ENERGY SECURITY IN THE DANUBE REGION: THE NATURAL GAS ASPECT

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INTRODUCTION

The EU energy strategy is based on three main pillars: boosting energy efficiency; creating a single liberalized energy market and the diversification of natural gas deliveries. This paper is focused on the third and partially on the second of these goals, together with the ways the EU intends to achieve them. We will analyze the European ideas for creating two new gas corridors: the North-South and the Southern gas corridors.

Oil and gas fields are usually situated in close proximity to each other. Oil is mainly delivered in tankers by the sea, while gas comes mainly via pipelines. In the course of the recent years the volume of Liquefied natural gas (LNG) has been rapidly increasing, but its share in the overall gas deliveries is still much under 50% of the total volume—25% of the total gas import in the EU in 2011 (Eurogas Statistical Report, 2012).

The geographical focal point of this analysis is the Danube region, and more precisely: Bulgaria, Romania, Serbia, Hungary, Slovakia, Austria and Ukraine. Germany is a Danube state too but because of its gas market size and specifics it is in a position much different from that the above-stated seven countries. Germany is the biggest gas importer in continental Europe but its North Sea outlet offers the country the possibility to diverse its gas supply sources. Besides, Berlin maintains special relations with Russia in the field of the gas business. In view of all this, Germany will not be subject of consideration in this article

REAL AND POTENTIAL PLAYERS ON THE DANUBE REGION GAS MARKET

The main players on the Danube region gas market can be divided into two groups: the importers represent the first one, and the producers and exporters of natural gas, the second one. All seven Danube states belong to the first group, while Russia and the Caspian Region gas producers possessing a position to supply the Southern Corridor: Azerbaijan, Turkmenistan, Iran and Kazakhstan, form the second one. Two transit countries—Georgia and Turkey, have their part to play in the future gas business between the Caspian republics and Europe.

Proven natural gas reserves, gas production and gas consumption in the countries of the Danube-Black Sea and Caspian regions (2012)

	Proven reserves(tcm)	Production (bcm)	Consumption (bcm)
Russia	32.9	592	416
Turkmenistan	17.7	64.6 (66.1 in 2008)	23.3
Kazakhstan	1.3	19.7	9.5
Azerbaijan	0.9	15,6	8.5
Iran	33.6	160.5	156.1
Ukraine	0.6	18.6	49.6 (67 in 2006)
Romania	0.1	10.9	13.5(18.1 in 2006)
Bulgaria	Insignificant	0.68	2.7
Serbia	Insignificant	0.263	1.84
Turkey	Insignificant	0.684	32.1 (36 in 2008)
Slovakia	Insignificant	0.104	6.26
Hungary	Insignificant	2.87	12,05
Austria	Insignificant	1.71	9.48

Source: Statistical Review of World Energy, June 2013 http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf

Russia is the chief gas player in the Black Sea-Danube region. The EU countries and Turkey are Gazprom's main export market. Russia also exports gas to the ex-Soviet East European republics but they are not very reliable as payers. For several years already there have been talks about building two new gas pipelines to export Russian gas to China but for the time being Russia cannot count on a market better than the European one.

Romania is the first Black Sea country, which in 1979 began to receive gas from the USSR. Presently, through it, Russian gas is transported to Bulgaria, Greece, Macedonia and Turkey.

Russia has at its disposal another export gas pipeline (Blue Stream) which crosses the Black Sea and through which gas is delivered to Turkey directly without passing through the transit countries. Russia's main purpose is to keep and if possible to increase its share at the European gas market. During the recent years the positions of Russia were eroded by the increasing deliveries of LNG as well as by the deliveries of such traditional gas producers as Norway. Russia is unable to affect in any way either the Norwegian or Algerian deliveries of gas to the EU. Russian chances to stop the LNG deliveries are even smaller. That is why Gazprom is concentrating its efforts toward the Black Sea region, more precisely—the Wider Black Sea is the geopolitical zone in which Russia can prevent the appearance at the European market of a new and dangerous competitor—the Caspian gas.

