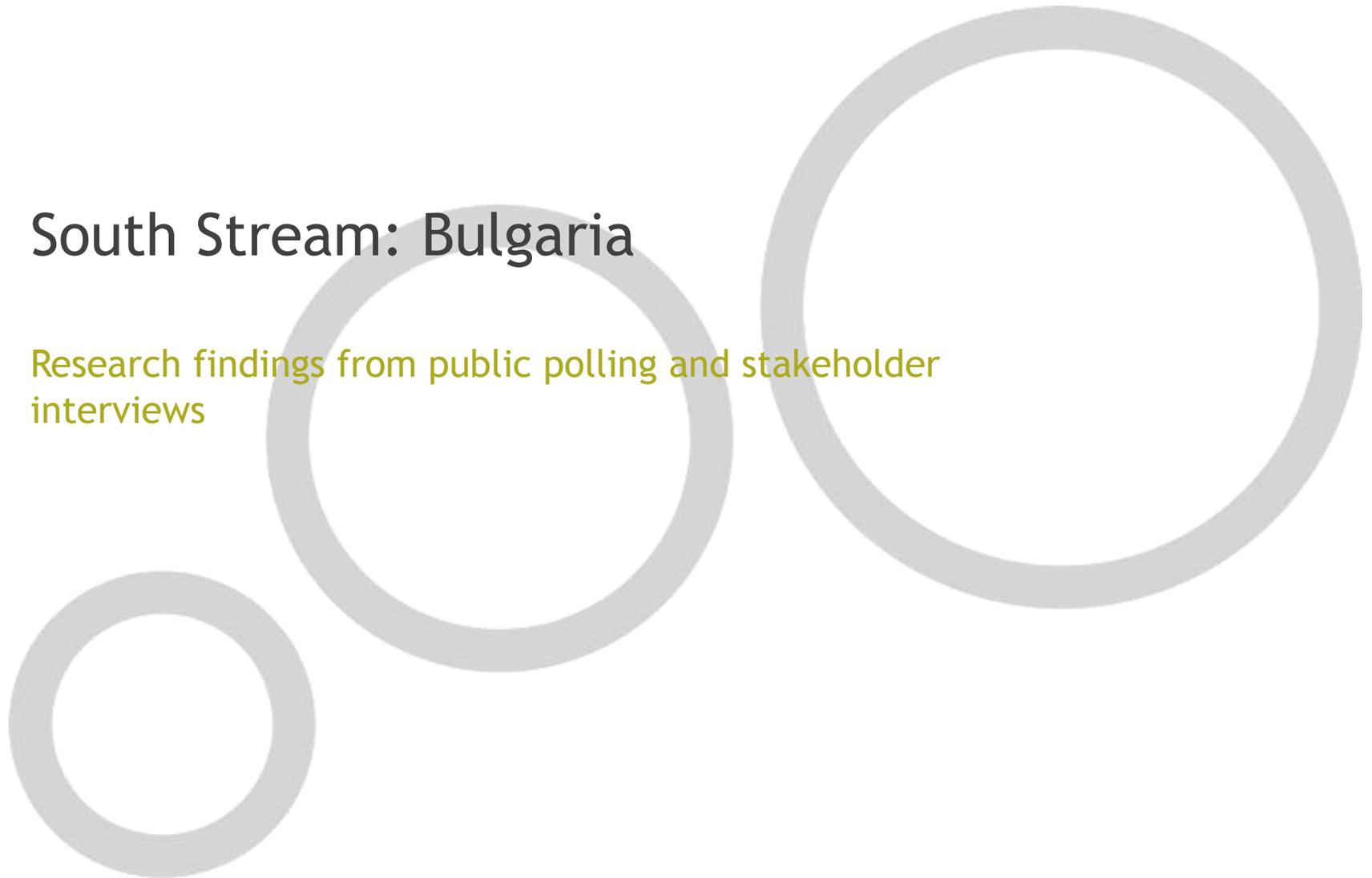


South Stream: Bulgaria

Research findings from public polling and stakeholder interviews



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Introduction

Background

- The South Stream pipeline will bring significant volumes of Russian gas to Italy, transported across Bulgaria, Serbia, Hungary and Slovenia.
- Once complete, the pipeline will diversify European energy supplies and ensure a steady supply of gas.

Introduction

Objectives

- Natural Gas Europe commissioned WorldThinks to conduct research to understand views of the pipeline in Bulgaria, Hungary, Italy, Serbia and Slovenia.
- In each country, the research aimed to understand:
 - levels of support for the pipeline;
 - perceptions of its advantages and disadvantages;
 - attitudes towards the main companies involved; and
 - any differences in opinion between stakeholders and members of the general public.
- These slides present the findings of the research in Bulgaria.

Methodology

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- Online survey
- Fieldwork: 17th-28th May 2013
- 500 respondents
 - Margin of error within sample size = $\pm 4.38\%$

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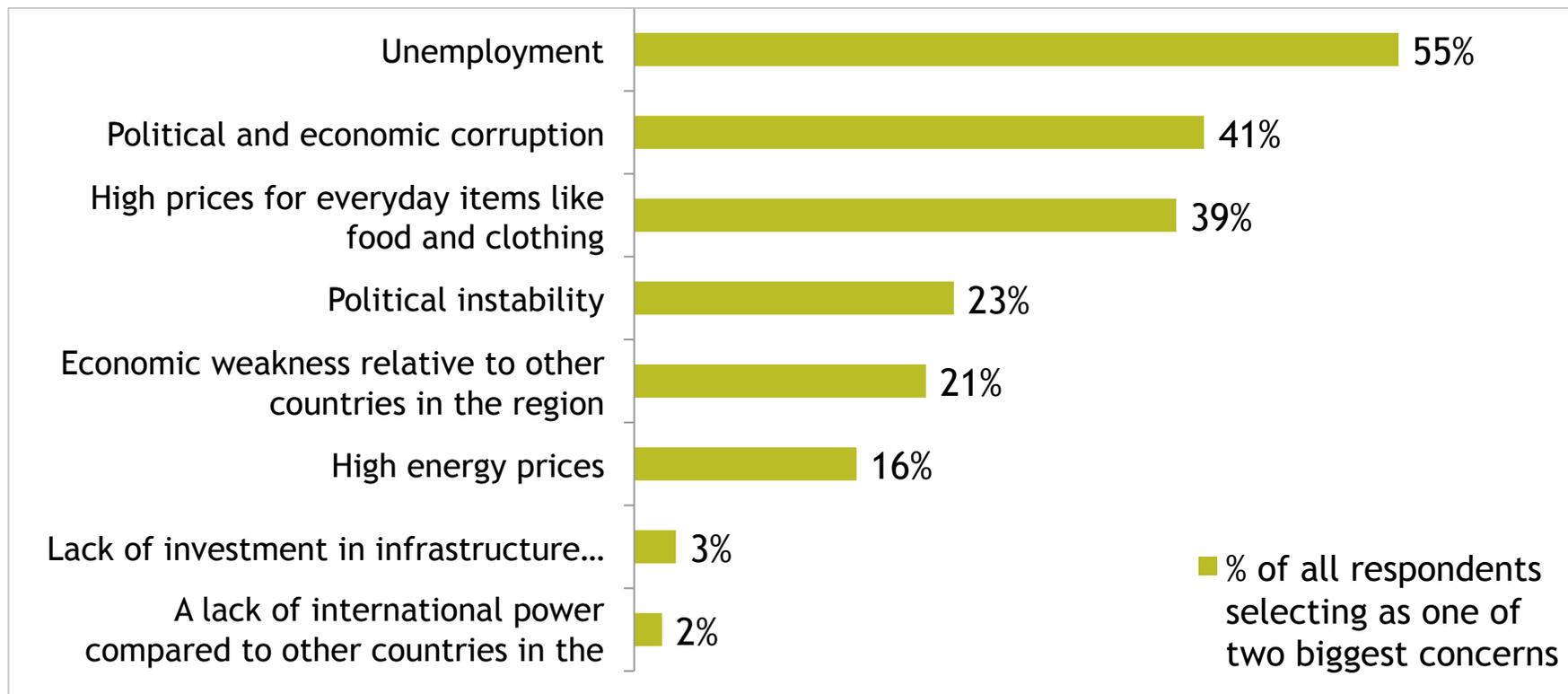
- 12 interviews
- Telephone or face-to-face
- 30-45 minutes each
- Conducted in Bulgarian by local research agency
- Mixture of stakeholder groups:
 - 3 Academics
 - 1 Business/Investor
 - 2 Government Officials
 - 2 Politicians
 - 3 Environmental NGOs
 - 1 Think tank



