements. Serbia stands to become a key regional hub in the South Stream energy setup. Republika Srpska’s participation in the South Stream pipeline became inevitable in 2009 when Serbia’s state-run Srbijagas acquired a 40% share in Republika Srpska’s Gaspromet.

Once the South Stream pipeline is fully operational, Serbia will, as such, control much of Bosnia’s natural gas supplies. In Bosnia, Federation entity gas authorities have criticized the Republika Srpska plan to join the South Stream pipeline as being politically motivated and financially unsound because there is not a large enough consumer base to support the project.

Now, delivery of Federation gas comes only from Serbia, but plans are underway for a pipeline connection to Croatia, according to Federation authorities. According to the director of BH-Gas – the Federation’s gas distributor – Almir Becarevic, European institutions marked the feasibility study for the construction of a 250-kilometer pipeline connecting the Federation with Croatia as the most profitable, and a large share of the financing for that project has already been arranged with the European Bank for Reconstruction and Development (EBRD).

By Jen Alic for the Global Intelligence Report.  [www.GlobalintelligenceReport.com](http://r20.rs6.net/tn.jsp?llr=9l7cu5dab&et=1103764054546&s=13&e=001ZOmp6la6R9wUZCaVDrwTqkdvuiSs5vMd1_xoxsTVoQnKOe9L2qgSLCkb1u9xmy9rUDfV2MZgkqxGv4vfMu3xGLeQoDT92ijwtKtRDZyYU5VdOJXSMv2HoTHJKKHmIYWQxMwUkHRNZv4=)

BYLINE: Gordana Filipovic

SECTION: Serbs, Russia initial Soviet era debt deal

LENGTH: 1,266

HIGHLIGHT: Gazprom waives Serb gas debt for business investment rights.

# UPDATE 1-INTERVIEW-Serbs, Russia initial Soviet era debt deal

Wed Dec 13, 2006 1:53pm GMT

BELGRADE Dec 13 (Reuters) - Serbia and Russia on Wednesday initialled a deal to settle mutual communist-era debts, with Serbia clearing its debt to Gazprom ([GAZP.MM](http://uk.reuters.com/business/quotes/overview?symbol=GAZP.MM)) amassed in the 1990s and Russia repaying its liabilities through work in various energy sectors.

The formal signing of the complex plan that untangles a decades old debt backlog is expected by the end of the month in Moscow, Serbia's Economy Minister Predrag Bubalo told Reuters.

It also paves the way for greater Russian involvement in the Serbian energy and financial sectors, Bubalo, in Moscow for talks, told Reuters in a telephone interview.

"The (debt-settlement) agreement refers to repayment of $188 million debt for gas deliveries in the past," Bubalo said.

Serbia piled up a $243 million debt for gas delivered during the rule of late strongman Slobodan Milosevic, $70 million of which will be treated as commercial debt and repaid separately by Serbian gas monopoly Srbijagas, Bubalo said.

As part of the debt settlement, Russia will deliver $100 million worth of equipment for Djerdap hydroelectric power plant on the Serbian border with Romania and build a $5 million accelerator unit in Belgrade Institute of Nuclear Science Vinca.

Earlier plans for Gazprom to take part in the construction of Serbia's first underground gas reservoir at Banatski Dvor were amended after Serbia completed the first stage on its own.

"But Gazprom can fill the reservoir with the gas. We will build other gas reservoirs and the Russian side is ready to invest in those facilities," Bubalo said. The initialling of the debt deal was only a part of what Bubalo agreed with Russian Emergencies Minister Sergei Shoigu.

"Next week, Serbia and Russia will sign in Moscow a memorandum of understanding on the construction of a ($1.0 billion) gas pipeline from Bulgaria through Serbia to northern Italy," Bubalo said of a deal first agreed six months ago.

PLEASING RUSSIA

Bubalo said Serbia would have to tackle the Russian side's concerns over the inability of oil giant LUKOIL ([LKOH.MM](http://uk.reuters.com/business/quotes/overview?symbol=LKOH.MM)) to expand business in Serbia due to tough rules implemented by local authorities in Belgrade and some other towns. LUKOIL bought a 70 percent stake in Serbia's second-largest petrol chain Beopetrol for 207 million euros in August 2003, but has not managed to upgrade the filling station network.

Modernising the network will boost its image in the retail market where competition has grown since 2003 with the arrival of Austria's OMV ([OMVV.VI](http://uk.reuters.com/business/quotes/overview?symbol=OMVV.VI)), Slovenia's Petrol ([PETG.LJ](http://uk.reuters.com/business/quotes/overview?symbol=PETG.LJ)), AVIA, Hungary's MOL MOLB.BU and Greek Hellenic Petroleum ([HEPr.AT](http://uk.reuters.com/business/quotes/overview?symbol=HEPr.AT)).

Also, Russia will finally get access to the Serbian banking sector, dominated by western banks, Bubalo said.

"The National Bank of Serbia has issued an approval to the Bank of Moscow to buy Agrobanka AGBN.BEL. The Russian partner can now move on with its plans," he said.

Pleasing Russia is seen as the key to ensuring its support in Belgrade's battle to keep the breakaway, United Nations-run province of Kosovo within its borders. In turn, Russian Duma will by March 2007 ratify a free trade pact with Serbia, which allows exports of some goods to Russia at a zero customs duty.

<http://www.balkaninsight.com/en/article/russia-owned-bosnian-oil-refinery-reopens>

27 Nov 2008 / 07:35

BYLINE:

SECTION: RS Bosanski Brod oil refiniery production begins after Zarubezhneft investment.

LENGTH: 449 Words

HIGHLIGHT: Russian investments of €125.8 million for a 75 percent share of Bosanski Brod Refinery, 66.75 percent share in Modrica Oil refinery and a 70 percent share in Banjaluka Petrol begin to bear fruit.