The Caspian country having the richest natural gas deposits is Iran. The Iranian portion in South Pars gas field is estimated to contain some 14 tcm of gas reserves (Alexander's Oil & Gas Connections, 2009). In theory this quantity would be enough to feed a pipeline of the capacity of Nabucco for a period of 467 years. However, the Iranian gas fields are in the Persian Gulf which means it is too far from Europe. There are two main reasons because of which Iran will not be able to export gas to Europe. The first of them is that Iran has no surplus of gas as its production is practically equal to its consumption. The second reason is that the USA has put Iran into a tight belt of political isolation. A USA veto quickly and efficiently discourages any European company that might show an interest to do gas business with Iran. There might be a change in this situation as a result of the Geneva interim agreement signed at the end of 2013 according to which Iran agreed to a freeze of portions of its nuclear programme in exchange for decreased economic sanctions. But even if the economic sanctions were fully lifted, Iran would not be in a position to begin exporting gas to the Danube region countries before the third decade of the 21st century.

Another gas-rich Caspian republic is Turkmenistan. Because of its intermediary geographical position, Turkmenistan has many alternatives

for gas exports and can turn its pipelines to all four directions of the world. At the same time the country is landlocked and situated far away from the big gas markets, which is the reason for the high transportation costs of the Turkmenian gas. By the beginning of 2009 nearly all gas export from Turkmenistan was orientated to Russia. But in the beginning of 2009 the re-export of Turkmenistan gas became unprofitable for Gazprom. In the recent years Gazprom has bought only 10 bcm of Turkmenistan gas annually – almost 5 times less than the quantities Russians bought before 2009 (РБК Daily, 2009). Meanwhile at the end of 2009 the Turkmenistan-China gas pipeline was set into exploitation. Nevertheless, Turkmenistan has a very serious incentive to work on the opening of a route to the West for its gas export—through the Caspian Sea and the Caucasus toward the EU. At the moment Turkmenistan is building the East-West trunk gas pipeline with its own funds; it will be completed by the middle of 2015 at the earliest (RIA Novosti, 25/01/2008).

Regarding its export of natural gas, Kazakhstan is also nearly fully dependent on Russian routes. Kazakhstan can participate in the Trans-Caspian pipeline and in Southern corridor only if Turkmenistan participates in them, too.

Azerbaijan is the only country that can be a supplier and transferor of gas from the Caspian Sea region. For the time being Azerbaijan is connected via gas pipelines with three of its four neighbours—Russia, Georgia and Iran. Until the beginning of 2010 all Azerbaijani gas export was transported along the pipeline from Baku through Georgia to Turkey.

At the end of June 2009 the gas deal between Baku and Moscow was finalised. Gazprom and the State Oil Company of Azerbaijan Republic (SOCAR) signed an agreement under the terms of which the Russian company purchased at least 500 million cubic meters of gas from Azerbaijan in 2010 (Reuters, 2010). From a strictly economic point of view Russia has no need of Azerbaijani gas, either now, or in the next few years. From a strategic point of view, though, it is very important for Gazprom to direct the Azerbaijani gas to the North and to prevent its enter into the Southern gas corridor passing through Turkey. Though Turkey has nearly no gas production of its own, it is one of the key players in the Black Sea gas game

of patience. Turkey is not only one of the three largest foreign customers of Russian gas, but it is also an inescapable transit territory through which the pipelines carrying the Caspian gas to Europe must necessarily pass. The Turkish programme-maximum is to start transferring to Europe the gas coming from all of its three present suppliers—Russia, Azerbaijan and Iran, plus Iraq and possibly Turkmenistan.

There is an important difference in the standpoiint of the EU and that of Turkey with regard to the gas pipelines role. The EU insists that they are to be supranational technical facilities to be used by any company that pays the relevant gas transportation fare. Turkey, however, views the gas pipelines as an important geopolitical trump card for the country through whose territory they pass (Dimitrov, 2012).

