

Insider: South Stream in Serbia to be built by offshore firm

Categories : [News Serbia Energy](#)

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The construction of South Stream gas pipeline in Serbia has been announced as the “business of the century” by the Serbian authorities for the past three years.

Serbia should have revenues worth between EUR 200mn and EUR 500mn from transit fees.

However, B92’s investigative program Insider has learned that there is a possibility that the money from the fees will first go to Switzerland because a joint Serbian-Russian company that should build the pipeline in Serbia is registered in an offshore zone in the Swiss town of Zug.

This means that the Serbian government will not have a direct control over the company’s profit.

South Stream Serbia AG was founded in Switzerland and it is a joint company of Russian Gazprom Neft, which owns 51 percent and Serbia’s public gas company Srbijagas that owns 49 percent of shares.

The company is in charge of the entire construction of the South Stream gas pipeline in Serbia but money from future transit fees could end up on its accounts.

South Stream Serbia AG was founded as a classic offshore company and it does not even have offices and practically only has a post office box.

The offshore company was founded during former Prime Minister Mirko Cvetković’s government but the current government has approved Srbijagas’ investments in the Switzerland-based company. Energy Minister Zorana Mihajlović told Insider that the government would not be able to fully control the company registered outside Serbia.

“What I cannot really understand is why the company was formed in Switzerland, why in a town where all sorts of unusual companies have been formed. When you have many of those companies, daughter companies, then they are usually used, the experience has shown but it does not mean that it will be like that in this case, but they are usually used to siphon money,” she explained.

Serbia is one of the five countries on South Stream’s route through which Russian gas will be transported from Russia, under the Black Sea, through Bulgaria, Serbia, Hungary and Slovenia to Italy.

The gas pipeline section in Serbia will be around 400 kilometers long. However, Serbia is the

only country that has allowed the company that will build the pipeline to be registered abroad.

Srbijagas Director Dušan Bajatović is a singatory of all documents that enabled the company to be registered in the offshore zone in Switzerland.

Bajatović is also a member of the company's Board of Directors.

When asked whether the company's headquarters were in Switzerland, he said:

"So, it is true, the contract is such that something like that can happen but it can only happen with the founders' consent."

When asked where it was written, Bajatović simply said: "In the contract".

When asked if the profit from the South Stream would go to the offshore zone in Switzerland, he said that it would not.

The Srbijagas director did not want to say how he could guarantee that the money would not end up on the company's offshore account.

"Finally, it is written in the contract, the contract is two-pages long and it was not signed by Bajatović, the contract was approved by the Serbian government and it was signed in Switzerland. Therefore, just because there is a possibility that something will happen, it does mean that it will," he stressed.

According to Insider's findings, the Zug-based firm registered a daughter company South Stream in Novi Sad in November 2011. The company's articles of association reads that that it can "freely and without delay transfer its entire profit abroad".

This practically opens a possibility that a part of the state's profit would be transferred to Switzerland instead of staying in Serbia.

Source;B92