

The Russian giant sidestepped the third energy package thanks to a handshake deal with the Balkan states. This situation offers a peak into how Russia will want to bypass the updated gas directive.

### **Serbia is vocal and Bulgaria is absent**

On the 1st of January, Serbia's President Aleksandar Vučić opened the Serbian section of the European leg of the Turkish Stream in the town of Gospodjinci near Novy Sad. He said that natural gas from Russia was already being delivered to Serbia via a pipeline that went through Turkey and Bulgaria. The pipe is 403 km long and its capacity will be almost 14 bcm a year. Vučić also revealed that 1000 cm of gas will cost USD 155 plus another USD 12-14 for transmission. The Turkish Stream's capacity is 15.75 bcm, but the majority of gas will stay in Turkey. The end goal is to transfer 31.5 bcm annually of Russian natural gas to Turkey's western provinces. Half of that amount will be exported further to the Balkans and Central Europe, including Bulgaria, Serbia and Hungary.

"Today marks exactly one year since the TurkStream offshore gas pipeline was launched in a grand opening ceremony. The pipeline is reliably transmitting Russian gas across the Black Sea for consumers in Turkey and as many as six European countries: Bulgaria, Greece, North Macedonia, Romania, Serbia, and Bosnia and Herzegovina. Since bringing TurkStream into operation, Gazprom has increased the gas pipeline's utilization rate by 2.2 times, including a 2.5-fold growth in utilization for European consumers," Gazprom CEO Alexey Miller said on the 8th of January. Miller also pointed out that Turkey, Greece and Northern Macedonia bought more gas from Gazprom in 2020.

The TurkStream runs under the Black Sea from Russia to Turkey and was opened in January 2020. The deadline for completing its extension via Bulgaria, dubbed by Bulgaria's Prime Minister Boyko Borisov the "Balkan Stream" passed on the 15th of December. A day later, the CEO of the national gas operator Bulgartransgaz, Vladimir Malinov confirmed the construction had been finished. No official opening was held.

The natural gas pipeline is to deliver Russian gas to Central and Eastern Europe bypassing Ukraine. The United States announced it would impose sanctions against companies helping to implement the Turkish Stream and Nord Stream 2. After the U.S. Senate overrode the outgoing president's veto, the sanctions entered into force and companies that are taking part in those projects have to withdraw their participation by the end of January.

Washington believes both projects are geopolitical tools used by the Kremlin to make Europe dependant on Russian gas.

## **Bulgaria - the quiet one**

After the celebration, Serbia came into the spotlight across Europe, even though it should have been Bulgaria. While Serbia is indeed a member of the European Energy Community where EU regulations are in force, including those pertaining to gas, contrary to Bulgaria it is not an EU member. Even though the implementation of the project was mired with technical issues and misunderstandings with Russia, Sofia completed it quietly and without much fuss.

In Bulgaria the main contractor was a Saudi company Arkad, which is run by Russians who bought pipes produced in Russia from Russian companies. Over 90 percent of the pipeline's capacity has been already booked for the next 20 years by companies owned by Gazprom and the Swiss company MET. This information was revealed by Bulgartransgaz, Bulgaria's gas transmission network operator in early 2020.

At the beginning of the year, Boyko Borisov announced the Bulgarian section of the Turkish Stream would be opened after a system interconnection between the Bulgarian transmission network and a Greek LNG terminal Alexandroupolis is launched. This is a separate project whose goal is to diversify natural gas sources, and which has American backing.

"Once everything is ready, I will invite neighbors, all friends will come, because what Bulgaria did, made it possible to achieve full diversification and allows our neighbors get transit fees," Borisov said in a quote on the Free Europe portal. However, it did not stop him a day earlier from visiting a compressor station in the town of Petrich, which started to transport gas from Azerbaijan from Turkey to Europe. According to the deal signed by Bulgartransgaz with Azerbaijan's SOCAR oil tycoon, Bulgaria will receive 1 bcm of gas annually for 25 years. It looks like the European Commission failed to notice this attempt at bypassing the EU law. However, the US did pay attention and is threatening with sanctions against companies that are engaged in the construction of the Balkan Stream. This may explain Bulgaria's reticence.

## **Gazprom sidestepped the EC**

However, according to EurActiv, Gazprom skilfully bypassed the EU third energy package, which seven years ago stood in the way to build South Stream, the predecessor of the Turkish Stream. Moreover, the portal argues that the EU states actually paid for it. This may explain Bulgaria's reticence. "Under the nose of the European Commission, Gazprom has taken over the most important border points of Bulgarian transit pipelines, without having to pay billions of euros for their construction and without owning the pipes - circumventing

EU rules under the Third Energy Package,” the portal argues. In other words, Russia and the Balkan states reached a gentlemen’s agreement. In contrast to the South Stream, Gazprom did not formally engage in the construction of the Turkish Stream’s extensions in Europe. The investments were made by the states themselves, including Bulgaria and Serbia, which formally did not call the endeavor a transit gas pipeline, but an expansion of their internal transit network. In return Gazprom booked as part of long-term agreements capacities, which guaranteed a return on investment thanks to transit fees. Therefore, an unwritten deal based on mutual trust passed under the nose of the European Commission. Gazprom has already booked all the key exits of the gas pipeline from Bulgaria in the strategic southern direction to Turkey, Greece and Northern Macedonia, as well as to Serbia in the west. Gazprom has also met the requirement of the third energy package to book up to 50 percent of the available capacity. The capacity is booked at over 90 percent for Gazprom and the Swiss-based MET company, in which the majority of shares is owned by the Russian giant, on the basis of a long-term contract that will be binding until 2039. So formally, everything is in line with the EU law. However, the truth is it doesn’t actually matter, because the pipe does not have a physical connection to any other source apart from the one on shore of the Black Sea. No other player has physical access to that entry point. “Such conditions pave the way for Gazprom to take over the entire Bulgarian market. There is little chance that Prime Minister Boyko Borissov’s favourite project – the Balkan gas hub – will operate as a “European hub”, while all southbound gas routes to Turkey, Greece and Macedonia are blocked,” EurActiv writes.

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