Georgia is an important transit corridor for the Caspian gas. Its attitude is rather predictable—Tbilisi supports all projects of gas pipelines to pass through its territory but it cannot take part in their financing.

Rumania and Bulgaria in particular are dependant on Russian gas and that is why they are looking for diversification in regard of their gas suppliers. For this reason they have showed a full support to Nabucco but have had neither geopolitical nor financial power to be a decisive factor for speeding up the implementation of this project. A plan-minimum for Bulgaria and Romania, in case they will not be able to diversify their suppliers, is to at least diversify the delivery route of the Russian gas. And that can be achieved by means of the South Stream pipeline. Though they have sea outlets, the two countries' possibilities to import LNG are limited because the Black Sea is a semi-enclosed sea. The likely passage of gas-tankers through Bosphorus is difficult and expensive and that is why to build its own LNG terminals for Bulgaria and Romania is justified but the gas should come from another Black Sea port.

Hungary and Slovakia are also very much dependent on their gas import from Russia but unlike Bulgaria and Romania it is not a 100% dependence. Both these states are showing their willingness to cooperate with Russia in the field of energy supply.

Austria is situated in the very centre of Europe and it cannot have gas delivered through LNG terminals, but it has a comparatively well-

diversified import of which Gasprom's share is approximately 50%. At the same time Austria works as a gas hub transiting most of its imports to various (neighbouring) countries.

Gazprom would very much like to expand its business in Austria by acquiring storage and trading facilities. On 25 January 2008, Gazprom and Austria's OMV signed an Agreement of Cooperation. Through this agreement, Gazprom acquired a 50% stake in the Central European Gas Hub (CEGH) at Baumgarten in Austria (RIA Novosti, 25/01/2008). But in 2011 the European Commission blocked Gazprom's acquisition. In consequence of that decision Russia changed the route of the South Stream gas pipeline, and now its terminal point will be not in Austria but in northern Italy.

Ukraine is the most important corridor of the Russian gas export intended for the EU. At the same time Ukraine is one of the major buyers of Russian gas. During the last several years the Russian-Ukrainian relations in the gas business field were subject to dramatic changes. After the Orange Revolution in Kiev in the beginning of 2r005 Russia has gradually given up its former policy of selling Ukraine gas at preferential pices. Now, after Russia has launched the South Stream project, Ukraine is also threatened with losing the bigger part of the transit stream passing through its territory. That is why at present the main target in the gas strategy of Ukraine is obstructing the construction of the South Stream and convincing Russia that a modernization of the Ukrainian gas transporting network is a much cheaper alternative to the project of building a new gas pipeline passing under the Black Sea. From a strictly financial point of view it is true, however, the issue is not only economic but also geopolitical. The gas business has always been one of the key sources of financing Ukrainian political parties and their campaigns. For that reason Ukrainian politicians are rather unwilling to allow a foreign control over the gas-transporting network of their country. On their parts, both—the EU and Russia—would not accept to invest billions of Euros without obtaining such control as a guarantee for a return on their investments.

CERTAIN SPECIAL FEATURES OF THE SOUTHEAST AND EAST-EUROPEAN GAS MARKET

As a whole the EU cannot boast of having a common energy market. However, its weakest point is the gas import because it is hardly dependent on trans-border pipelines and very often it originates from a single supplier, i.e. Gazprom.

It was declared by the leaders during the EU summit in Brussels from February 2011 that "the internal market should be completed by 2014 so as to allow gas and electricity to flow freely". A new North-South energy corridor should be created. The strategic concept behind the North-South natural gas interconnection is to link the Baltic Sea area (including Poland) to the Adriatic and Aegean Seas and further to the Black Sea, covering Poland, the Czech Republic, Slovakia, Hungary and Romania, as well as possibly Austria and Croatia.

