

**Interview** Andreas Andrianopoulos

# 'Russia cannot meet its obligations'



The former Greek Minister of Energy, Andreas Andrianopoulos, who currently acts for the EU as advisor to the Russian government, talked to EER about the prospects of the Bourgas-Alexandroupoli pipeline and other projects. He is worried about the ability of Russia to meet its commitments.

*To what extent can the world energy market expect security and price control due to the construction of the new Balkan pipeline networks?*

It is rather early to say. The recent agreements are still in the planning phase and a lot of details have to be worked out. Moreover the real issue is not the pipeline network itself, but rather the origin of the oil or natural gas they will supposedly transfer. That means that the energy commodities coming from Russia or Central Asia have to be able to meet the demand for the foreseeable future, so as to make the current investments viable. That is something that is still in flux in most respects. What is certain is that there are going to be losers and gainers when the situation settles.

I need also to stress the report by the International Energy Agency which predicts that the average global energy demand will increase by 2% annually. The production is increasing just 1%, and already Russia is starting to predict that it will face difficulties in 5 years on meeting the demands of its clients such as Greece, Bulgaria, even China. The next few years might reveal a great shortage of energy in the market and that will place in peril investments made in pipelines that will reach a point in the end of not having enough resources to operate with. The creation of pipeline networks might be futile if investments in production are not forthcoming.

*On August 27 the Russians demanded from the Greek and Bulgarian partners that they offer their share (49%) in the Burgas-Alexandroupoli (A-B) pipeline if they could not come up with a proportionate supply of oil. Do you think that this recent development will stall the planning of this project?*

If you mean that Chevron should acquire the 49% in order to transfer its oil from Kazakhstan; then the issue is great for Greece and Bulgaria. The question that arises is why should the Russian companies have the majority of the pipeline's shares, whilst the oil from Kazakhstan is deemed as necessary for the overall viability of the project? I suspect that Athens and Sofia will raise this issue and that will most certainly stall the progress of the construction of the pipeline. For the moment the situation is still under serious consideration by all sides. The ability of Russia to export the amounts of energy needed, is another important aspect to deal with.

*Do you think that Russia is capable of supplying the necessary quantities of oil and natural gas to its costumers, in the mid and long-term, in view of its present-day production capabilities?*

My estimation is that it can't. Russia hasn't been able for some time to exploit new oil fields, whilst it has already promised to build many new pipelines. Actually in theory many agreements have been made for new energy routes, new port terminals and exportation. On other hand new oil is not being pumped out of the earth. The same can be said for the natural gas. Virtually the whole of Eurasia is supposedly going to be connected via gas networks, but Gazprom is hesitant to assure firmly that it has the ability to secure the latest agreements. Russia has many obligations that have been created over the previous years along with a multitude of bilateral agreements that need the existence of great amounts of oil and gas in a relatively short period of time. As I said before, this is rather a global issue, since new investments over the past 20 years or so have been going down for a variety of environmental, economic and political reasons. In the case of Russia there are serious drawbacks concerning the amount of energy it is able to produce, manage and export in relation to the agreements it has made. The outcome might be disastrous.

*So investments are needed in Russia to extract oil and gas?*

Of course. Investments and the use of new technologies are vital. The opposition by the Russian government in allowing foreign corporations with the adequate know-how to achieve this is another major obstacle. Therefore the option left for Russia and Gazprom, is to compete for the gas of Turkmenistan, Azerbaijan and Kazakhstan. And portray the existence of energy in those countries as its own supplementary amount. On the oil issue, the Kashagan field in Kazakhstan might be the supplementary amount needed for the exports via Novorossiysk to proceed over the coming years. Again the legal issues concerning the pipeline north of the Caspian (CPC) and the Burgas-Alexandroupoli have to be dealt with. ■

Andreas Andrianopoulos studied political science, economics, peace studies and leadership in Athens, Oxford, Cambridge, Harvard and Kent. He was elected 9 times to the Greek Parliament and has served as Minister of Culture, Trade, Industry, Energy, Technology and Mass Communications. He is currently leading a team of international consultants in advising the government of the Russian Federation, under the auspices of the EU, on liberal market reforms. Website: [www.andrianopoulos.gr](http://www.andrianopoulos.gr)