

Serbia: Gentleman's agreement for the South Stream

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Date : March 18, 2014

Director of Srbijagas Dusan Bajatovic said that the construction of the South Stream pipeline has no "substantial delays" and that by the end of April the contractor of works will be determined. "The loan amount is 275 million, a fixed interest rate is 4.25 percent, the 15-year repayment period," he said, adding that it is the best thing that Srbijagas could receive on financial market: EUROLIBOR, plus 6.2 to 6.7 percent to five years due to low credit ratings of Serbia.

"Quite simply, now we have a delay in the works for about 30 days. If we remember Nord Stream, when the deadline for completion was 2005, and it was put into operation in 2011, we can say that the delay of a month is not something to make noise about," said Bajatović in an interview for the new issue of the weekly "Vreme".

Bajatović emphasized that the issue of the loan for the project is resolved, preliminary project is done and everything is ready for the expropriation of the land.

"Very soon we will have a complete documentation for the construction through Serbia. Next week we are going to get a building permit for the third quarter of the South Stream (from the Bulgarian border to the north of Serbia)," he said.

Bajatović added that the other issue about recapitalization of Srbijagas was left, and that the contract with Gazprom is still on the desk in the Ministry of Finance.

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Of course it's better, said Bajatovic, to take out a loan for 15 years with a grace period until the commencement of works and a lower and fixed interest rate, and all credit risk remains to Gazprom. As he explained, the money for recapitalization will be for the current operations, for making advance payments to the "long procurement" (pipes and compressor stations) and for making advance payments to contractors.

"So by the end of April, a contractor for the South Stream through Serbia will be chosen. Otherwise we have a gentleman's agreement to engage all maximum capacities of Serbia for the introduction of local subcontractors. This agreement will be incorporated into the basic agreement," said Bajatović for "Vreme".

In his opinion, it would be a lot of unknowns in the realization during the constructing of the South Stream through Serbia if would be accepted the proposal of the Ministry of Energy. Then while processing of restructuring Srbijagas is being done at the same time ownership unbundling, and also the financial restructuring that would be done by IBRD (International

Bank for Reconstruction and Development).

Bajatović explained that he did not agree with this proposal because of the "special relationship with the Russians".

He said he "is not the nailed in the director's chair of Srbijagas", but he could still imagine himself in that position, even if the Socialist Party of Serbia, whose official he is, would not be in the Government of Serbia.

" According the new law, we are responsible with our property for the performance of the company, so I had to fight harder to Srbijagas normally works, and not through it to conduct some social affairs. Now you should have the guts to sit in the director's chair of a public company, where we need to listen to the political structure, and at the same time be profitable, "said Bajatovic.

Source; Serbia Energy