Background hopes and fears for Bulgaria

Bulgarians are most concerned about economic and political issues

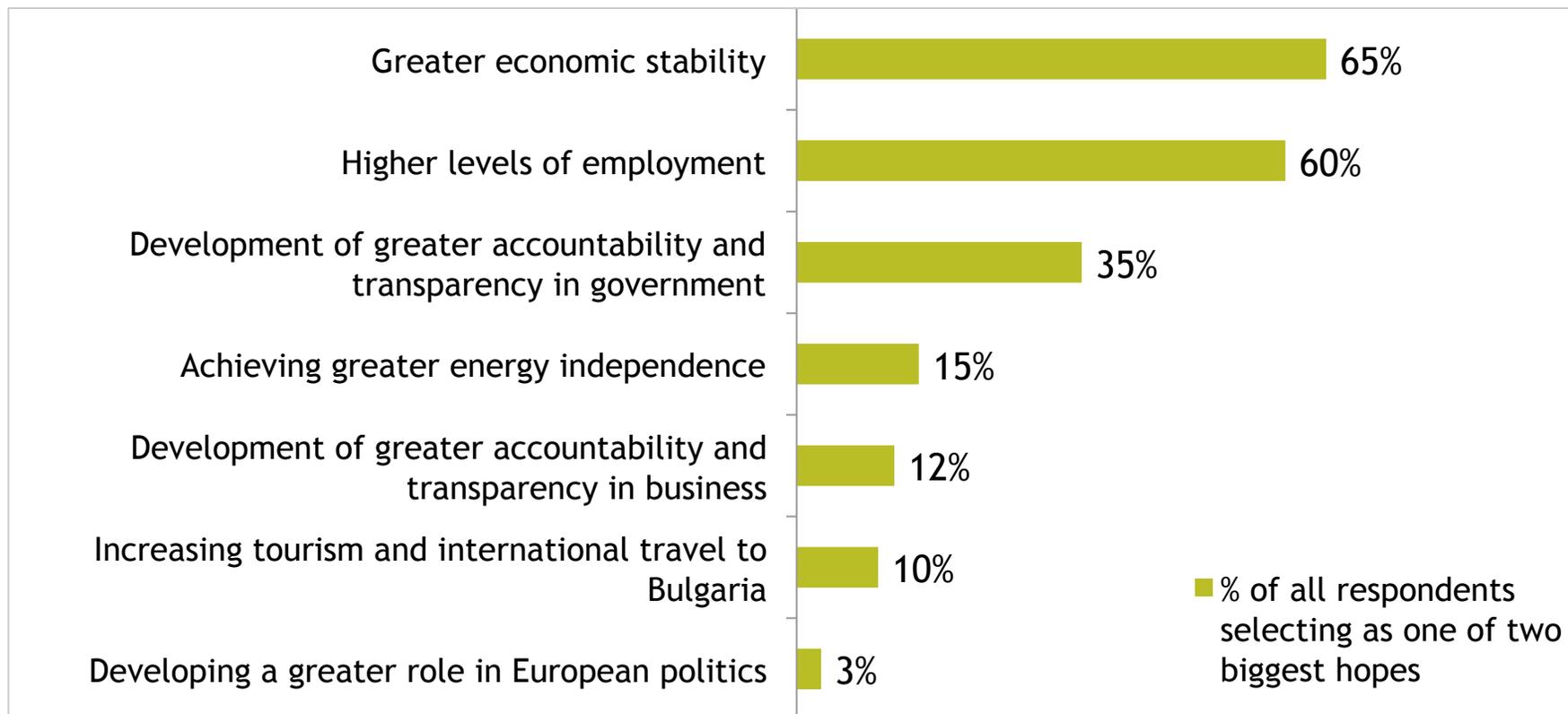
- Energy prices, lack of investment in energy (and other) infrastructure and international power are not big concerns for most of the public.



Q.1 Which two of these are your biggest concerns for Bulgaria at the moment? Please select 2 from the list below. [Base = All respondents (500)]

Economic stability and higher levels of employment are the most common hopes for Bulgaria

- Achieving energy independence is less of a priority.



Q.2 Which two of these are your biggest hopes for Bulgaria at the moment? Please select 2 from the list below. [Base = All respondents (500)]



Views on energy challenges and Bulgarian energy policy

Stakeholders describe a number of energy challenges facing Bulgaria

- The most common issue described by stakeholders is a lack of diversity in energy supply, and in particular an overreliance on Russia.
- Stakeholders also see a lack of competition in the domestic energy market and the dominance of their own interests and agendas as a major problem.
- There is some concern about inefficient overproduction. The energy sector is seen to be geared towards overproducing rather than energy conservation.
- Other concerns raised by stakeholders include a lack of transparency in policy development; high prices and a lack of clarity about how those prices are set; and corruption.

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“In Bulgaria, over 70% of [energy supplies] come from abroad, mostly Russia. If something happens on the road from Russia to Bulgaria supply security is at risk.”

Stakeholder

“The energy sector has some pretty big problems...The main problem is the lack of competition and the lack of choice for customers. The gas market is a monopoly. There is one main provider no matter what channel the gas comes through.”

