
ENERGY BRIEF

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POSSIBLE TERMINATION OF BURGAS- ALEXANDROUPOLIS PROJECT, SAYS BULGARIAN OFFICIAL

There exists the possibility that the Burgas-Alexandroupolis crude oil pipeline will be canceled when shareholders meet in Rome on February 17, according to the former director of Bulgaria's interest in Trans-Balkan Pipeline B.V., Plamen Rusev.

Mr. Rusev told *Bulgarian National Radio* that the termination of the project was likely because the shareholders had not performed their financial obligations, the *Sofia New Agency (SNA)* reported on February 9.

"I can confirm that the project is going to end," Mr Rusev was quoted as saying by *SNA*. He said this had come about because Bulgaria had failed to pay its obligations to Trans-Balkan Company and that this had created tension between shareholders. "As a result, Greece stopped paying its obligations too. You cannot have only one side pay. There has to be a balance," he said.

Trans-Balkan Pipeline B.V. is comprised of Russian, Greek and Bulgaria consortiums and was formed in 2008 with the purpose of building and operating the 280 kilometer crude pipeline from Bulgaria's Black Sea port of Burgas to the Greek city of Alexandroupolis on the Aegean Sea. Russia holds 51% of the Trans-Balkan Pipeline joint venture through Transneft, Rosneft and Gazprom Neft. Bulgaria and Greece hold the remaining 49%, divided evenly at 24.5%.

The US\$1.5 billion pipeline would have an initial capacity of 35 million tons/year (750,000 bpd) that would later be expanded to 50 million tons/year (1 million bpd).

Burgas-Alexandroupolis (also referred to as BAPLine) was conceived as a means to bypass Turkey's busy Bosphorus and Dardanelle Straits and was expected to transport primarily Russian and Kazakh crude.

Bulgarian Prime Minister Boyko Borisov had said on a couple occasions in 2010 that the project would not go ahead – primarily on environmental grounds. The Black Sea cities of Burgas, Pomorie and Sozopol had expressed their concerns that the pipeline could pollute beaches and countryside that support the region's tourist industry.

While Sofia had not rejected the project outright, Bulgarian officials said in November last year that the country's final decision on the pipeline would not be taken until the environmental impact assessment is complete. In early November, the Bulgarian Ministry of Environment and Water rejected an environmental study and returned it to Trans-Balkan Pipeline B.V., saying the report was "unclear and incomplete." The ministry said the report failed to provide details on how a possible oil spill would affect the local fishing and tourism industries, or how to deal with such incidents.

Mr. Rusev said the Bulgaria Finance Ministry, which represents Sofia in Trans-Balkan Pipeline, would be obliged to make payments and that its partners in the project might possibly sue for damages. "The most unpleasant thing is that Bulgaria had already lost about €800 million" on the project, he said.

The idea of a Burgas-Alexandroupolis pipeline to bypass the Turkish straits has been around since the late 1990s, but Russia did not get serious about the project until 2007 as it began to prepare for increased crude oil shipments of Kazakh crude out of Black Sea ports through the Caspian Pipeline Consortium (CPC) pipeline and other terminals.

As it became increasingly clear to Moscow that the Trans-Balkan Pipeline project might fall through, it began to shift its attention to the proposed Trans-Anatolian Pipeline across Turkey connecting Samsun on the Black Sea to Turkey's Mediterranean oil terminal at Ceyhan, where crude arriving from Azerbaijan through the 1.2 million bpd capacity Baku-Tbilisi-Ceyhan (BTC) pipeline is loaded for export.

The Trans-Anatolian Pipeline Company (TAPCO) is a joint venture between Italy's Eni and Turkey's Calik Enerji. The pipeline is planned to carry 1.5 million bpd of crude out of the Black Sea and thus serve as Turkey's own bypass to its crowded straits.