**Russia-owned Bosnian Oil Refinery Reopens**

Sarajevo \_ Bosnia’s oil refinery in the northern town of Bosanski Brod has restarted production after three years, following investment by its new owner, Russia’s state oil giant, Zarubezhneft.

The reopening ceremony on Thursday was broadcast live on the television of the Serb-dominated Bosnian entity of Republika Srpska. All top Bosnian Serb officials were present at the ceremony.  
  
Local and Russian officials welcomed this development as a major economic breakthrough, not only for the country but the region itself – especially so at the time of the fast-approaching global recession.  
  
Bosanski Brod refinery and accompanying oil-processing facilities in the neighbouring town of Modrica were one of the leading business enterprises in the 1970s and 1980s across the whole former Yugoslavia. Yet the facilities suffered serious damage during the war and the company lost both most of its suppliers as well as the market.  
   
Bosanski Brod Oil Refinery struggled for years and piled up debts until it finally had to shut down production three years ago. In 2007, Republika Srpska government made a direct deal with Russia’s Zarubezhneft, which paid a total of €125.8 million for a 75 percent share of Bosanski Brod Refinery, 66.75 percent share in Modrica Oil refinery and a 70 percent share in Banjaluka Petrol. The buyer also pledged to repay the debts of these three companies, exceeding €72 million Euros, and invest a further €600-700 million in the modernisation of the Republika Srpska oil industry.   
   
However, some economic experts, local media and non-governmental organisations criticised the Republika Srpska government for circumventing public tenders and striking a non-transparent direct deal with the Russian firm. Experts also criticised the deal also because in the first phase the oil refinery will be producing products which are not in line with the latest European environmental requirements. Yet all admitted the importance of the deal for the country and for the oil refinery which effectively collapsed, and its workers who were left without work and salaries for years.  
   
The reopening of the Brod Refinery is mainly seen as a result of the aggressive privatisation and business policy of the Republika Srpska government. Meanwhile, the government in the other Bosnian entity, the Croat and Bosniak (Bosnian Muslim)-dominated Federation, is seen as still completely blocked by political infighting and unprepared for the worsening economic and social environment in the country.  
   
The Federation government on Thursday announced 29 percent increase in prices of natural gas, retroactively from November 1, due to the sharp increase in the prices of the Russian supplier, as well as increased transportation costs. This increase is expected to trigger a domino effect in prices of all goods and services that depend on natural gas for production or heating.

BYLINE: Balkan Insight

SECTION: Serbia, Russia to Finalize Energy Deal

LENGTH: 344 Words

HIGHLIGHT: Gazprom purchases Naftna Industrija Srbije for 400 million euros.

<http://www.balkaninsight.com/en/article/serbia-russia-to-finalise-energy-deal>

7 Nov 2008 / 05:37

Serbia, Russia to Finalize Energy Deal

Belgrade \_ Serbia’s government backs a key energy deal which foresees the sale of its oil monopoly, Naftna Industrija Srbije, NIS, to Russian energy giant, Gazprom, Serbia’s Prime Minister says.

“Serbia has a very strong interest in achieving long-term energy independence, and all calculations are indicating that the Gazprom deal is favorable for our country if implemented as a whole,” Mirko Cvetkovic said in an interview with the state-run Tanjug news agency.  
  
**Last year Serbia and Russia reached a tentative agreement by which Gazprom’s oil arm, Gazpromneft, will purchase a 51 per cent stake in NIS for €400 million and invest an additional €500 million in it by 2012.**  
  
“It is my impression that the NIS talks have gone farther than the two other parts of the agreement,” Cvetkovic said ahead of the talks slated to start on Monday.  
  
Serbia's Prime Minister stressed that the two sides should also agree on the creation of a joint venture between Serbia’s gas provider Srbijagas and Gazprom, development of the South Stream pipeline and about the completion of an underground gas storage in the northern town of Banatski Dvor.  
  
Ahead of his visit to Belgrade, Dimitry Malishev, an advisor with Gazprom’s board of directors, said that signing of the deal might take place in Moscow on November 24-25.  
  
Earlier this month Serbian negotiators reportedly asked their Russian counterparts to extend the current November 22 deadline for signing the deal as it remains unclear whether Gazpromneft will fund the investments through a cash payment or a loan.  
  
According to media reports the Russian side said it prefers that NIS take out a €500 million loan which would be supplied with Gazprom's guarantees.  
  
**In July, the Serbian government said it wanted to renegotiate the sale of NIS, arguing the proposed price was not sufficient. In August, the Deloitte & Touche auditors said that the total price of Naftna Industrija Srbije is €2.2 billion.**  
  
In his September visit to Belgrade, Sergey Shoigu, Russia's minister for emergency situations and the key negotiator in the sale of NIS, flatly rejected Serbia’s proposal.

<http://rt.com/news/european-dependence-on-russian-gas/>

BYLINE: RT.com

SECTION: European Dependence on Russian Gas

LENGTH: 344 Words

HIGHLIGHT: Gas dependency in the region: Serbia – 85%, Bulgaria – 92%

## European dependence on Russian gas

Published: 14 January, 2009, 10:49

Russia’s daily gas supply to Europe is estimated to be about 300 million cubic metres, with 80 percent of the flow being transited through Ukraine.

Countries totally dependent on Russian gas include Bulgaria, Bosnia and Herzegovina, Slovakia, Slovenia and Moldova, as well as the Baltic states.