Stakeholder

National energy policy is seen as inconsistent and incoherent

- Stakeholders criticise the absence of a coherent, long-term strategy.
 - Preferred energy sources are constantly switched.
 - The system of subsidies is seen as arbitrary and inefficient. It also inhibits the involvement of multinational providers
 - Energy efficiency measures and the maintenance and upgrade of the electric grid are ignored.
 - Environmental stakeholders are critical of Bulgaria's reliance on coal, nuclear and gas.
- The political debate is seen as polarised and lacking in consensus.
 - Energy policy is thought to be driven by lobby groups, rather than the national interest.
 - There are dividing lines by industry and national interest (e.g. pro-Russian lobby, pro-American lobby).

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“Energy policy is not coherent, because different governments have different relationships with the lobbies... and each government responds differently to those lobbies...The ‘energy strategy’ is not a strategy that is based on discussions or social consensus, and it is not put into action.”

Stakeholder

“It’s obviously not very coherent, because there isn’t any solidarity and our politicians are not very fond of the word ‘consensus’.”

Stakeholder



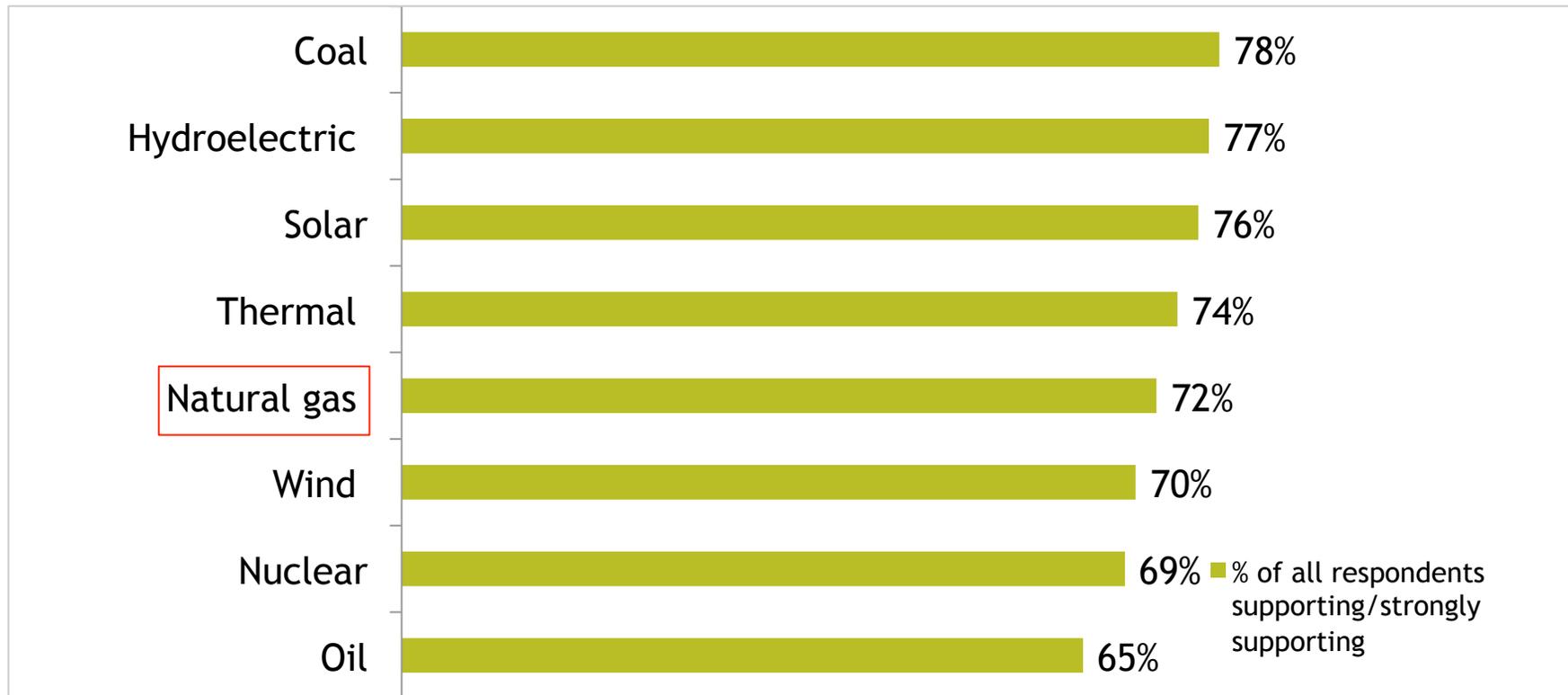
Attitudes to energy sources and new energy developments

Public attitudes to energy sources

Public attitudes to energy developments

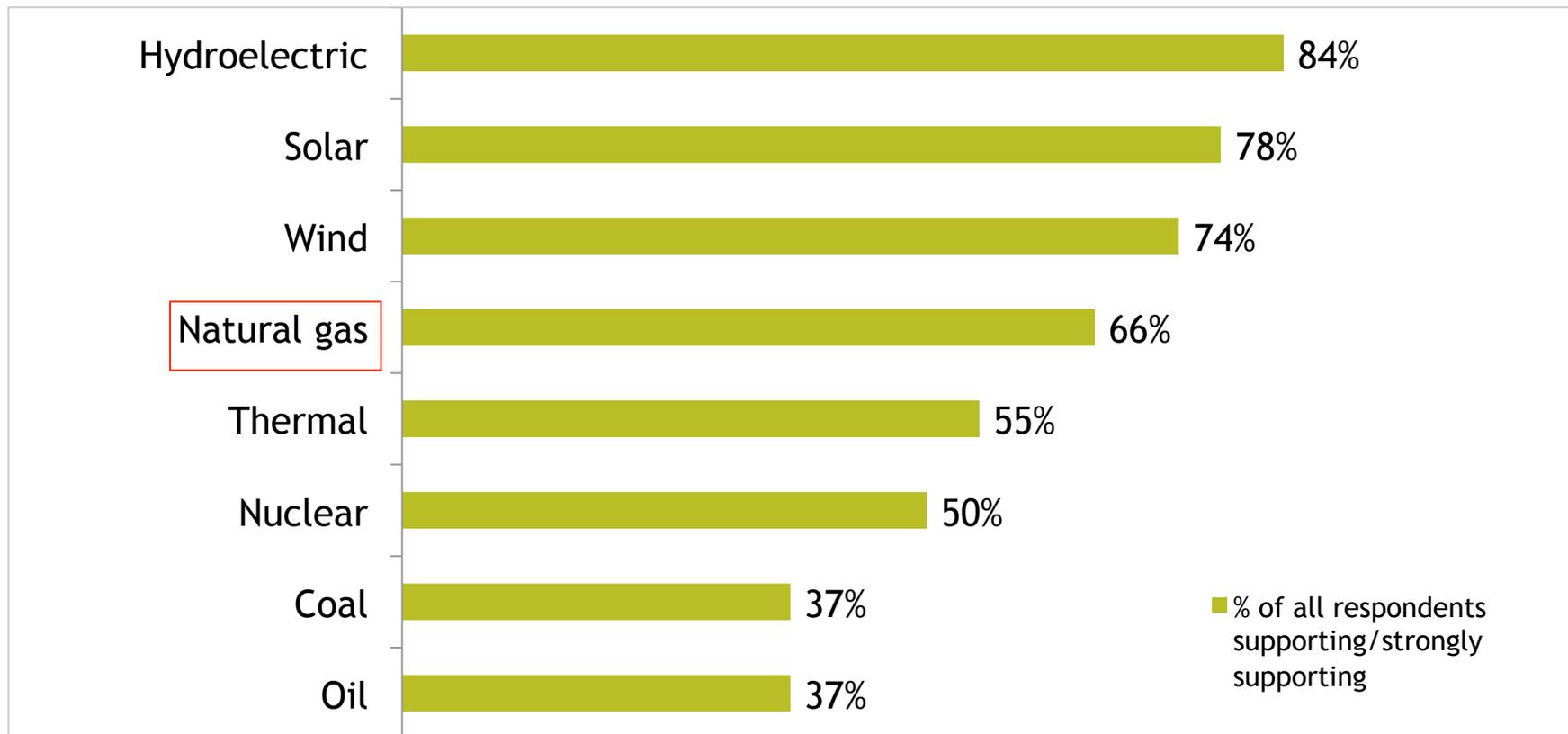
Stakeholder attitudes toward natural gas

