

## Serbia: South Stream costs increase?

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Dusan Bajatović, general director of "Srbijagas" says he cannot believe that the construction of the "South Stream" through Russia may be increased in price by 45 percent.

Statement by Alexander Ivanov, one of the leaders of the finance department of "Gazprom", that the construction of the "South Stream" could be increased in price by 45 percent, without explaining the reason for this expectation, also has surprised Dusan Bajatovic, general director of "Srbijagas", which for "Politika" says he found out about the whole story from the press.

- It is hard to believe that the construction of the pipeline can be increased in price so much. Construction through Serbia was agreed on "turnkey", and it should not be expected any movement in price. "Gazprom" has taken all the risks around the building. If price increases, it will be minimal, due to the fact that route through Vojvodina is changed a little and that "South Stream" will finish in Austria, in Baumgartner, the largest gas storage in Europe, instead of in Italy - says Bajatovic.

He sees no reason why would something be so much more expensive, almost for a half. It is known that 2,500 kilometers of pipes will go through the land part of Russia, then under the Black Sea, but there is no explanation that the marine part increases in price from 10 to 14 billion EUR, and the land part from 6.6 to 9.5 billion EUR, says Bajatovic.

Bajatovic estimates that the project financing could rise in price, or equity, or the entire project, but even then the increase should not be 45 percent, he says, adding that Serbia does not suppose to have these problems.

During the signing contract on the construction between the company "South Stream Serbia" and "Center gas" from Russia, it was said that the construction of gas pipeline sections through Serbia will cost 2.1 billion EUR.

The fact is, however, that in 2011th during the last visit of Russian President Vladimir Putin in an interview on the "South Stream", it was mentioned price of 1.7 billion EUR.

Familiar with this issue say that the former amount was the result of the first estimate based on preliminary input data, and that the final sum of 2.1 billion EUR resulted from the project documentation. An additional issue is how much was the price of steel four years ago, which has a huge impact on the project price.

The cost of 2.1 billion EUR includes the connecting pipelines for the Bosnia and Herzegovina and Croatia.

Length of the gas pipeline through Serbia is estimated at 470 kilometers and a capacity of 63

billion cubic meters of gas will be able to supply about 30 million people in Europe.

It is expected that pipes laying under the Black Sea for the pipeline starts in November, as recently confirmed the representatives of "Wintershall", German shareholder in the project of the "South Stream" pipeline, not mentioned then any increases in price.

Pipeline "South Stream" should provide another way of supply Central and Southeastern Europe with Russian gas and directly to connect large deposits in Siberia to European consumers.

#### Costs still unknown

The exact cost for the project "South Stream" will be known only after all the key contracts for the pipes purchase and construction be defined, because they constitute a significant part of the project budget, it was answered to "Politika" from the Department for Information of "Gazprom".