**The table below shows the volume of Russia’s daily gas supplies to Europe:**

Germany – 96 million cubic metres  
Italy – 60.5 million cubic metres (as of 2006)  
Turkey – 75 million cubic metres  
France – 27.4 million cubic metres (as of 2006)  
Hungary – 38 million cubic metres  
Great Britain – 23.8 million cubic metres (as of 2006)  
Poland – 21 million cubic metres (as of 2006)  
Czech Republic – 18 million cubic metres  
Austria – 11 million cubic metres  
Romania – 15 million cubic metres (as of 2006)  
Greece – 7.4 million cubic metres (as of 2006)  
Bulgaria – 9,7 million cubic metres  
Serbia – 10 million cubic metres  
Macedonia – 0.3 million cubic metres (as of 2006)  
Croatia – 3 million cubic metres (as of 2006)  
Belgium – 8.8 million cubic metres (as of 2006)  
The Netherlands – 12.9 million cubic metres (as of 2006)  
Switzerland – 1.1 million cubic metres (as of 2006)  
Finland – 13.4 million cubic metres (as of 2006)  
Bosnia and Herzegovina – 1.1 million cubic metres (as of 2006)  
Slovenia – 1.9 million cubic metres (as of 2006)  
Slovakia – 19 million cubic metres (as of 2006)  
Moldova – 3.8 million cubic metres

**In addition, the dependence of some countries on Russian gas reaches almost 100%:**

Germany – 37%  
Italy – 25%  
Turkey – 60%  
France – 16%  
Hungary – 65%  
Poland – 40%  
Czech Republic – 75%  
Austria – 51%  
Greece – 90%  
Bulgaria – 92%  
Serbia – 85%

The daily amount of the so-called 'process gas' necessary to deliver Russian gas to Europe through Ukraine's transit routes is estimated at about 21 million cubic metres.

<http://www.balkaninsight.com/en/article/serbian-govt-split-on-russian-energy-deal>

BYLINE: RT.com

SECTION: European Dependence on Russian Gas

LENGTH: 355 Words

HIGHLIGHT: Serb government split over energy deals, nationalists want closer ties with Russia.

11 Dec 2008 / 09:42

Serbian Government Split on Russian Energy Deal

An energy deal with Moscow, involving the sale of Serbia's oil monopoly to Russia in return for the construction of a pipeline through the country, has triggered a split within Serbia's government.

Serbia's Economy Minister Mladjan Dinkic said Serbia should sell its state energy company, NIS, only if Russia signs firm guarantees that the South Stream natural gas pipeline will indeed be built.  
  
But Deputy Prime Minister Ivica Dacic said Serbia should sell the company even without Moscow's guarantees, or risk losing the support of its "strategic" political ally.  
  
Dinkic's pro-Western G-17 party and Dacic's Socialists – once led by strongman Slobodan Milosevic - are junior partners in Serbia's coalition government led by President Boris Tadic's Democratic Party.  
  
The split further shakes the government amid economic woes triggered by the global financial crisis. The government was to discuss the energy deal on Thursday but no firm decision by the Cabinet was expected.  
  
Last week, Tadic held talks in Belgrade with the head of the oil arm of Russia's Gazprom, Alexei Miller.  
  
Miller said then that the Russian energy giant is to buy a 51-percent stake in Serbia's NIS for an estimated €400 million, with the deal expected to be signed by the end of this month.  
  
Dinkic and other pro-Western ministers in the government fear that Russia's takeover of the country's energy sector would dramatically increase Moscow's political influence in the Balkan country.  
  
Dinkic said that Russia insists on maintaining a monopoly over the sale of oil products in Serbia until 2014, is reneging on its promise to invest €500 million in modernising NIS, and has offered no guarantees that the European Union's pollution protection standards would be implemented.  
  
The €10 billion pipeline under the Black Sea would carry Russian natural gas to Bulgaria and Serbia before branching out to points in Western Europe.

<http://www.dw-world.de/dw/article/0,,3089811,00.html>

BYLINE: DW

SECTION: Russia, Serbia Close Ranks as EU Mulls Next Move

LENGTH: 867 Words

HIGHLIGHT: Russia supports Serb desires in Kosovo for NIS and other investments

# Russia, Serbia Close Ranks as EU Mulls Next Move

#### While the EU keeps trying to find a way to back Serbia's moderate president in a runoff election overshadowed by the Kosovo question, Serbia moved closer to Russia by signing a major energy deal with Moscow.

Serbia's pro-Western President Boris Tadic in Moscow on Friday, Jan. 25, thanked the Russian leadership for its support of Serbia in the Kosovo conflict, as the two countries agreed to grant Russia a major stake in Serbia's oil and gas industry.

In the presence of Tadic and Russian President Vladimir Putin, Russia's state-controlled oil concern Gazprom and Serbia's NIS signed an agreement granting Gazprom control of 51 percent of the Serbian company for 400 million euros ($586 million).

 In addition, the two sides agreed to build a South Stream gas pipeline through Serbia to supply southern Europe in partnership with Italian energy supplier Eni.

The two Slavic countries also agreed to build a large gas storage facility in Serbia. According to pipeline plans, the gas is to be pumped in the future from the Black Sea region through Bulgaria and Serbia in the direction of the European Union.

The planned pipeline, it was said, was a Russian reaction to the competing project by the EU, which is planning the Nabucco pipeline to transport gas to the West through the Caspian Sea to limit the bloc's dependence on Russian energy deliveries.

Selling out for Kosovo?

Serbian Economics Minister Mladjan Dinkic has criticized the sale of NIS as a dissipation of state assets, adding that Gazprom should have paid at least 1.5 billion euros for the company.

Western diplomats in Serbia have speculated that the sale of NIS was a token of gratitude to Russia for its support in the Kosovo conflict.

"Without Russia's position, it would be very difficult for Serbia to protect its interests in Kosovo," the Interfax news agency reported Tadic as saying at the start of his meeting with Putin at the Kremlin.

Putin rejects independence

UN Security Council veto power Russia has rejected independence for the southern Serbia province of Kosovo against Belgrade's will.

