

Serbia is disappointed by Russia's decision to halt the South Stream gas pipeline, and believes it is a victim of the dispute between the EU and Russia. But it is hoping the project will not be abandoned completely. EurActiv Serbia reports.

Apart from the importance it would have for energy security, it was also expected that the pipeline would provide an incentive to Serbia's failing construction sector, as well its logistics industry.

On Friday, (5 December), the Serbian government is due to consider further steps. Serbian Prime Minister Aleksandar Vučić has announced that he will discuss the pipeline with Russian President Vladimir Putin upon returning from New York, where he is attending a UN Security Council Session on Kosovo today (4 December).

Serbian officials concur that the cancelation of South Stream is bad for Serbia, but are hoping that the project has not been dropped completely.

"Any announcement that the South Stream project is being put in question is not good news for Serbia. It is bad news for Serbian citizens, too. Serbia has invested a lot of energy and a lot of hope in that project since 2008, and has done everything for South Stream to be realized," said Minister of Mining and Energy Aleksandar Antić.

On Tuesday (2 December), Zorana Mihajlovic, Serbia's Minister of Construction, Transport and Infrastructure, expressed the belief "that this is not the final end of the project."

"Serbia has so far invested 30 million euros in the construction of South Stream. I would wait and see what the final decision will be, because the European Commission is again scheduling talks, which shows that it has an interest in South Stream being built," Mihajlovic told a press conference at the government headquarters.

Issue of NIS

Moscow's decision to drop South Stream also problematises a series of energy agreements Serbia made with Russia in 2008. Besides the construction of a leg of the South Stream pipeline in Serbia, those deals include the sale of a 51% stake in the Petroleum Industry of Serbia (NIS) to Russia's Gazprom Neft, and the construction of an underground gas storage facility in Banatski Dvor.

Officials have said that Serbia does not have the option of questioning the sale agreement under which NIS was sold to the Russians for 400 million euros, with the obligation of investing €500 million in modernization. As Energy Minister Aleksandar Antić pointed out, those projects are not linked anywhere in the agreements.

In 2013, NIS was the most profitable company in Serbia, with 52 billion dinars, which today equals roughly 437 million euros.

Construction Minister Zorana Mihajlović said she had raised the question of why the Serbian side had not protected its interests, and announced that the way the negotiations had been led would be investigated.

Ex-president Boris Tadić, whose former party, the Democratic Party, was in power when the

energy agreements were signed with Russia, said that the sale of NIS within the energy package had been arranged by the government of Eurosceptic Vojislav Koštunica, which Tadić inherited during his presidency.

“Had Serbia abandoned the entire energy agreement at the time, it would have disrupted our relations with Russia, put energy security in question, and affected the citizens’ standard of living. One also should not forget about the political context, because Russia had advocated Serbia’s interests over Kosovo in the United Nations Security Council,” said Tadić, who is now the leader of the opposition, non-parliamentary Social Democratic Party. The current president of the Democratic Party of Serbia, Sanda Rašković Ivić said that the European Union was the chief culprit for Russia’s stopping of the construction of South Stream, accusing the EU, together with the US, of pressuring Bulgaria for months not to allow the construction of the pipeline.

Alternative

Serbia nonetheless has plans for alternative gas supply routes, primarily through interconnections with neighboring states.

“The priority and what is in the budget for 2015 is the continuation of construction of a gas interconnection with Bulgaria,” Antić told B92 TV, adding that interconnections opened up the possibility of gas supplies from Azerbaijan or of Serbia latching onto a bigger pipeline. The abandoning of South Stream, however, leaves Serbia without an investment of about two billion euros, and according to analysts it will also be harder for it to attract other investors, especially in the industrial sector, due to the the unavailability of fuels, i.e. gas. There will also be no revenue for domestic companies from the construction of the pipeline section in Serbia. According to earlier announcements, Serbia should have gotten 50% of the construction works and 40% of other works, meaning that Serbian companies could have earned 350 million euros.

The state will be left without the gas transit fee, estimated at €300 million euros per year, recalled the secretary of the Serbian Chamber of Commerce’s Energy Association, Ljubinko Savić.

It is also unknown what will be done with the land purchased for the construction of the pipeline section in Serbia. The plan was to buy up 8,000 hectares of land for 24 million euros for the construction of South Stream. According to the latest information, around 80% of the land has been purchased.

Source: Euractiv