

Bulgaria has been striving to distance itself from energy giant Russia since the Ukraine gas crisis and has turned to Brussels for alternative gas routes and financial support. However, Bulgarian and Russian energy interests are inextricably mixed. Meanwhile, Bulgaria's citizens are demanding more transparency.

*Bulgaria attempts to break **Russian hold***

| by Anke Truijen

Last January history seemed to repeat itself when thousands of people took to the streets in the Bulgarian capital of Sofia. They demonstrated against Bulgaria's energy dependence on Russia created by the government. Bulgaria was stuck without gas for two weeks at the start of 2009, thanks to the gas price conflict between Russia and Ukraine. Manufacturers were forced to cease production, schools remained closed because of the cold and many people were left without heating in severe winter temperatures. Bulgarians appealed to their government to distance itself from Russia and to demand openness about agreements with monopoly supplier Gazprom. 'We do not want to be the next victim of Russia's pipeline politics!' said an angry demonstrator in the parliament square. Protests took place for the very same reasons a year before, in January 2008.

At that time, former Russian President Vladimir Putin and Bulgarian President Georgi Paravanov, commonly known as the "Gazprom employee" because of his pro-Russian attitude, had signed an energy deal worth 10 billion euros. The deal included the construction of the South Stream gas pipeline, a nuclear power plant and the Alexandroupolis oil pipeline. Putin at the time brushed aside European concerns about Russia's increasingly dominant energy position, claiming that this contract would secure the energy supply for the Balkans as well as for the rest of Europe including, of course, Bulgaria.

When Bulgarian President Georgi Paravanov was in Moscow to officially open the "Bulgarian year in Russia" at the beginning of February, the gas situation cast a shadow over the festive atmosphere. The two countries share

deep historic, cultural and economic ties and Bulgaria is Russia's largest ally within the EU. Back home in Romania, Russian "pal" Paravanov had to admit that the Russians were perhaps not a very reliable partner after all, but he did not seem to feel inclined to repeat that in Moscow. Small wonder: for its gas, Bulgaria fully relies on one country – Russia – and on one route – via Ukraine. Bulgaria is also dependent on Russia for oil and uranium for almost 100%.

Lessons |

Of the total Bulgarian energy consumption, 14% is based on gas, most of which goes to the manufacturing industry and municipal heating systems. Not much perhaps but once Bulgaria starts to develop a more sustainable and efficient energy policy in accordance with European standards, gas demand will double within ten years. Consequently,



Yavor Kuiumdjiev, Deputy Minister of the Bulgarian Ministry of Economy and Energy. Photo: Anke Truijen

new gas networks and pipelines will be crucial.

The President should have used his visit to force a new gas agreement out of Gazprom, says Bulgargaz director, Dimitar Gogov. Bulgargaz is the Bulgarian gas company responsible for the import, distribution, transition and storage of gas. It currently has three import contracts. One is entirely under Gazprom's control, whereas it controls half of the other two. The other partners in these contracts are Bulgarian parties. Gogov now wants one contract with guarantees for an uninterrupted supply and lower prices.

Gazprom has promised to supply Bulgaria with the as yet undelivered gas, at a discount, after the latest crisis. The Russian company traditionally sells gas to Bulgaria below market value in exchange for the transport of gas. In the last few

years this deal has been disadvantageous for Gazprom as a result of a weak dollar, high international gas prices and increased volumes of transported gas. The Russians therefore wanted to break open the contract, wanting to pay less for transition costs. In return Gazprom offered to take over part of the Bulgarian gas pipelines. By now a new contract has been negotiated, but its content is unclear as no one is allowed to see it. Local media claim that Bulgargaz is now worse off. This has aroused suspicion among Bulgarian consumers who were stuck with high gas bills in 2008, which many were unable to pay.

'We have learned from this situation: our relationship with Russia depends on the confidence Gazprom is giving us today. We are not looking for a complicated legal struggle but will certainly demand compensation for the gas shortage,' says

Yavor Kuiumdjiev, Deputy Minister of the Bulgarian Ministry of Economy and Energy in his gloomy but stately office in the centre of Sofia. Gazprom could compensate the losses, according to Kuiumdjiev, by making direct payments, granting a lower import price for Russian gas or by allowing Bulgaria access to the Russian gas network to enable Bulgaria to import gas from other countries.

'We want the government to take action first rather than asking the EU for handouts or behaving like Russia's lapdog'

Bulgaria has meanwhile realised that it has to reduce its dependency on Russia. It has asked the EU for financial and political support to diversify the gas networks. Bulgaria has requested 400 million euros from the EU. 'Look at it as a crisis fund,' says Kiuumdijev. 'Our EU membership is a powerful trump card here. We have to cooperate as a Union to secure our future energy supply.'

Out of balance |

'The government was looking at Russia to solve the problem during the crisis. Instead, the government itself should have intervened sooner,' says Petko Kovatchev, dressed in a black hooded sweater with the text "the KGB is still watching you". His Bankwatch organisation, a social watchdog of sorts, is one of the organisers behind the protests in Sofia. He believes that the government is misusing the energy sector for corruption and that its policy is unclear and ambiguous. Consequently, he says, the government was unable to react adequately to the crisis. 'Our gas

high energy consumption per head of population is the use of new technologies that run on natural gas.