"I am very happy that our political contacts are developing positively," Putin said about relations between the two countries, adding that he "categorically" opposed a unilateral declaration of independence by Kosovo.

"This would risk provoking serious damage to the whole of the international legal system and would have negative consequences both for the Balkans and the world," Putin said.

Kosovo's prime minister, Hashin Thaci, on Thursday said that a unilateral declaration of independence was just a matter of days.

Can Tadic survive?

Tadic was visiting Moscow almost a week before the Serbian runoff elections on Feb. 3. Tadic, who is backed by the United States and the European Union, is running against nationalist challenger Tomislav Nikolic.

Russian media considered the meeting in Moscow as support for Tadic in the election, with the daily Izvestiya on Friday postulating that Russia would profit more from a moderate Serbian president such as Tadic than the extremist Nikolic.

Nikolic is to visit Russia's parliament on Monday, according to news reports.

EU looks for incentive

 European Union officials meanwhile were also keen to ensure Serbia's pro-EU orientation.

On Thursday, the current holder of the EU presidency, Slovenia, said the bloc hoped to sign a Stabilization and Association Agreement (SAA) with Serbia on closer integration "in the coming days."

But an SAA could be delayed as the Netherlands and Belgium are blocking such a step until alleged Serbian war criminal Ratko Mladic is handed over to the International War Crimes Tribunal in The Hague.

In order to send a positive signal to Serbia ahead of the Feb. 3 election, EU officials are now hoping to sign an interim pact on trade and cooperation.

"The idea is that the European Commission could be given the green light by foreign ministers next Monday to sign the interim agreement to give the Serbs some positive gesture," a senior EU diplomat told Reuters on condition of anonymity.

This move would, however, also require unanimous backing by all 27 EU members.

Croatian, Russian Ministers Discuss Energy

Zagreb \_ Croatia’s Economy Minister Damir Polancec and Russia’s Emergencies Minister, Sergei Shoigu, have held talks on Monday on infrastructure projects in the energy sector.

Speaking to the press afterwards, Polancec said they agreed that the Druzba Adria oil pipeline project, the South Stream gas pipeline project, the privatisation of Croatian shipyards, and the renewal of Croatian oil company INA's contract with Moscow energy giant Gazprom would be discussed at the next meeting of the intergovernmental commission in Russia in the second half of November.  
  
Polancec said positions on Druzba Adria could be re-examined if Russia was still interested in the project.  
  
Shoigu said the South Stream project had already been ratified in Bulgaria and Serbia (read more: http://balkaninsight.com/en/main/news/13329/), and that he saw no obstacles to its implementation in Croatia.  
  
Speaking of the INA-Gazprom contract, which expires at the end of 2010, Polancec said Croatia had requested a renewal of the contract and additional quantities of gas.  
  
He added that Croatia purchased 1.17 billion cubic metres of gas per year and would like to import 2.5 billion as of 2011.

Muslim-Croat Federation statistics: <http://www.fzs.ba/saopcenja/2010/16.1.1.pdf>

<http://www.rferl.org/content/article/1077355.html>

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# Russia: Moscow Turns Its Attention to The Balkans

June 27, 2007

By Brian Whitmore

June 27, 2007 (RFE/RL) -- Two summits in two Southeast European cities. One loud and clear message from Russian President Vladimir Putin: We're back.

Addressing a Balkan energy summit in Zagreb, Croatia on June 24, Putin was as poker-faced as ever as he trumpeted a landmark deal that could secure Moscow's continued dominance of Europe's energy market.  
    
"As you know, yesterday [June 23] Gazprom and the Italian [energy] company Eni signed a memorandum on the possible construction of a gas pipeline under the Black Sea," Putin told 10 heads of state from the Balkan region.   
    
Putin also said Russia wants to build "underground storage facilities in several Balkan states, which will not only improve energy supplies to the region, but will make it more attractive and more important from the perspective of solving energy problems in Europe as a whole."   
    
A day later at a meeting of the Organization of the Black Sea Economic Cooperation (BSEC) in Istanbul, Turkey, Putin urged member states to foster stability in the region's energy markets by signing long-term contracts -- presumably with Russia.  
Putin later told reporters that "the Balkans and the Black Sea [region] has always been a sphere of our special interests," adding that it is "natural that a resurgent Russia is returning there."   
    
Analysts say Putin's energy diplomacy in the Balkans and Turkey was partially aimed at frustrating the European Union's efforts to diversify the continents energy supply to lessen dependence on Moscow. But Putin also had a larger agenda: reestablishing a Russian sphere of influence in Southeastern Europe.   
    
**South Stream**

The highlight of Putin's energy diplomacy this week was Gazprom's deal with Eni to build the South Stream pipeline, which would pump 30 billion cubic meters of Russian gas a year under the Black Sea to Bulgaria. The pipeline, which is slated to be finished by 2011, would then branch off in two directions: north to Austria and south to Italy.   
    
Energy analysts say South Stream severely hampers the European Union's efforts to diversify the continent's energy supplies to reduce dependency on Russia.

Federico Bordonaro, a Rome-based energy analyst for the "Power and Interest News Report," says it's another big move in the chess game.

"We cannot talk about a bloc. What we can talk about is Russia's attempt to undermine the Washington-backed vision of a very homogenous wider Black Sea area"

"I don't think this kills other possible projects, but what it kills is the possibility that these other projects will be as decisive as they were actually thought to be," Bordonaro says.

A key component of the EU strategy is the proposed Nabucco pipeline, which would transport gas from Central Asia and the Caspian Sea region to Western Europe via Turkey and the Balkans -- without going through Russia.   
    
To block this strategy and maintain its dominance, Moscow is seeking to gain control over energy routes in Southern Europe so Caspian and Central Asian gas is exported to international markets via Russia.   
    