In the longer term, the European Commission foresees an extension of this integration process to non-EU signatories in the Energy Community Treaty—Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo (EurActive.com, 2011).

Thanks to the North-South corridor, the Commission expects the region of Central and Eastern Europe to become less vulnerable to a supply cut through the Russia/Ukraine/Belarus route. Among the projects mentioned are planned Croatian and Polish Liquefied Natural Gas terminals, the Constanta LNG terminal in Romania and other LNG and compressed natural gas (CNG) projects in the wider Black Sea region. Other projects cited are plans to further promote Nabucco and NETS, a Hungarian project to unite Central and South-Eastern Europe's natural gas transmission networks by creating a common gas transmission system operator (TSO).

All these intentions of the EU seem very good but they will probably fall through when the matter of financing is raised. As a matter of fact the observation made at the EU summit in Brussels in 2011 regarding the new projects of the future corridor North-South can be applied to those projects as well: they are "justified from a security of supply/solidarity perspective, but are unable to attract enough market-based finance" (Pop, 2011). The point is who and why will choose to cover the financial shortage.

It should be made clear that though the EU has a Commissioner for Energy, it does not either buy or sell or transport natural gas. It is not done by the individual countries, EU members either. This is carried out only by trade companies, some of which are subject of state control, while others are private. At the same time the responsibility for the gas deliveries at national or all-European level cannot be only trade companies' responsibility. Here is the main contradiction: the energy security can be guaranteed only with enough auxiliary infrastructure which is to play the part of insurance in case of force-majeure circumstances like the cutting of the Russian gas transit via Ukraine in 2009. Business is unwilling to invest in the construction of pipelines or LNG terminals which serve as insurance policy and under normal conditions do not work to full capacity. Most of the facilities of the planned new North-South gas corridor are a kind of insurance policy and not a main route for gas supply to Central and South-Eastern Europe. The East-European and the Balkan countries are not rich enough to pay such insurance and because of it they appeal to the "solidarity" of the EU. German officials have already said that the private sector should foot the bill, with the EU role to be limited to "smart regulation". Former European Parliament President Jerzy Buzek who is from Poland, one of the beneficiaries of the potential corridor North-South, claimed precisely the opposite. He declared that "smart regulations" are not enough, money is needed too because the new projects cannot be financed by the private sector only.

The problem has geopolitical dimensions, too. Up to now East and Central Europe was supplied with gas through pipelines orientated to direction East (Russia)-West. Promoting the North-South corridor means appearance of vertically situated transferring infrastructure and a possibility to include in it gas of North Sea origin and LNG produced by Arab and African producers. It is logical for Russia to oppose this alternative, relying also on its strong energy relation with Germany.

Another initiative, one announced at the EU summit of February 2011, might prove to be of more important consequence to the EU gas market. According to this initiative EU member states are to inform the commission from 1 January 2012 "on all their new and existing bilateral

energy agreements" with foreign countries. "The commission will make this information available to all other member states in an appropriate form, having regard to the need for protection of commercially sensitive information. The high representative is invited to take fully account of the energy security dimension in her work. Energy security should also be fully reflected in the EU's neighbourhood policy," EU leaders said (Pop, 2011).

This formulation is rather cautious but the exchange of such information among the EU states may deprive Gazprom from its privileged position to negotiate with each of the countries separately, refusing reductions already granted to some others of its customers.

PROJECTS FOR GAS TRANSPORTATION IN THE BALKANS-DANUBE REGION

Nabucco (Nabucco-West)

Like all major pipeline projects Nabucco is not only of economic but also of geopolitical importance. Though Nabucco is favoured with the strong support of the European Commission, it is not a project of the European Union. Nabucco's shareholders were five commercial companies from five EU countries and one from Turkey. It is important that Nabucco could transport gas to the countries of Southeast and Central Europe, which now are with the lowest level of diversification of the deliveries. On the other hand this fact is also a shortcoming of the project since the biggest and most influential EU countries have no direct interest in the construction of Nabucco. But it will be hard to complete the project without an institution to pay a certain "geopolitical bonus" which will make the pipeline's total value acceptable for the investors.

