

South Stream: Serbia

Research findings from public polling and stakeholder interviews



Contents

- Introduction
 - Background
 - Objectives
 - Methodology
- Background hopes and fears for Serbia
- Views on energy challenges and Serbian energy policy
- Attitudes to energy sources and new energy developments
- Attitudes to South Stream
 - Overall support
 - Potential advantages
 - Potential disadvantages
 - Trusted sources



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 Serbia.

Methodology

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

STAKEHOLDER RESEARCH

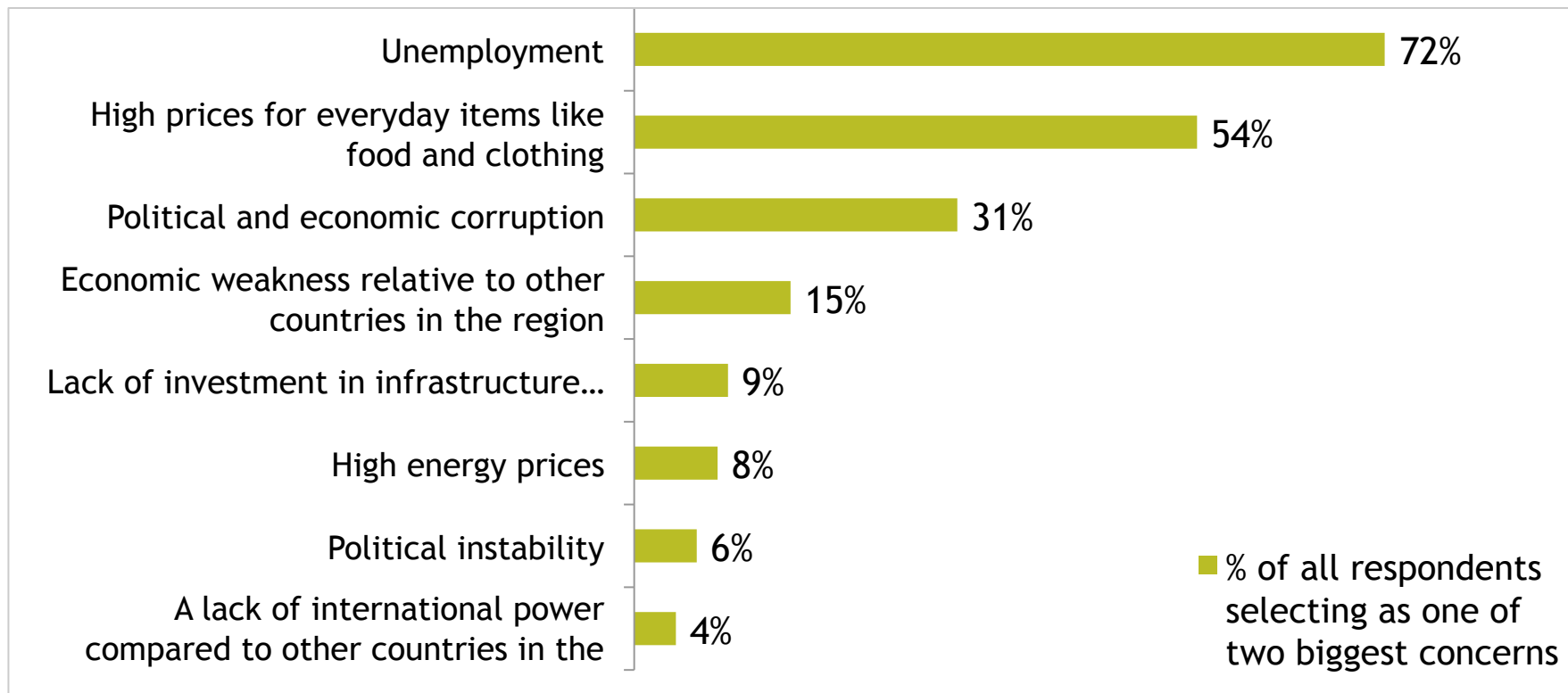
- 12 interviews
- Telephone or face-to-face
- 30-45 minutes each
- Conducted in Serbian by local research agency
- Mixture of stakeholder groups:
 - 3 academics
 - 1 business leader
 - 2 civil servants
 - 2 environmental NGOs
 - 2 politicians
 - 2 think tanks



Background hopes and fears for Serbia

Serbians are most concerned about economic issues, particularly unemployment and the cost of living