In May, Russia moved closer toward that goal when Putin, Turkmen President Gurbanguly Berdymukhammedov, and Kazakh President Nursultan Nazarbaev agreed to build a pipeline along the Caspian Sea coast to transport natural gas from Turkmenistan to Europe via Kazakhstan and Russia.   
    
And the South Stream project is another giant step in that direction.   
    
"I think it makes it much more complicated to find the backing for projects like the Nabucco pipeline. Particularly if South Stream seems to be looking at two onshore routes once it gets to Bulgaria -- one, perhaps, going across to Italy and one going to Austria. And that second one would be in competition with Nabucco," says Julian Lee, a senior analyst with the London-based Center for Global Energy Studies   
    
**More Roads Lead To Europe**

The EU strategy has also been frustrated by nuclear-free countries like Germany and Italy who are among the most heavily dependent on Russian energy to generate electricity.   
    
Moscow has also courted countries like Hungary, which decided in March to back another Gazprom plan to extend Russia's Blue Stream pipeline under the Black Sea. According to the plan, Hungary would then serve as a hub to transport Russian gas to Europe. 

"Actually, if we see the whole thing in a broader perspective, this kind of strategy that wants to decisively reduce Russian influence is not working so well. I think that Russia reacted with an intelligent strategy," Bordonaro says.   
    
Like many analysts, Marshall Goldman, a professor emeritus of Russian economics at Wellesley College and the author of a forthcoming book on Putin's energy policy, compares Putin's energy policy to a game of chess.   
    
"The end game is to make sure that Russia maintains its monopoly control and to prevent anything from undercutting that kind of activity," Goldman says. "Gazprom's next step now is to pressure to gain control of the distribution lines within Europe, both Central and Western Europe."  
    
**New Kid On The Bloc**

But Goldman and other analysts say Russia's grand strategy goes further than dominating Europe's energy market.   
    
After being largely sidelined from European affairs since the 1991 Soviet breakup, Moscow is trying to use its energy might to reestablish a foothold -- some even say a "sphere of influence" -- on the continent.   
    
And Russia sees a major window of opportunity in the western Balkans, where Moscow has longstanding cultural and historical ties and where countries like Serbia and Montenegro are becoming increasingly frustrated with the EU's reluctance to admit them.   
    
"This energy game in the western Balkans is actually linked to geopolitical moves and to Russia's desire to become once again an influential player in the region, so that it will balance the EU and United States combined and the European Union's enlargement," Bordonaro says.   
    
Bordonaro says that while Russia is a long way from establishing anything close to the old Soviet bloc, they are successfully "infiltrating a would-be Western bloc" on the continent:   
    
"We cannot talk about a bloc," Bordonaro says. "What we can talk about is Russia's attempt to undermine the Washington-backed vision of a very homogenous wider Black Sea area, which is secured for NATO and Western security," he added.   
    
And this assures Moscow a measure of political support -- or at least acquiescence -- in Europe.   
    
"You certainly do have a sphere of influence because once those countries become addicted to using Russian natural gas they begin to hesitate to strike out in a different direction for fear that the Russians will cut them off," Goldman says.   
    
But despite Russia's gas-powered geopolitical resurgence, most analysts point out that one of Europe's greatest fears, that Moscow will use energy as a political weapon against the West, is unfounded.

"Europe is dependent on Russia for a very large proportion of its natural-gas imports. Europe is not nearly as dependent on Russia as Russia is on Europe as a market for its gas exports," Lee says.

"Russia doesn't export significant quantities of gas anywhere other than to Europe. It exports some to the former Soviet republics, and it is beginning to bring prices there into line with its European prices. But it has no gas-export pipelines that go anywhere other than Europe."   
    
Despite Gazprom's current might, it could have other problems in the future supplying its customers with gas. Many analysts say that some of its fields are underdeveloped and need more investment to meet growing demand.

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<http://www.eoearth.org/article/Energy_profile_of_the_Balkans>

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Russian Energy Interests in the Balkans

Dr Mark A Smith

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Russian Energy Interests in the Balkans

Dr Mark A Smith

In 1994, the then Russian President, Boris Yel’tsin, noted that "ideological conflicts are being replaced by a struggle for spheres of influence in geopolitics.”1 Notwithstanding the end of the Cold War, this struggle for spheres of influence has been a key feature of Russian foreign policy since the end of the Soviet Union, although Yel’tsin’s Russia was in many ways poorly equipped to engage effectively in such a struggle. However, the resurgence of Russian power in the Putin era means that Russia is now better able to compete in this way. Russian policy in the Balkans can be seen as part of this struggle for spheres of influence.

Whilst Russia has always sought to be a player in the Balkans, her interest in the region has increased significantly in 2007 and the beginning of 2008. In addition to her long-standing historical ties to Serbia, the energy factor is the main reason explaining her enhanced interest in South Eastern Europe. In his speech at the Balkans Energy Summit in Zagreb in June 2007, Vladimir Putin stated:

The strategic objective of our cooperation in this area is to ensure access to reliable energy supplies for all countries of the region. Our policies take into account the Balkan countries’ increasing involvement in the European integration process, and we are ready to develop our relations in cooperation with the European Union.2

Russia is a major supplier of oil and gas to the countries of South Eastern Europe. In 2006 Russia supplied 73 billion cubic metres of gas to this region alone. This comes to almost half the total volume Russia supplies to the EU countries. Russia also supplied 59 million tonnes of oil. The Russian companies Gazprom, Lukoil and Transneft have significant investments in several Balkans states. Lukoil has already invested $1.5 billion in the region.3

