

## **Macedonia to serve as gas hub distributor for Albania and Montenegro**

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Skopje and Moscow have signed a draft agreement giving Macedonia an arm of the proposed South Stream gas pipeline, which will transport Russian natural gas under the Black Sea in Bulgaria to Greece, Italy and Austria.

Although left out in the primary pipeline route, with this deal Macedonia should still get a branch passing through its territory.

"The South Stream will pass through many countries and will have a single branch going to Macedonia that was not planned previously. But after the many contacts we made, the Russian side decided to include Macedonia. This will give the country the needed energy security," Macedonian Prime Minister Nikola Gruevski said.

This seems to be the impetus Macedonia needs to try to position itself not only as a customer, but also as a transit country for Russian gas and thus to increase its influence on the Balkan energy map. For now though, these are just plans.

For Konstantin Dimitrov, retired professor at Skopje Mechanical Faculty and an expert on energy related issues, Kosovo and Albania will be the potential markets for the gas coming from Russia through the South Stream branch.

"I am convinced that Kosovo and Albania will soon feel the need for increased gas supply. The question is -- who will supply it? I doubt that they will decide to buy from Serbia," Dimitrov told SETimes.

Extending the branch to Albania and Kosovo will bring benefits to Macedonian customers as well, because it will reduce the price of the natural gas in the country. Due to the poor use of

the gas supply network, Macedonia now pays among the highest gas prices in almost all the region - 490 euros for 1000 m<sup>3</sup>. Prices in Croatia, Serbia and Bulgaria are far lower -- 300 to 390 euros for 1000 m<sup>3</sup>.

"It's a simple math -- the more you use gas, the more its transport becomes worthwhile and the price is lower," explained Dimitrov.

For now, only approximately 30 companies from Skopje and Kumanovo, connected to a small gas pipe from Bulgaria, are using this comparatively cheaper fuel. Increasing the use of natural gas at the expense of the pricier fossil fuels or electricity will increase the competitiveness of the Macedonian economy in the region, said Macedonian businessman Risto Gushterov.

But, he added, for the country to feel the real economic benefit, it is far better for Macedonia to expand the number of gas users of this South Stream branch outside of its borders.

"Signing the memorandum shows only a good intent, and first of all from Macedonian side, to include itself in the South Stream pipeline as a customer. For now, we will not be a transit country that will have a direct profit from transferring the gas to third countries," Gushterov told SETimes.

Macedonian authorities expect the project to reduce the country's energy import dependence, reduce energy costs, and maybe even bring additional transit income to the budget.

Construction of the South Stream gas pipeline is planned to start by the end of this year and finish in 2015. The cost is estimated at 20 billion euros and the transition capacity of the pipe will be approximately 60 billion cubic meters of gas every year.

The Russian gas will flow through Bulgaria, Italy, Serbia, Hungary, Croatia, Slovenia and Austria. The pipe will have two arms -- the southern going through Greece and the northern through Serbia. It is still not decided which of these two countries will offer the branch going to Macedonia.

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