Knowledge of all energy sources is relatively high with little variation by energy type



Q9. Thinking about the range of potential sources of energy for providing Serbia's gas and electricity, how much would you say you know about each of the following?. [Base = All respondents (500)]

Renewable energy sources receive the most support but natural gas is the most popular fossil fuel



Q4. And, based on what you know now, how much do you support or oppose each of the following as a source of energy in Bulgaria. [Base = All respondents (500)]

Most stakeholders see gas playing an important part in Bulgaria's future energy mix

Pros

Gas is important for industry.

Natural gas is seen as cleaner than oil or gas.

Large quantities of it are available.

Cons

Some environmental stakeholders are opposed to gas for environmental reasons.

There are some concerns about being 'locked in' to gas, when it should be a transition fuel.

There is some concern about the potential for political pressure to be exerted by gas producers.

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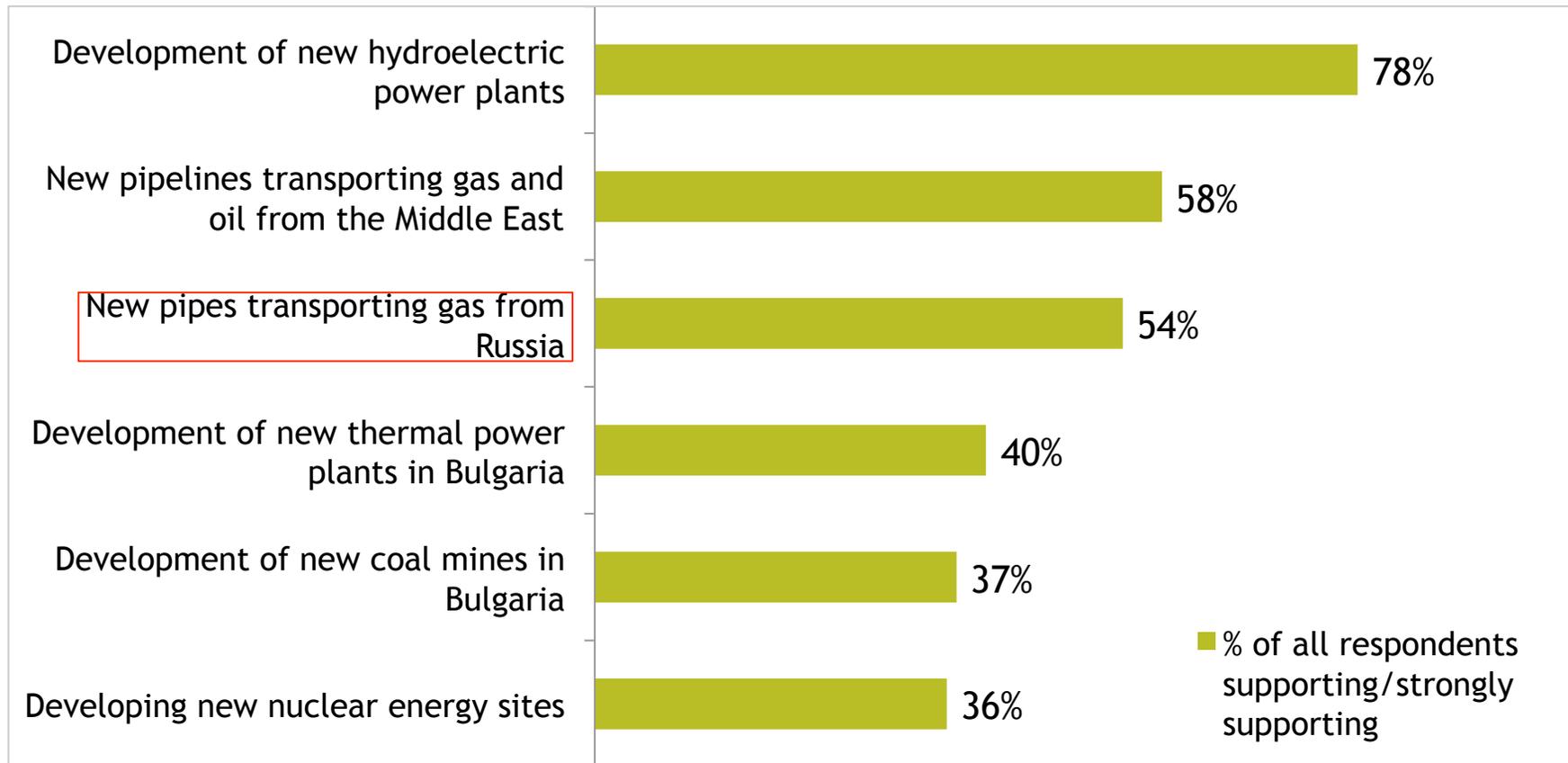
“It is an extremely important part [of the energy mix]...Gas will be one of the main energy sources of the next century and it’s impossible to do without it. It’s also highly efficient. The benefits are indisputable. My concerns are that the price of gas is too high...and that, unfortunately, those who own it use it as an instrument for political pressure.”

Stakeholder

“With the development of the gas sector we are creating a new Frankenstein’s monster. It has behaved well so far, because gas emissions are lower than those of other fossil fuels, it is more efficient [than other fossil fuels], and it can provide energy on the spot. However, it will turn against us in a couple of decades in the same way that the oil sector has. It will cause climate change.”