Mirroring earlier deals with former Soviet countries, in 2007 Russia signed agreements with several former Yugoslav states in which Russia’s debts to these states were forgiven in exchange for Russian investment in their energy sectors. Russia is to invest $105 million in the Djerdap (Serbia) hydroelectric plant, and $183 million will be removed from Serbia's outstanding bill for natural-gas imports.4

Russia has promised to pay off its Soviet-era debt to Macedonia by building gas pipelines within Macedonia. An agreement was reached in March 2007 during a visit to Moscow by Deputy Prime Minister Zoran Stavrevski and Economy Minister Vera Rafajlovska. The deal involves four pipeline-construction projects, including pipes encircling the capital Skopje, a pipeline running between Klechovce and Stip, and a pipeline from Skopje to Tetovo.5 In addition, the Balkans is playing an increasingly important role as a hub for the supply of Russian gas to Europe. Russian interests in the Balkans are therefore an integral part of her relationship with Europe (particularly the EU), as her position as an energy supplier to Europe is the key means by which Moscow becomes a significant actor in Europe. Two key projects involving Russia are:

• The South Stream Gas Pipeline

• The Burgas-Alexandroupolis oil pipeline

THE SOUTH STREAM (Yuzhny Potok) GAS PROJECT

A Memorandum of Understanding to develop a pipeline route from Russia to Italy was signed in June 2007 in Moscow by Gazprom and Italian company ENI in the presence of Energy Minister Viktor Khristenko and Italian Minister for Economic Development, Pierluigi Bersani.6

In its offshore section, the South Stream will cross the Black Sea from the Russian coast of Beregovaya to the Bulgarian coast at Varna, with a 900-kilometre pipeline reaching a maximum depth of more than 2,000 metres underwater. This will enable Russia to avoid using Ukrainian gas pipelines. A feasibility study is to be completed by the end of 2008.

For the onshore section two different routes from Bulgaria are being studied: towards northwest and towards southwest. It is envisaged that one arm will run southwestward via Greece to Italy. The northwestern route would run through Romania, Hungary, and Slovenia to northern Italy with a branch to Austria. An alternative route for this northern branch is being contemplated; this would involve Serbia and Croatia. The main line to Bulgaria is projected to carry 30 billion cubic metres of Russian-delivered gas annually. It is intended to come on stream in 2013.

Bulgaria

In January 2008 a Russo-Bulgarian agreement on the South Stream project was signed on the occasion of the visit of Vladimir Putin to Bulgaria. This confirms plans to build the pipeline through Bulgaria. A joint Russo-Bulgarian company (with 50:50 participation) will be set up to construct and operate the pipeline. Putin emphasised the importance of this agreement for the energy security of Europe:

The need to expand the transport infrastructure in delivering energy resources is a completely necessary task. And this is confirmed by our European partners: they are vitally interested in that.

I would like to emphasize in particular that building new infrastructure capabilities does not mean reducing or closing down our cooperation with other transit states. Work to build new routes provides security, increases stability, and creates new transport capacities for new, growing deliveries of energy resources to European consumers.

I will tell you what is, in principle, well known to everyone anyway: a fierce fight is going on between European countries for Russia's building such gas transport capacities. The presence of such infrastructure facilities on the territory of a particular country certainly increases its political and economic significance for Europe.7

Russian Energy Interests in the Balkans

Putin also commented that the South Stream agreement would enable Bulgaria to become a key link in the European energy chain.8

In addition Putin also offered Bulgaria a credit of 3.8 billion euros to build a nuclear power station at Belene. This, plus the South Stream project and the Burgas-Alexandroupolis oil pipeline all enhance the importance of Russia as a partner for Bulgaria, and provide a means of strengthening Russian influence in the Balkans. To a certain extent this counteracts Bulgaria’s earlier accession to NATO and the EU.

Serbia

The South Stream agreement also gives Russia the opportunity to enhance its interests in Serbia. Russia is engaged in negotiations with Serbia about extending the South Stream pipeline through Serb territory. Gazprom is pressing the state-owned company, Serbian Gas, to form a joint venture to build the pipeline and to grant Russia a 30-year supply and transit monopoly. Gazprom, which would hold a majority stake in the joint venture, is also demanding that it take over the transmission network of Serbian Gas.

Gazprom is also seeking to acquire acquiring a majority stake in the Serb oil company NIS, and in completing the construction of an underground gas storage facility at Banatski Dvor. The proposed deal is controversial, as Gazprom has only offered $600 million for a 51 percent stake in NIS, which is a fifth of the estimated value of the company. The Russians have also pledged $740 million in the modernization of the Serbian energy monopoly.9 This has led to rifts in the Serb government over accepting the deal. However the deal was signed in January 2008, when Serbian President Boris Tadic and Prime Minister Vojislav Kostunica visited Moscow. When the agreements were signed, Vladimir Putin stated:

After signing these documents, Serbia becomes one of the key transit points in the system of Russian deliveries of energy resources to southern Europe which is currently being formed. This system is long-term, reliable, highly effective and, what is most important, is considerably strengthening the energy security of both Serbia and the entire European continent.10

Boris Tadic was re-elected as president of Serbia in February 2008, defeating Tomislav Nikolic who had advocated closer ties with Moscow.11 Tadic is more oriented towards the EU than Nikolic, and may be more conciliatory over the Kosovo issue.12 However, the economic relationship with Moscow will remain important. If Gazprom’s aims in Serbia are realised, then this country would become an important hub in the supply of Russian energy to the EU. Furthermore, the continued dispute between Belgrade and the western powers over Kosovo is likely to mean that Serbia will continue to see Russian moral and political support as important.

South Stream is especially beneficial for Moscow, as it acts as a counterweight to the Nabucco Project, which aims at piping gas from Central Asia and Transcaucasia from Turkey to Austria via Bulgaria, Romania and Hungary.13 Nabucco has been envisaged by the USA and EU as a means of reducing energy dependence on Russia.