The Russia-Ukraine gas crisis of the beginning of 2009 stimulated the search for new gas resources for deliveries in Europe but this stimulating effect was to a significant degree neutralized by the raging world economic crisis at the same time.

It is a well-known fact that Nabucco has a big problem with securing its sources of gas. For the time being, gas from Turkmenistan cannot reach Nabucco because the unregulated legal status of the Caspian Sea makes

any laying of pipelines on the seabed rather risky (Ibrahimov, 2008). There is no doubt whatsoever that because of the obstruction on the part of Iran no agreement in regard of the legal status of the Caspian See would be reached in the foreseeable future. Such an agreement would also be against the interests of Russia. It is very unlikely that the tension in the Caspian region would escalate to a military conflict but still the fact to be taken into consideration is that the countries with the strongest naval forces on the Caspian Sea are no others but Russia and Iran, both opponents of the Trans-Caspian pipeline projects. The second important obstacle for the Trans-Caspian pipeline is bad bilateral relations between Turkmenistan and Azerbaijan. The two countries had old disputes concerning unshared oil and gas fields along their sea borders.

The main hope for Nabucco was Phase Two of the development of Azerbaijani Shah Deniz gas field but in June 2013 the members of Shah Deniz consortium chose to transfer their gas via the Trans-Adriatic pipeline. Recently, Iraq, and more precisely the gas deposits in the Kurdish area of the country, is stated as a second (in importance) potential gas source for Nabucco. However, it is not clear who has the right to enter into exploitation contracts for these gas fields—the leaders of the Kurd autonomic region or the central authorities in Baghdad. Plans to export natural gas remain controversial due to the amount of idle and sub-optimally-fired electricity generation capacity in Iraq—much a result of a lack of adequate gas feedstock (EAI, 2010).

Turkey is willing to include Iran and Russia in the Nabucco project and thus to diversify the supplies for this pipeline in a way most convenient for itself (Socor, 2009). The EU, on the other hand, because of the American embargo, is unwilling to do business with Teheran. Also, including Russia in Nabucco looks illogical, as one of the purposes of this project is to decrease the EU's dependency on the Russian gas.

It became obvious by 2010-2011 that till the end of the 2010s at least no more than 10 bcm per year can enter the EU's Southern Corridor. That was the end of Nabucco, planned to supply 31 bcm per year. Later on this project was transformed into Nabucco-West, a pipeline to start at the Turkish-Bulgarian border and reach Austria transporting the additional

10 bcm annually promised by Azerbaijan. But the Trans Adriatic Pipeline (TAP), which is to pass through Greece and Albania and end in Southern Italy was contending for the same 10 bcm.

2. Trans Adriatic Pipeline (TAP)

TAP is supported by the EU as a TEN-E project (Trans European Networks – Energy). The project is designed to expand transportation capacity from 10 to 20 bcm per year depending on throughput.

TAP is the Southern corridor's cheapest and shortest pipeline with comparatively modest initial transportation capacity – 10 bcm per year. In addition, TAP will offer an underground storage facility, which it is currently investigating in Albania, as well as reverse flow capability of up to 8.5 bcm (TAP web-site, 2011). TAP's strongest card in the game was possibly the fact that one of its three initial shareholders was the Norwegian company Statoil holding a share of 42.5%. It is Statoil that is the biggest shareholder in the Shah Deniz project (together with BP) and holds the position of Chairman of the Shah Deniz Gas Commercial Committee.