Stakeholder

New gas pipelines from Russia are supported by 54%, with only 14% opposed



Q5. How far do you support or oppose the following energy developments in Bulgaria? [Base = All respondents (500)]



Attitudes to South Stream

Awareness and support

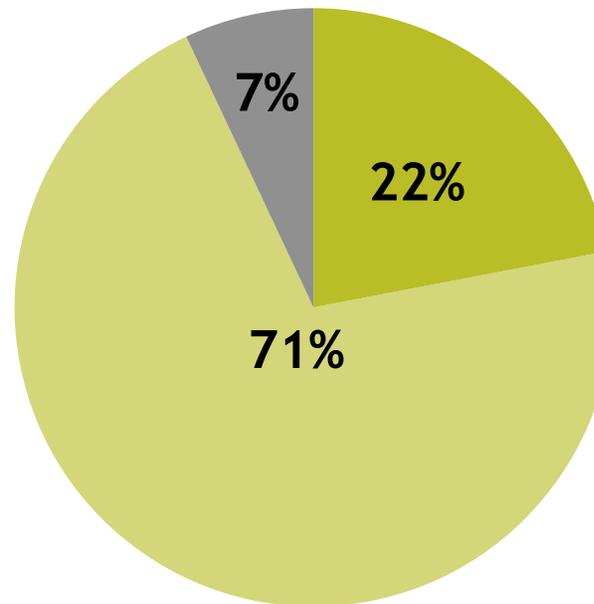
Assessment of potential advantages and disadvantages

Attitudes to organisations involved

Public awareness of South Stream is very high

- The most common source of information about South Stream is the news (94%), followed by word-of-mouth (24%); 16% heard about the issue on the South Stream website and 7% from a public meeting.

- Yes - I know a lot about South Stream
- Yes - I know a little about South Stream
- No - I haven't heard anything about South Stream

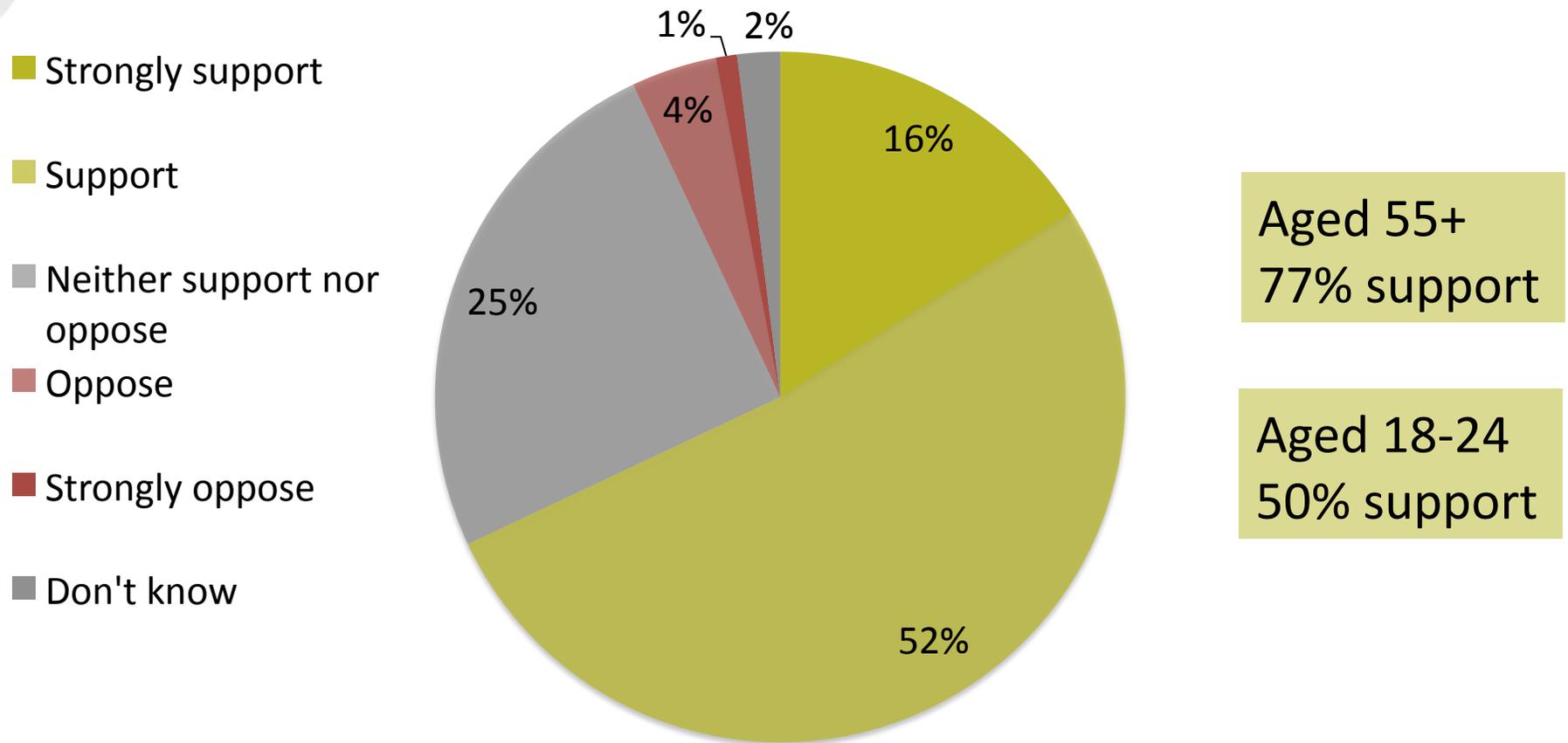


93% know about South Stream.

Q6. Prior to today, were you aware of South Stream? [Base = All respondents (500)]

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68% of Bulgarians support the South Stream pipeline project and only 5% are opposed



Q8. Overall, how supportive do you feel about the South Stream pipeline project in Bulgaria? [Base = All respondents (500)]

Stakeholders are divided on South Stream

Reasons for support

The belief that it will provide increased energy security.

It has potential economic benefits, such as jobs and transit fees.

It is thought it will increase Bulgaria's international influence.

Reasons for opposition

There is concern it will lead to a greater reliance on Russia and/or Gazprom.

Environmental stakeholders have environmental concerns.

Some stakeholders do not think that Bulgaria will see any economic benefits.

“There are indisputable benefits to Bulgaria from South Stream. Firstly, we have achieved a long-term reduction in gas prices. Economically speaking, between 3.3. and 3.5 billion Euros will be invested in Bulgaria...It will create a few thousand jobs over a period of three years.”