Greece

Greece is another important focus of Russian energy policy. Greece imports two-thirds of her gas needs from Russia, and Moscow sees Athens as a partner in the South Stream project.14 Greece is also part of the Burgas-Alexandroupolis oil pipeline project (see below). When Greek Prime Minister Konstandinos Karamanlis visited Moscow in December 2007, he and Putin discussed new contracts for the supply of Russian gas to Greece. Athens is interested in contracts for the supply of Russian gas after 2016 until 2040, with almost doubled volumes.

Putin stated:

We are ready for this work. But in order to increase flows and to increase the volume of deliveries, additional transport facilities are required. This is a project needed by both Europe as a whole and by Greece. It is now in the initial stages. We note interest on the part of our European partners. We are sure that this project of ours will be implemented.

He also stated:

Both Russia and Greece are playing a very important common European role: supporting the stability of the European energy market. If we implement major infrastructure projects in this area too, then it will be quite clear that we are working not only for the good of our own countries, but for the good of the whole of Europe.15

Again, the development of the energy relationship with Greece, as with Bulgaria and Serbia, is aiming at strengthening Russia’s position as an energy supplier to Europe as a whole, and hence demonstrating that Russia is to be an integral part of the European inter-state system.

The Russo-Greek relationship has developed smoothly. There have been five meetings between Putin and Karamanlis since 2003.16 Russia is interested in expanding military-technical cooperation with Greece. During the December visit it was agreed that Russia would supply Greece with 420 armoured personnel carriers, and Putin stated that there were no limits (ogranicheniya) on military-technical cooperation with Athens.17 This is a remarkable statement in view of the fact that Greece is a NATO member. Russian policy in the Balkans is not merely aimed at securing markets and improving means of supplying energy to the rest of the EU.

During Karamanlis’ visit, Putin also stated that:

The system of international relations is going through an extremely important phase of transformation of the whole architecture of global security and development. In effect, what is on the agenda is the important issue of what world order will be established for many decades to come. Alongside other states, our countries should make their weighty contribution to the development of dialogue between civilizations, making the modern world more just and democratic, and free from reliance on brute force and blackmail.18

The references to a more just and democratic world, and to “reliance on brute force and blackmail,” may well be a coded criticism of US foreign policy. Russia is interested in increasing her influence in the Balkans, and her policy there is aimed at competing with both the USA and the EU. It should also be noted that in August 2007, the then commander of the Russian Navy, Admiral Vladimir Masorin, stated that the navy should have a permanent presence in the Mediterranean.19

Russian Energy Interests in the Balkans clearly desires to raise her profile in the eastern Mediterranean and South East Europe. In January 2008, First Deputy Prime Minister Dmitry Medvedev stated that the Russian Navy must be revived.20 This was followed in February 2008 by the new commander of the navy, Admiral Vladimir Vysotsky, saying that the Russian navy “will continue its presence in the Mediterranean. And NATO will have to reckon with this.”21 The Russian navy's interest in the use of port facilities in south-eastern Europe and other parts of the eastern Mediterranean is likely to increase.

THE BURGAS-ALEXANDROUPOLIS OIL PIPELINE

Russia’s partners in this project are Greece and Bulgaria. In March 2007, when Putin visited Greece, Russia, Bulgaria and Greece signed an agreement to build an oil pipeline from Burgas to Alexandroupolis. Negotiations on the project lasted for 13 years. Construction is to start in 2008 and it is due to be completed in four years.22

The 176 mile pipeline, worth about $1.2 billion, will have the carrying capacity of 700,000 barrels a day with the potential to eventually reach over a million barrels a day. Russia owns 51% of the International Project Company which will be operating the pipeline. Greece and Bulgaria each own 24.5% of the company. The Russian participant is a unified company, a pipeline consortium formed by Transneft, Rosneft and Gazpromneft. The draft agreement stipulates that Transneft will act as the sole operator of the entire project, which will reduce tanker traffic going through the Bosphorus. Lukoil will probably expand its refinery at Burgas to refine the increased supply of oil from Novorossiysk.

In December 2007 Russia, Bulgaria and Greece signed an agreement on the creation of a project company, Burgas-Alexandroupolis, for the trans-Balkan pipeline. The company will be registered in the Netherlands.

In addition to this pipeline, there are two other projects which rival the Burgas-Alexandroupolis project, and are an attempt to undercut Russian influence in Balkans energy politics. The US government has an interest in both projects.

The Pan European Oil Pipeline (PEOP)23 would link the Romanian Black Sea port of Constanta with the Italian port of Trieste, with involvement by Serbia, Croatia and Slovenia. From Trieste it would join with the TAL (Trans-Alpine Line) and the Italian pipeline network, with any excess oil to be shipped from Genoa in Italy. The PEOP is expected to be 1295 kilometres long, and to cost $2.4 billion. It would carry around 60 million tonnes of oil per year, mainly to Italy and central Europe, with around nine per cent of the oil to be supplied to Serbia and Croatia. The feasibility study for the project has estimated that the pipeline will commence operations in 2011.24 A key lobbyist for the PEOP is Henry Owen, a close friend to the Bush family. Owen wrote a letter to the minister of finance of Slovenia, Andrej Bajuk in the first half of 2006 on the subject.

The AMBO25 oil pipeline project will link Bulgaria, Macedonia and Albania. This project is backed by the US government which financed a feasibility study for the project. An accord was signed in January 2007 in Skopje. This pipeline aims to carry oil from the Caspian region to the Black Sea port of Burgas in Bulgaria, and then through Macedonia to the Mediterranean port of Vlore in Albania. Construction is due to commence in late 2008. The 850 kilometre pipeline, with a capacity of 35 million metric tonnes per year and a cost of around $1.3 billion, may be ready by the end of this decade.