In order to reach Europe, the gas of Shah Deniz-2 should at first unavoidably cross the whole territory of Turkey from Georgia-Turkey border to the Turkey–European Union border. In 2011 Azerbaijan and Turkey signed an agreement about the construction of Trans-Anatolia gas pipeline (TANAP). Presently, Turkey holds 20% of TANAP while the remaining 80% are meant for the Azerbaijan's State Oil Company (SOCAR) which however declares that it will decrease its share (but will keep not less than 51%) in favour of BP, Statoil and Total. According to Baku's and Ankara's plans, the first gas flow will enter TANAP in 2018 (when Shah Deniz-2 production is due on stream). It is possible afterwards to scale up TANAP's capacity to 16 bcm per year by 2020, 23 bcm by 2023, and 31 bcm per year by 2026, at an estimated cost of $7 billion for reaching the 31-bcm capacity (Socor, 2012).

Azerbaijan-Georgia-Romania Interconnector (AGRI)

The agreement for AGRI was signed in September 2010 in Baku. It is not a viable business project but a geopolitical instrument for Azerbaijan to exert

pressure on Turkey. The gas transfer via AGRI would be very expensive. To the present day there has never been in the world gas business a case in which the gas was transported through a long terrestrial gas pipeline and then liquefied and loaded in tankers. This is why the projects for transfer of LNG and/or CNG from Azerbaijan through the Black Sea to Romania, Bulgaria or Ukraine are rather exotic wishful thinking and geopolitical bluff than anything else.

White Stream (GUEU)

The intention of the project is to transport gas from Azerbaijan and other countries in the Caspian Region via Georgia directly to Ukraine through a pipeline that will cross the Black Sea. This project is economically unfeasible, especially in view of Ukraine's signing in 2010 a long-term contract concerning the price of the Russian gas it buys.

After it had become clear that Nabucco (Nabucco-West) pipeline would not be realized, the only possibility to deliver Caspian gas to the Danube region remained the interconnector pipelines: Greece-Bulgaria, Bulgaria-Romania and Bulgaria-Serbia. For the time being only the short connector between Bulgaria and Romania, passing under the Danube, is in an advanced stage of construction. For the interconnector between Greece and Bulgaria in January 2011 a company, "ICGB" AD, was formed between "Bulgarian Energy Holding" EAD and IGI Poseidon (50% EDISON and 50% DEPA) (Euroactive, 2014). The construction of ICBG is expected to begin in 2014 and the project could be completed in 2016.

South Stream pipeline

During the last years Russia has had serious problems with its transit gas pipelines passing through Ukraine. This is why Russia has been adopting the so-called "alternative route strategy". In order to guarantee the secure deliveries of Russian gas to Central and Western Europe two new undersea routes for the Russian gas are to go round Ukraine, Belarus and Poland. They are the North Stream going along the bottom of the Baltic Sea and the South Stream passing under the Black Sea towards Bulgaria. It is wrong to believe that South Stream was promoted only because Victor Yushchenko

was the President of Ukraine between 2005 and 2010. This project will not be abandoned though there was for some time in Kiev a president with pro-Russian sympathies. The gas pipeline exploitation period is many times longer than that of any political cycle in Kiev. Russia believes that the problems related to the gas transit via Ukraine are structural and not personal and this is why it will never give up the South Stream.

After a year of hesitations at the end of 2010 the new Bulgarian government agreed to take part in the South Stream project and the gas pipeline route has now emerged clear—through the Black Sea, coming out in Bulgaria and branching there toward Central Europe and Italy. If Bulgaria had refused the project, it would not have been possible for the South Stream to come out of the sea in Romania as it would have meant its passing through the territorial waters of Ukraine.

By the end of 2013 it seems the routes of Southern Corridor and the South Stream will not cross each other. Nabucco (Nabucco-West respectively) failed and Caspian gas will not go to Central Europe. At the same time the southern branch of South Stream (Bulgaria-Greece- Italy) without a word disappeared from the official website of the project (South Stream website, 2013)

At the end of 2013 it became clear that the European Commission had serious objections against the Intergovernmental Agreements signed by several European states with Gazprom for the construction of the South Stream. European Commissioner for Energy Oettinger declared the agreements in question as breaching EU law and threatened with infringement procedures. He then summoned ministers from Austria, Bulgaria, Croatia, Hungary, Greece, Slovenia and Serbia, and was mandated to renegotiate the IGAs in conformity with existing EU rules (Betchev, 2014).