Stakeholder

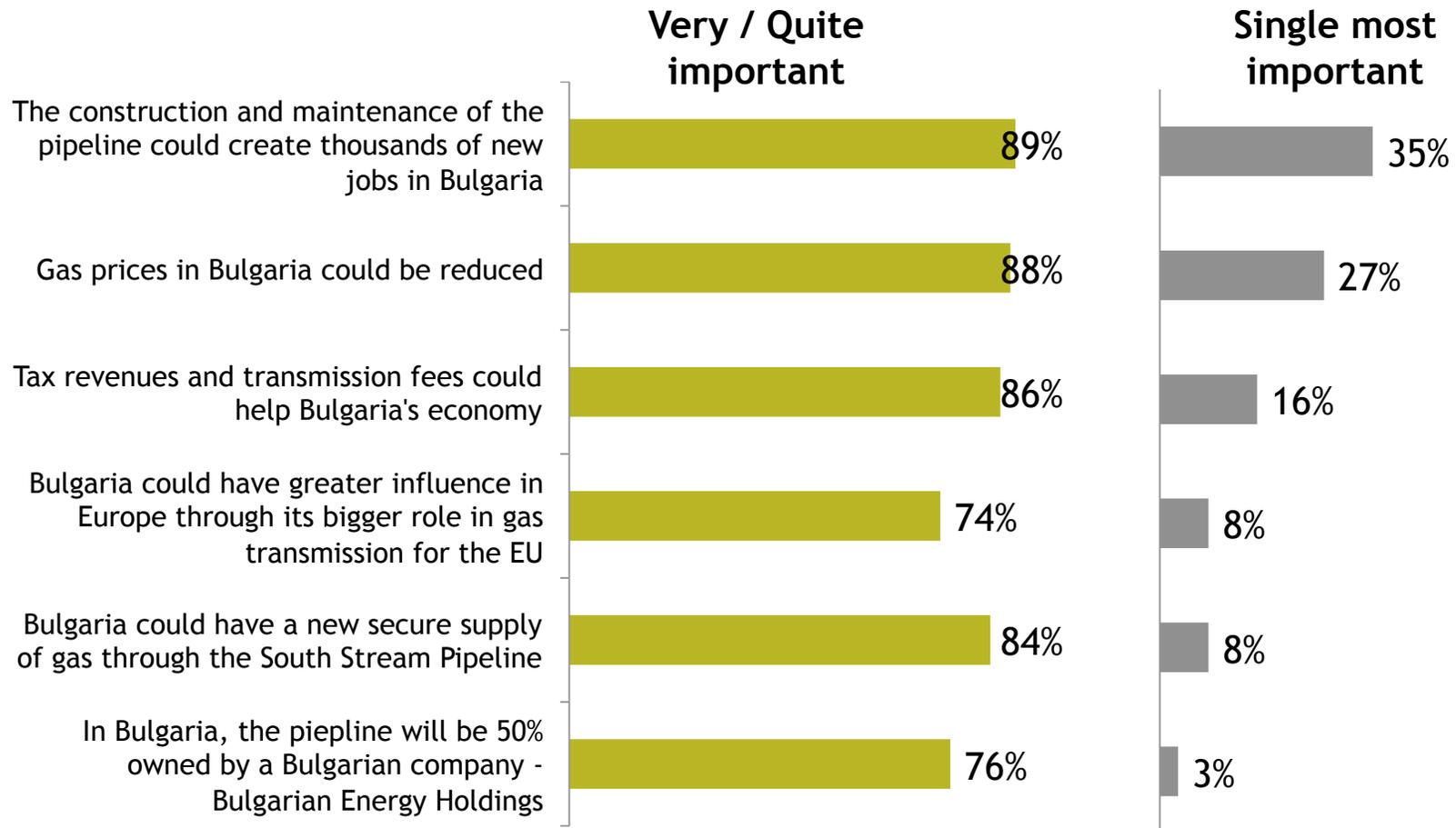
Stakeholders believed that the most convincing benefits to Bulgaria were geopolitical

- Most stakeholders believed the pipeline would lead to greater negotiating power internationally.
- It was seen by most as contributing to energy security, making Bulgaria less dependent on the Ukraine.
- There was some doubt that the anticipated economic benefits would happen.
 - Transit fees were the greatest potential avenue for economic benefit but it has recently appeared to many of the stakeholders that they will be less than expected.
 - Only a minority believe that the pipeline will make a meaningful contribution to employment, and think that any jobs that are created will be temporary.

Stakeholders were most concerned about ceding influence to Russia

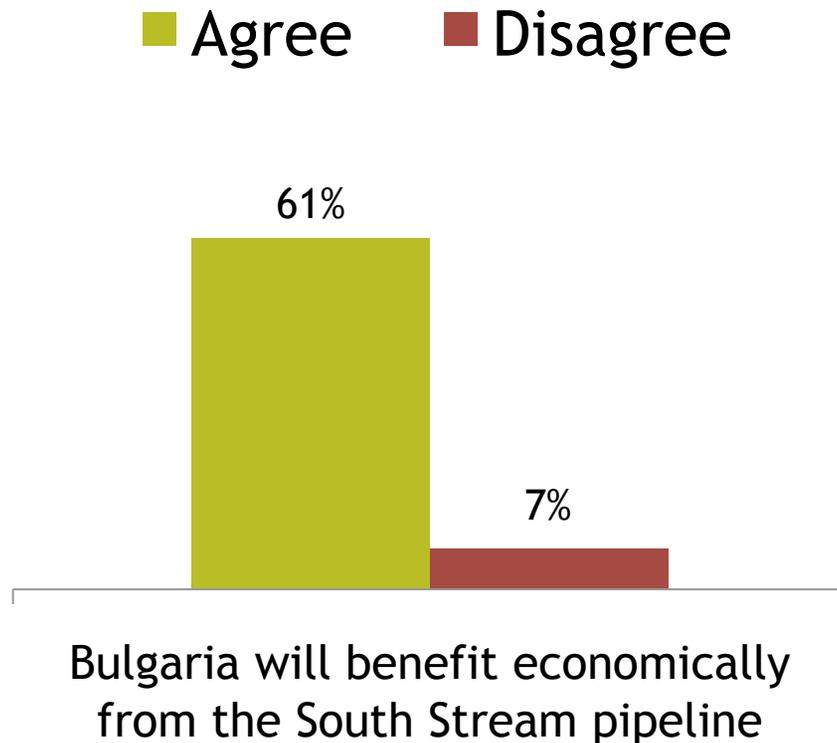
- Most were concerned by increased reliance on Russia and sought some measure of energy independence
 - Some preferred domestic renewables investment or Nabucco, a project they thought would be put in doubt as a result of SS
 - Some, however, believed dependence on Russia was inevitable and that Bulgaria couldn't be more dependent than it already was
- A minority were concerned about the environmental disadvantages surrounding South Stream
 - Some had concerns about the implications for local wildlife
 - A greater number worried about dependence on gas distracting from commitments to reducing carbon emissions/developing renewables
 - Visual impact was not of great concern even to stakeholders from environmental NGOs
- The majority of stakeholders believed that the health and safety concerns were unjustified and that the pipeline would be safe
 - A small number had concerns around possible terrorist attacks and disposal of pipeline at the end of its lifespan