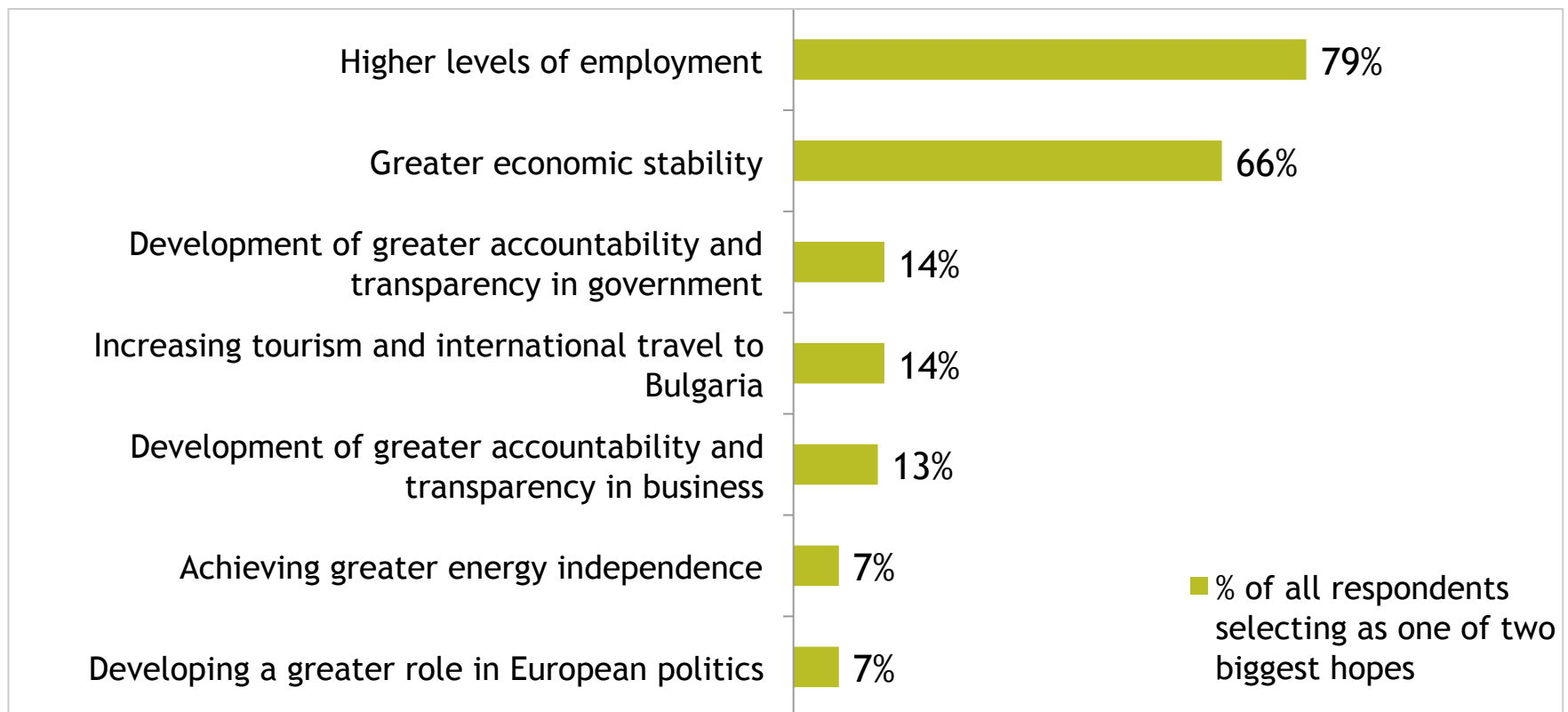
- Energy prices, political instability and international power are not big concerns for the public.



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

Higher levels of employment and greater economic stability are the most common hopes for Serbians

- Achieving energy independence or a greater role in European politics are lesser priorities.



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



Views on energy challenges and Serbian energy policy

Stakeholders describe a number of energy challenges facing Serbia

- There is some concern that Serbia's energy supply is insecure, because of its dependence on other countries for its energy.
- The wasteful way in which energy is used is also seen as a challenge. Stakeholders say that losses in the supply network and a lack of insulation in homes, which drives up energy usage, need to be addressed.
- Environmental pollution, a lack of choice of domestic providers, and the high price of fuel are also concerns for a small number of stakeholders.

STAKEHOLDER RESEARCH

“Our energy consumption is not rational. Energy is lost in large quantities...[This problem has] become visible lately because of the price of energy. Energy has become more expensive and we have to take care of it.”

Stakeholder

“We currently have only one connection, through Hungary. It is known that [if you have only one supplier] they can stop the supply any time. Or they can blackmail you, and charge whatever transit taxes they want... Supply is a very important issue...The fact is, if you have a choice of two or three suppliers, then you have competition and you have security.”