The fate of the South Stream project will to a serious degree depend on the outcome of the controversy on matters of principle between the Commission and Gazprom concerning the conditions in observation of which the Russian company will operate on the gas market of the EU.

On 4 September 2012, the European Commission antitrust branch opened formal proceedings against Gazprom for allegedly violating

European Union competition rules, in particular, blocking rival suppliers, preventing re-export of its gas, overcharging customers.

The gas market of the Danube region will probably be influenced also by the LNG terminal designed to be built on the northern Adriatic island of Krk in Croatia. It is included in a list of 250 priority projects of common European interest that are supported by the European Commission. The projects will be able to count on a financial support from the new Connecting Europe Facility of the EU (Independent Balkan News Agency, 2013). In the best-case most optimistic scenario the island Krk terminal will become operational by the end of 2016. This project will not only be of national but also of regional significance as through this terminal the natural gas could be delivered from Croatia to Hungary and Western Ukraine, and subsequently to other Danube states.

CONCLUSIONS

The Danube-Black Sea region is the zone where the export routes of the Russian and the Caspian natural gas cross. In regard of the natural gas the Danube states have two main objectives: 1. to secure for themselves stable and advantageous gas deliveries; 2. to attract transit gas streams through their territories.

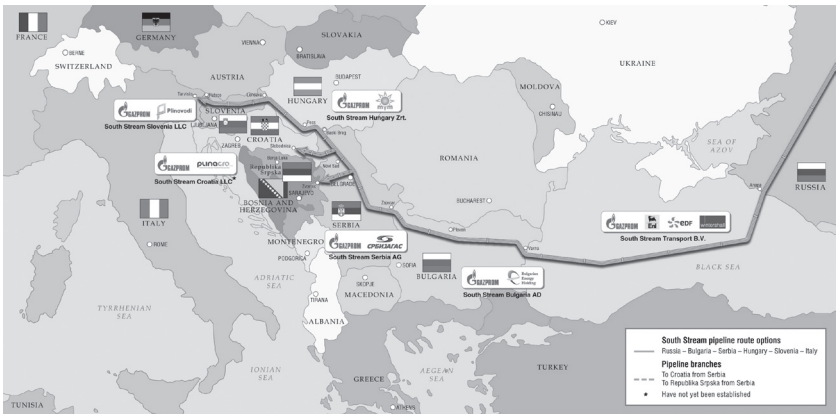
The struggle among the different projects for transfer of gas in the Danube region is an equation with many unknown quantities. Purely economic arguments cannot answer the question which of the projects will be accomplished and which one will not. Some of the projects have negligible chances for fulfilment but even the discussions on it influence the plans and the actual moves of the geopolitical players in the region.

In the circumstances of stagnation at the EU gas market that was going on after 2008 the project for new gas pipelines from Russia and the Caspian region are gaining an increasingly stronger geopolitical ingredient while the strictly economic considerations loose some of their importance.

The increasing LNG and CNG deliveries further the globalization of the gas market and begin to influence the new regional gas pipeline projects. The prices at the gas spot-market in Europe will be an important indicator of the feasibility of the major gas pipeline projects.

In the nearest and foreseeable future (till 2020 at least) Russia will preserve its position of domination in regard of the gas deliveries to Central and Southeast Europe, and will prevent the appearance of its competitor, Caspian gas, at these markets. However, the long-term perspectives are that Azerbaijan and Turkmenistan will attain the possibilities for direct sales at the EU gas market.

Map 1: South Stream Pipeline



Map 2: Nabucco-West Pipeline

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