For the public, the most important potential benefits are economic



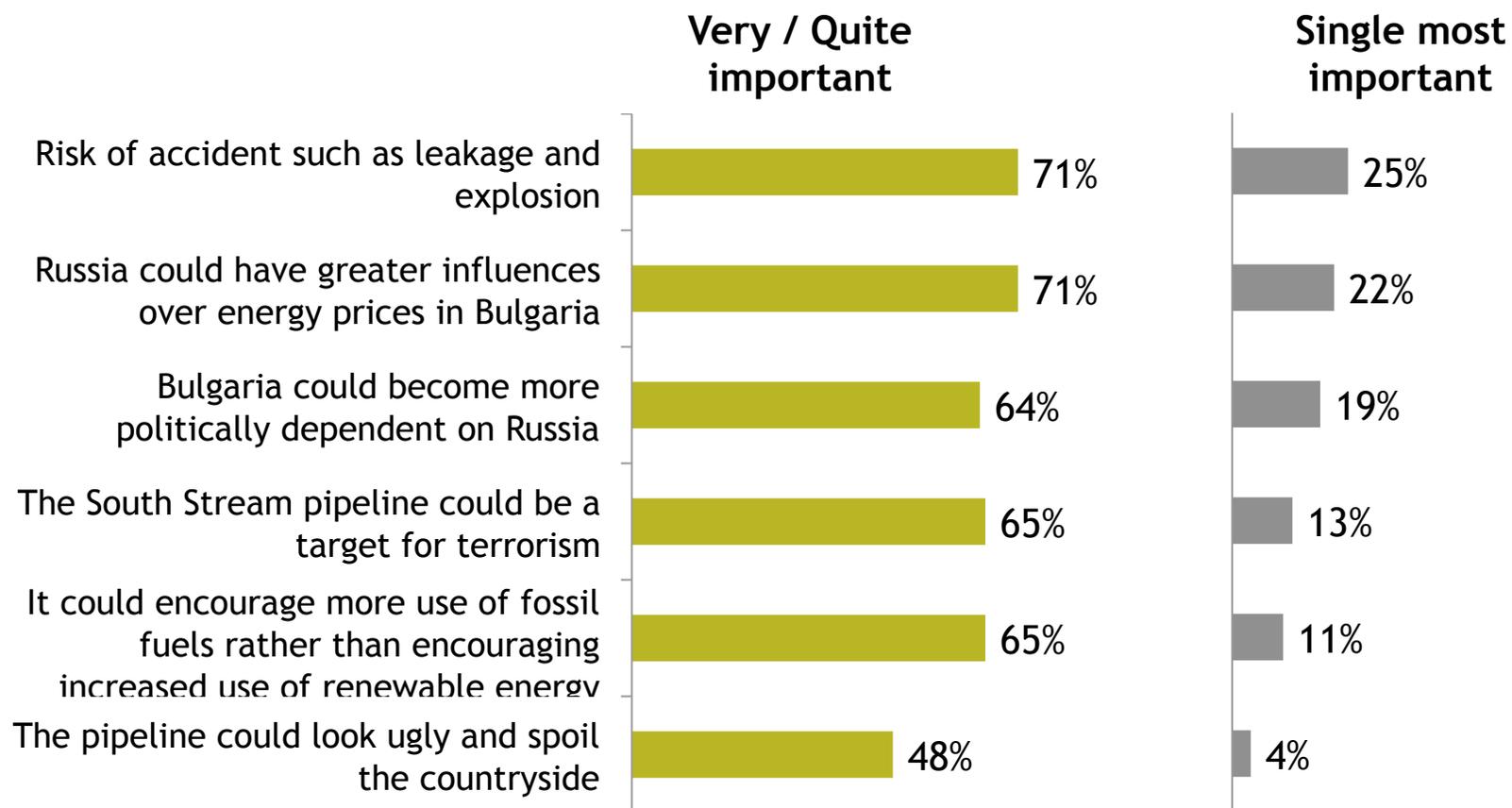
Q12. Below are some potential benefits associated with the South Stream project. Please say how important each one is. // Q13. Which do you think is the most important? [Base = All respondents (500)]

The majority believe that South Stream will lead to economic benefits for Bulgaria



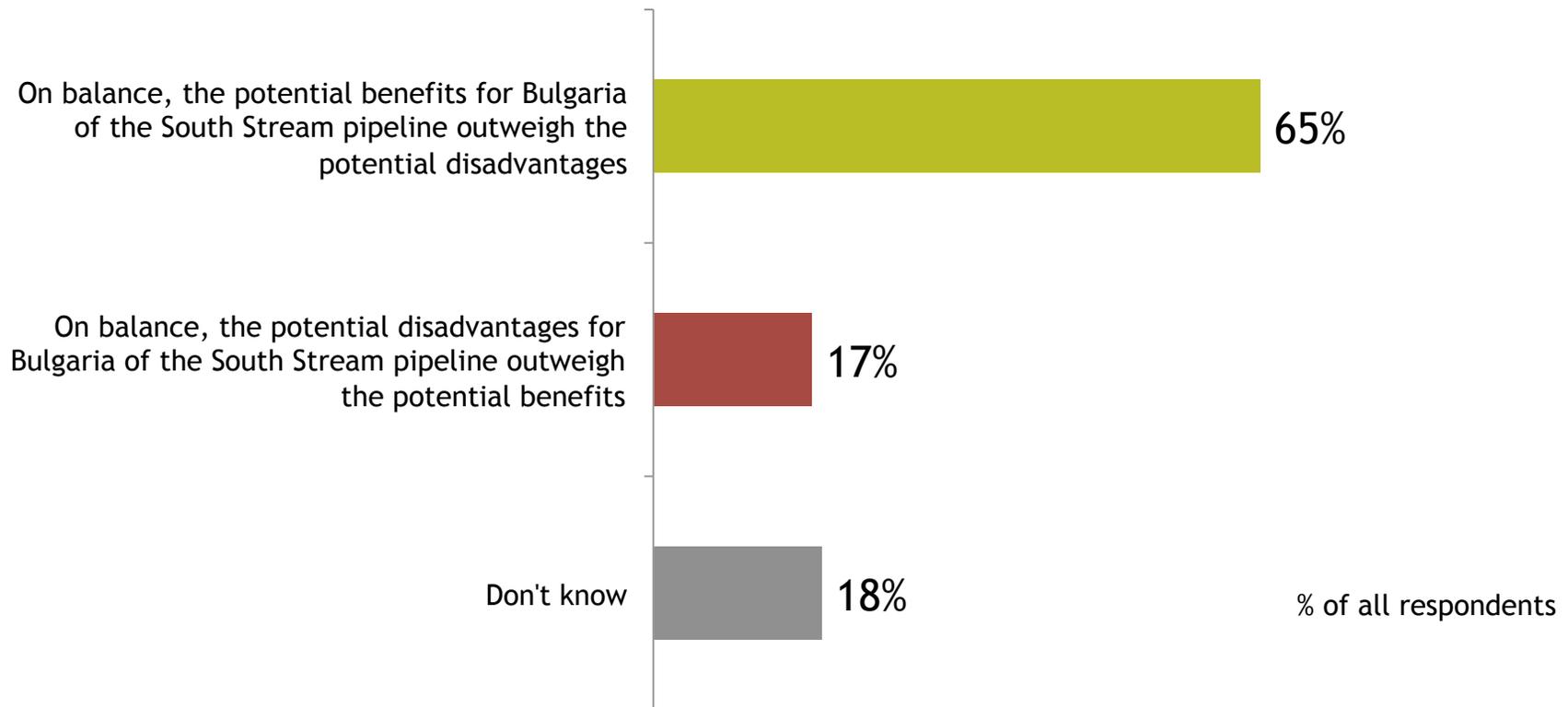
Q14. How far do you agree with each of the following statements? [Base = All respondents (500)]