Stakeholder

National energy policy is seen as inconsistent and incoherent

- Most stakeholders criticise the absence of a coherent, long-term strategy.
 - Energy policy changes each time a new government comes to power and is the result of political deals.
 - Constant changes leave the system open to abuse.
 - There is some desire for Serbia to rely more on its own natural resources.
- But a minority think that policy has improved in recent times and is now heading in the right direction.
- The Ministry of Energy and politicians are widely seen as having the most influence on the development of national policy.
 - There is some criticism of the amount of influence that foreign companies and investors are thought to have over policy.

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“Every newcomer, every new minister or assistant minister creates a brand new energy policy, regardless of any strategies that might be in place.”

Stakeholder

“On one side we have the state and the legislators, and on the other, we have the influence of foreign forces that are able to interfere because they have shares in local companies or have a large impact on policy [in some other way].”

Stakeholder



Attitudes to energy sources and new energy developments

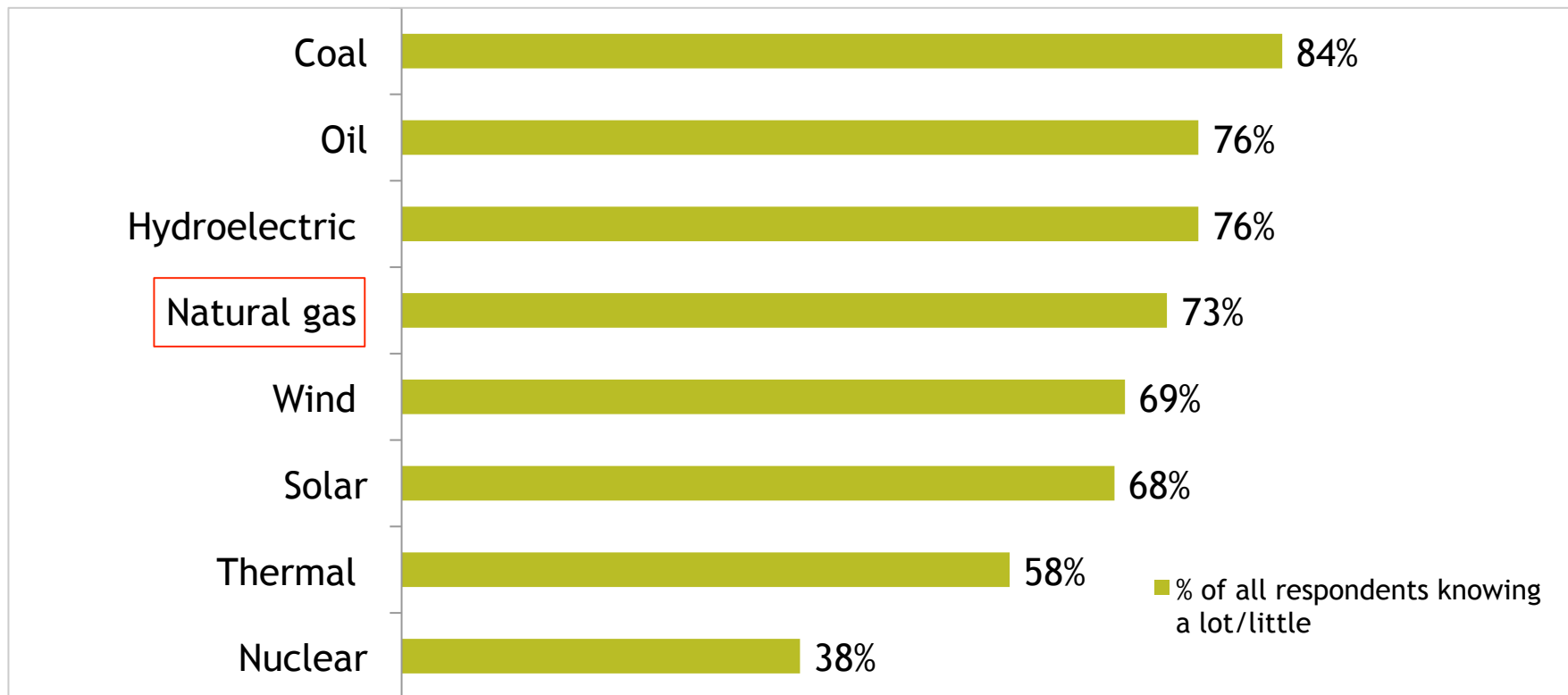
Public attitudes to energy sources

Public attitudes to energy developments

Stakeholder attitudes toward natural gas

Knowledge of most energy sources is reasonably high, although knowledge of nuclear is lower