Plamen Tzvetanov, former Deputy Minister for Energy and the Economy, currently employed as an energy specialist by the research centre for nuclear energy in Sofia, says that Bulgaria will have to invest in its own gas sector to bring the national energy policy back in balance. He says that gas can help to reduce the intensive use of electricity in Bulgaria's heating systems and thus stimulate more efficient use of energy. Approximately 40% of all Bulgarian houses are electrically heated. The European average is 11%. Many people burn coal and wood to heat their houses. 'The proportions are out of balance,' says Tzvetanov, 'especially considering the amount of energy it takes to produce, transport and distribute electricity.'

The government has said it will make haste with the development of the gas sector. Since the closure of the nuclear plant in Kozloduy in 2006, however, reinstating Bulgaria as the largest electricity exporter

Legacy |

Tzvetanov explains that Bulgaria's extreme dependence on Russia is a legacy of the communist era. 'We have not made much progress in hooking up to the European gas network. This is mainly the result of lacking a systematic approach, lacking political will to diversify and lacking an independent energy policy.'

As a short-term solution for extra gas Bulgaria could consider building interconnections with its neighbouring countries Romania, Greece and Turkey. The EU has set aside 20 million euros for these projects, which is by no means enough in Bulgaria's view. The country wants more assistance from Brussels. The gas storage facility in Chiren in northwest Bulgaria should be expanded and a second gas storage could be built in the proximity of a natural gas field on the Black Sea coast. Officially, Bulgaria should last for 100 days on its current reserves. During the crisis, however, less gas appeared to be available.

President Parvanov recently negotiated additional gas supplies with countries in Central Asia. The only way to transport that gas into Bulgaria, however, is via the Russian network. Gazprom has informed Bulgaria that it has enough gas to top up the Bulgarian gas supply and is therefore not obliged to grant access to the Russian gas network for transitions from other countries.

Reopening the nuclear plant in Kozloduy, which the government is now considering, is not a good solution, according to critics. The EU, which must give approval for this plan, is not in favour. 'The government is attempting to conceal its own mistakes as well as its dependence on Russia, whereas production of this electricity cannot offset the gas shortage in the short term,' says Petko Kovatchev of Bankwatch. He thinks that the move is related to the parliamentary elections later this year.

Catalyst |

For Bulgaria, the Nabucco and the South

'The President should have used his visit to force a new gas agreement out of Gazprom'

reserves, for instance, were insufficient to cushion the initial shortage during the crisis. It later turned out that no one knew exactly how much gas was still available and how long it might last.' Kovatchev thinks that gas reserves were sold to large manufacturers just before the crisis. 'We want openness: we want the government to take action first rather than asking the EU for handouts or behaving like Russia's lapdog.'

Bulgaria's energy policy is increasingly being criticised as a result of the gas crisis. Bulgaria is not only one of Europe's largest energy consuming countries, it also ranks high on the list of importing countries. Nearly 71% of the total energy consumption is imported, mostly from Russia. One way to decrease the

in the region seems to have taken priority. Large electricity production projects are attracted to increase the electricity production capacity and what's more, the state guarantees possible losses relating to those projects. Tzvetanov warns against an unbalanced and dependent energy policy. 'The Government is building power stations with twice the current production capacity, planned for completion by 2020. The largest project is the nuclear plant in Belene which is being built by the Russians. We are not going to need that much electricity until 2030 and the present system cannot handle production and transmission on that scale. This nuclear plant is only increasing our energy demand from Russia.'

Stream pipeline projects are high on the political agenda again, as a result of the gas price conflict. 'The gas crisis is a catalyst to press on with energy projects such as Nabucco. We will ensure that Nabucco will be built,' says Kiuumdijev, who is also an advocate of the Russian-led South Stream pipeline. 'These projects do not compete with each other. The last thing we need is a struggle between the EU and Russia around these important projects.'

Bulgaria is a crucial transition country for both projects. Nabucco is an EU-led project intended to transport gas from Central Asia to Austria via Turkey, Bulgaria, Romania and Hungary. The project is constantly delayed by lack of political agreement and financial problems.

During his official visit to Moscow, Bulgarian President Parvanov declared himself in favour of both projects but promised Russia help to speed up the construction of the South Stream pipeline. The South Stream project, driven by Gazprom and Italian energy company Eni, will transport 30 billion cubic metres of gas beneath the Black Sea to southern Europe and the Balkan countries. It is due to start in 2013.

'The problem with South Stream is that we will become "the new Ukraine" and that Russia will use us as a political plaything', says Kovatchev of Bankwatch. 'We are not in as strong a position as Ukraine, though; they have their own reserves and gas production. Russia might just use gas prices to pressure us.' Bulgaria could also push to extend the Blue Stream pipeline, which currently pumps Russian gas to Turkey, and eastern and central Europe. But this might stand in the way of Nabucco. Top Nabucco officials have said that Russia could join in as an additional gas supplier by hooking the Blue Stream pipeline in Turkey up to the future Nabucco pipeline and thus to the European gas network in southern Europe. Then, if Europe ever suffers a shortage of 'Nabucco' gas it can always fall back on Russia - in the same way Bulgaria always has done. ■

Bulgarians protest against their dependence of Russian energy. Photo: Anke Truijen