The risk of accident and greater dependence on Russia are seen as the most important potential disadvantages



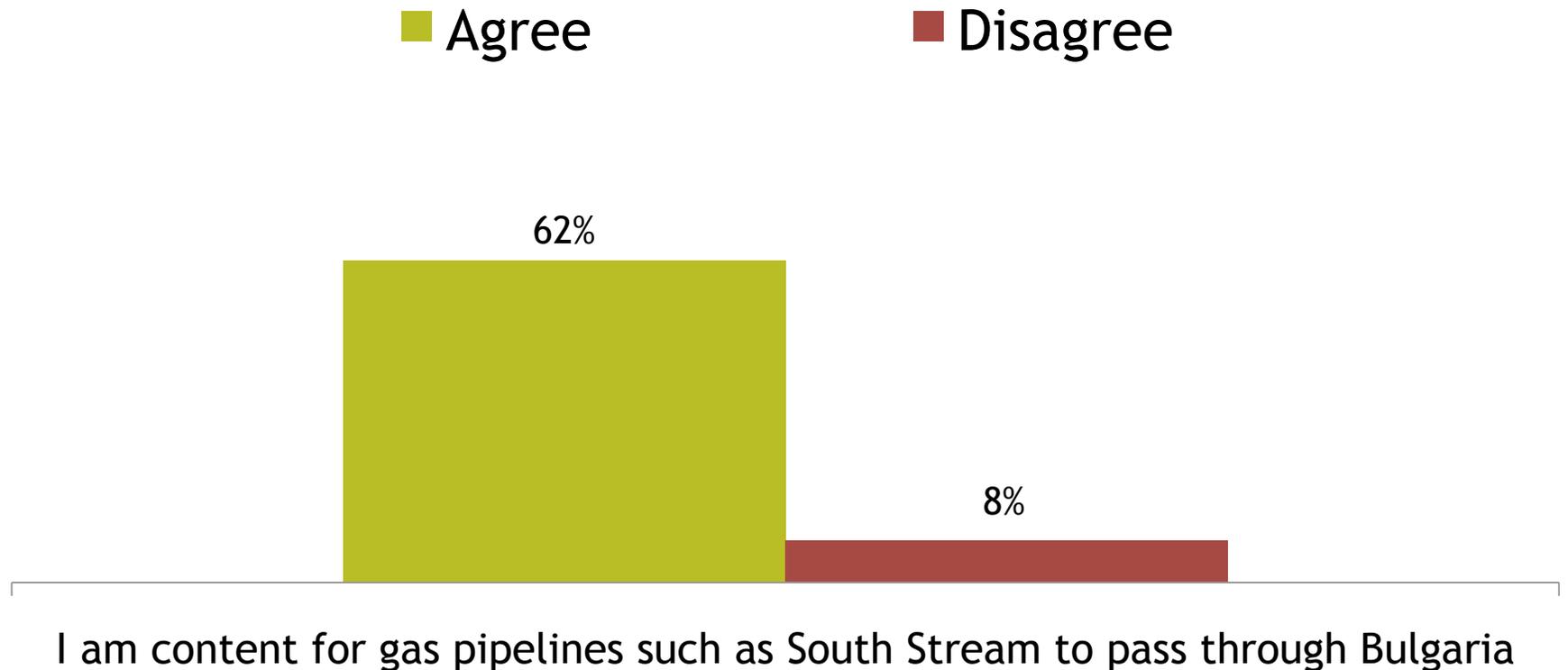
Q10. Below are some potential disadvantages associated with the South Stream project. Please say how important each one is. // Q11. Which do you think is the most important? [Base = All respondents (500)]

On balance, 65% believe the potential advantages outweigh the potential disadvantages, with 17% disagreeing



Q15. Which of the following statements comes closest to your view? [Base = All respondents (500)]

62% are content for pipelines like South Stream to pass through Bulgaria



Q14. How far do you agree with each of the following statements? [Base = All respondents (500)]

Most stakeholders are wary of the organisations involved in the South Stream project

- Gazprom is seen by most stakeholders as a very influential extension of the Russian government.
- Bulgarian Energy Holdings is criticised and seen as susceptible to corruption by most stakeholders.
- There are some questions about the Bulgarian government's ability to effectively represent the national interest in negotiations.

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“Gazprom is obviously the main player and Gazprom is obviously chasing its own objectives. Gazprom is a strange creature and we don’t know to what extent this is business and to what extent this is a tool in the foreign policy of the Russian state. We know very well that it is a little bit of both.”

Stakeholder

“BEH should be closed down, because it’s an extremely hollow structure created by a previous government that was used for merging funds and stealing millions. It should have been closed down when the last government came to power.”

Stakeholder



Conclusion

Conclusion

- **Support for South Stream is relatively high** amongst the general public (68% support), but the view from stakeholders is more mixed.
- However, **trust in the organisations involved in the project is relatively low**, posing a challenge for any communications, and making it important that all negotiations are transparent.

Conclusion

Moreover, **serious concerns remain**, and in order to build on existing support and win over doubters, a number of questions need to be addressed:

1. Will South Stream increase the influence of Russia in Bulgaria?
2. How can Gazprom and the Bulgarian government ensure that Bulgaria sees tangible economic benefits from South Stream?
3. How can the public be assured of the safety of the pipeline?
4. How can the environmental impact of the pipeline be limited?

One piece of advice...

“My advice to them would be to forgo the entire project.”

Stakeholder

“Protect Bulgaria’s goals... Very concrete things like compensation for the losses of the pipelines from Romania and other things like that, which could be measured financially.”

Stakeholder

“Be more confident at the negotiating table and really fight for good terms for Bulgaria. I hope the people negotiating will have strong natures, and not be easily frightened or, God forbid, chasing their own interests.”

Stakeholder

“Ensure transparency of everything, particularly of contracts.”

Stakeholder

“Create a communications strategy.”

Stakeholder

“The State’s policy should be more proactive. We should not work in the short-term: taking a long-term view will mean that bids are better and more Bulgarian companies and experts can be involved.”

Stakeholder

“The project should be accompanied with an information campaign based on openness so that society as a whole is informed about all the steps and intentions. We should not get the impression that there are secret agreements. Openness!”

Stakeholder

“They shouldn’t stop it, they should give it the green light.”

Stakeholder

“They should follow all transparency requirements, they should talk to people in different areas and they should respect the ‘No’ position.”

Stakeholder

“Be careful what you sign because, superficially, Bulgaria shouldn’t have any concerns but, if you look carefully, there are many risks. For example, who is financing it? What is the rate of return? Could someone take over the company at some point? The legal and financial framework of the project could be dangerous if it is not reviewed in depth.”

Stakeholder