RUSSIAN INVESTMENTS IN MONTENEGRO

In addition to Russian involvement in the energy sector in the Balkans, there has been significant investment by Russian companies in Montenegro since it separated from Serbia in 2006. In August 2006 Vladimir Putin estimated Russian investment in Montenegro at about $2 billion.26 Both Lukoil and Gazprom are interested in investing in Montenegro. In addition to the energy sector, there is Russian interest in the tourism industry and in road construction. In 2005, the Russian aluminium company Rusal became the majority shareholder in Kombinat Aluminum Podgorica, an aluminium smelter, along with a thermoelectric power station, bauxite mine and coal mine.27 The Montenegrin leadership has however sought a close geopolitical orientation with NATO, in spite of the significant economic relationship with Moscow.

CONCLUSIONS

Russia’s presence in South Eastern Europe is likely to grow, irrespective of the outcome of the Kosovo issue and whether or not Serbia is led by a pro-Moscow or pro-EU leadership. South Eastern Europe’s increasing importance as a hub for the supply of Russian energy to the EU means that Russia’s presence in the region will be long-term in nature, and that she will be a significant factor in the international relations of the Balkans. The development of the South Stream gas pipeline should be seen in parallel with the development of the North European Gas Pipeline, as both of these projects will significantly enhance Russia’s importance to the rest of Europe as a supplier of energy. The desire of the various Balkan states to develop closer ties with the EU and NATO means that Russia sees itself as engaged in a struggle for influence with these two organisations in the region. Whilst it is unlikely that Moscow would be able to prevent Balkan states from developing their relationships with and within the EU and NATO, her importance as an energy supplier to Europe as a whole certainly goes some way towards counterbalancing any possible shift towards Atlanticism.

Endnotes

1 James Sherr, ‘Cultures of spying.’ The National Interest, 22 December 1994, fn.6. http://www.encyclopedia.com/doc/1G1-16350687.html

2 In June 2007, Vladimir Putin met leaders of the Balkans states at an energy summit in Zagreb to discuss energy security. For his speech see http://www.kremlin.ru/eng/speeches/2007/06/24/1214\_type82912type82914\_135740.shtml

3 For an overview of Gazprom’s interests in Eastern Europe, see: FACTBOX-Gazprom expansion in central/south Europe, Reuters, 17 January 2008 http://sg.news.yahoo.com/rtrs/20080116/tbs-gazprom-expansion-europe-7318940.html

4 http://www.rferl.org/newsline/2007/05/4-See/see-020507.asp

5 http://www.rferl.org/newsline/2007/03/190307.asp#archive

6Seehttp://www.eni.it/en\_IT/media/press-releases/2007/06/Eni\_and\_Gazprom\_sign\_the\_agree\_23.06.2007.shtml

7 Vesti TV news channel, Moscow, in Russian 1116 gmt 18 January 2008. From BBC Monitoring (BBCM).

8 Vesti TV news channel, Moscow, in Russian 1126 gmt 18 January 2008. From BBCM.

9 http://www.kcbs.com/topic/ap\_news.php?story=AP/APTV/National/a/i/Serbia-Russia-GasDeal In addition, in September, 2003, Russia's LUKoil acquired 79.5 percent of Serbia's oil company, Beopetrol.

6 08/07 Russian Energy Interests in the Balkans

10 Vesti TV news channel, Moscow, in Russian 1108 gmt 25 January 2008 from BBCM.

11 In December 2007, Nikolic said he would welcome the possibility of a Russian military presence in Serbia. See http://globalresearch.ca/index.php?context=va&aid=7635; in January 2008 he reportedly said that "Serbia should become a Russian province rather than a EU colony". http://www.cnn.com/2008/WORLD/europe/01/18/Serbia.elections.ap/index.html

12 Tadic cannot however afford to be too conciliatory. Too great a flexibility over Kosovo could bring his government down.

13 http://www.nabucco-pipeline.com/

14 http://www.eia.doe.gov/emeu/cabs/Greece/NaturalGas.html

15 Vesti TV news channel, Moscow, in Russian 1157 gmt 18 December 2007 from BBCM.

16 http://www.kremlin.ru/eng/speeches/2007/12/18/1657\_type82914\_155192.shtml

17 Vesti TV, in Russian, 12:15 GMT, 18 December 2007. From BBCM.

18 http://www.kremlin.ru/eng/speeches/2007/12/18/1642\_type82914type82915\_154927.shtml

19 Interfax-AVN military news agency website, Moscow, in Russian 0804 gmt 3 August 2007 from BBCM. Masorin stated: “The operational area of the fleet, which covers the Black Sea and the Mediterranean Sea zones up to the Atlantic Ocean, is at the crossroads of Europe, Asia and Africa… For the Black Sea Fleet, the Mediterranean Sea, first of all, is this kind of operationally important region. I expect that with the assistance of the forces of the Northern Fleet and the Baltic Fleet the permanent presence of the Russian navy must be established here.”

20 NTV, Moscow, in Russian 1000 gmt 11 January 2008 from BBCM.

21 ITAR-TASS news agency, Moscow, in Russian 1621 gmt 3 February 2008 from BBCM.

22 http://balkanforum.org/print.php?threadid=129&page=1&sid=2d2bf75fcfa1b7c5e30c534e8621bb03

23 http://en.wikipedia.org/wiki/Pan-European\_Pipeline

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25 http://en.wikipedia.org/wiki/AMBO\_pipeline

26 RTR Planeta TV, Moscow, in Russian 1300 gmt 28 August 2006 from BBCM.

27 Nicholas Wood, ‘Tiny Montenegro Booms, and Eyes the Russian Hand That’s Feeding It’, New York Times, 24 December 2006. http://www.nytimes.