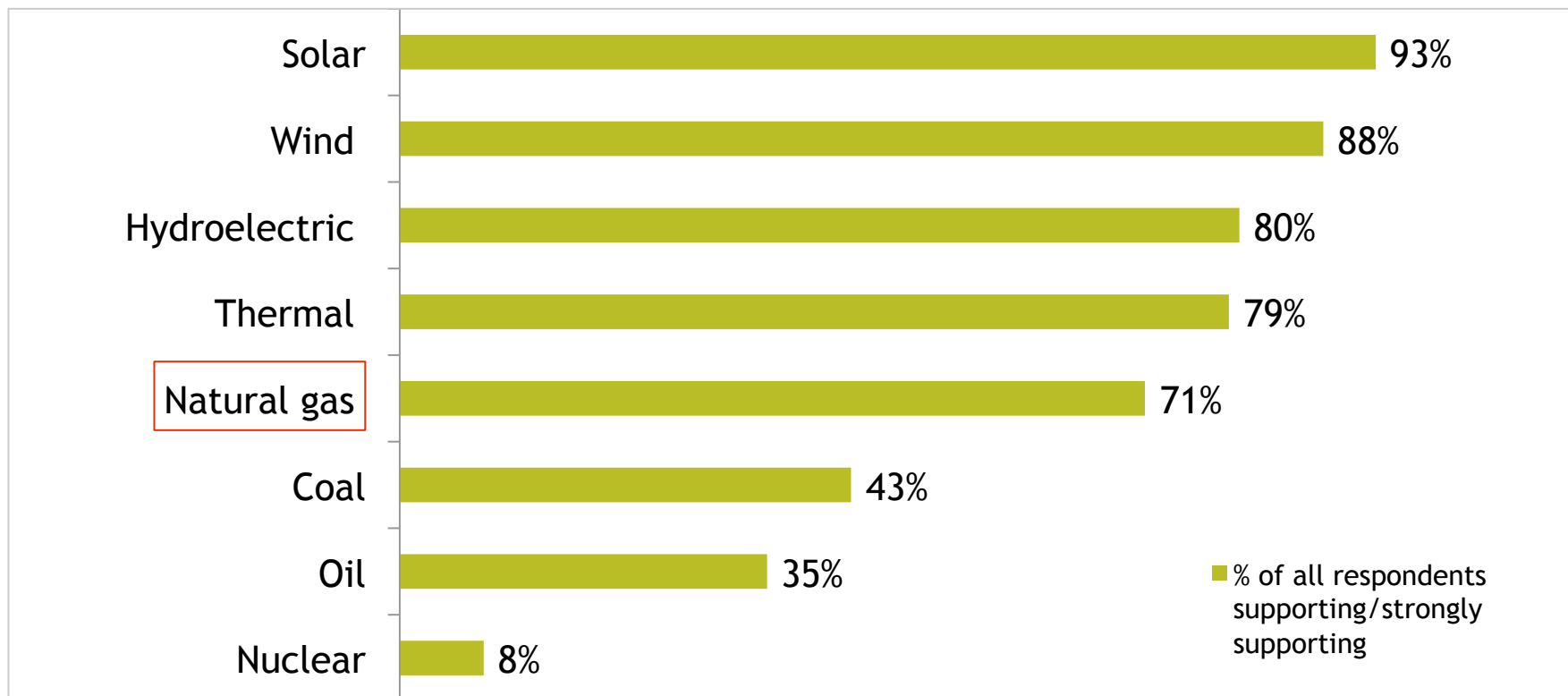
- Around three-quarters of Serbians say they know a lot/little about natural gas.



Q3. 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)]

Support is strongest for renewables but natural gas is by far the most popular fossil fuel.

- Nuclear is the only energy source which more Serbians oppose than support.
- Only 4% of Serbians oppose natural gas as a source of Serbian energy.



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 Serbia. [Base = All respondents (500)]

All stakeholders think that gas is a central part of Serbia's energy mix

Pros

Gas is a clean fuel, particularly when compared with other fossil fuels.

Gas has a variety of uses, including heating homes and manufacturing.

Large quantities of it are available.

Cons

Some stakeholders would prefer to use domestically available renewables, rather than rely on gas which needs to be imported.

A minority of stakeholders think that there may be a reluctance to use gas for domestic purposes.

There is some concern that the price of gas may rise.

STAKEHOLDER RESEARCH

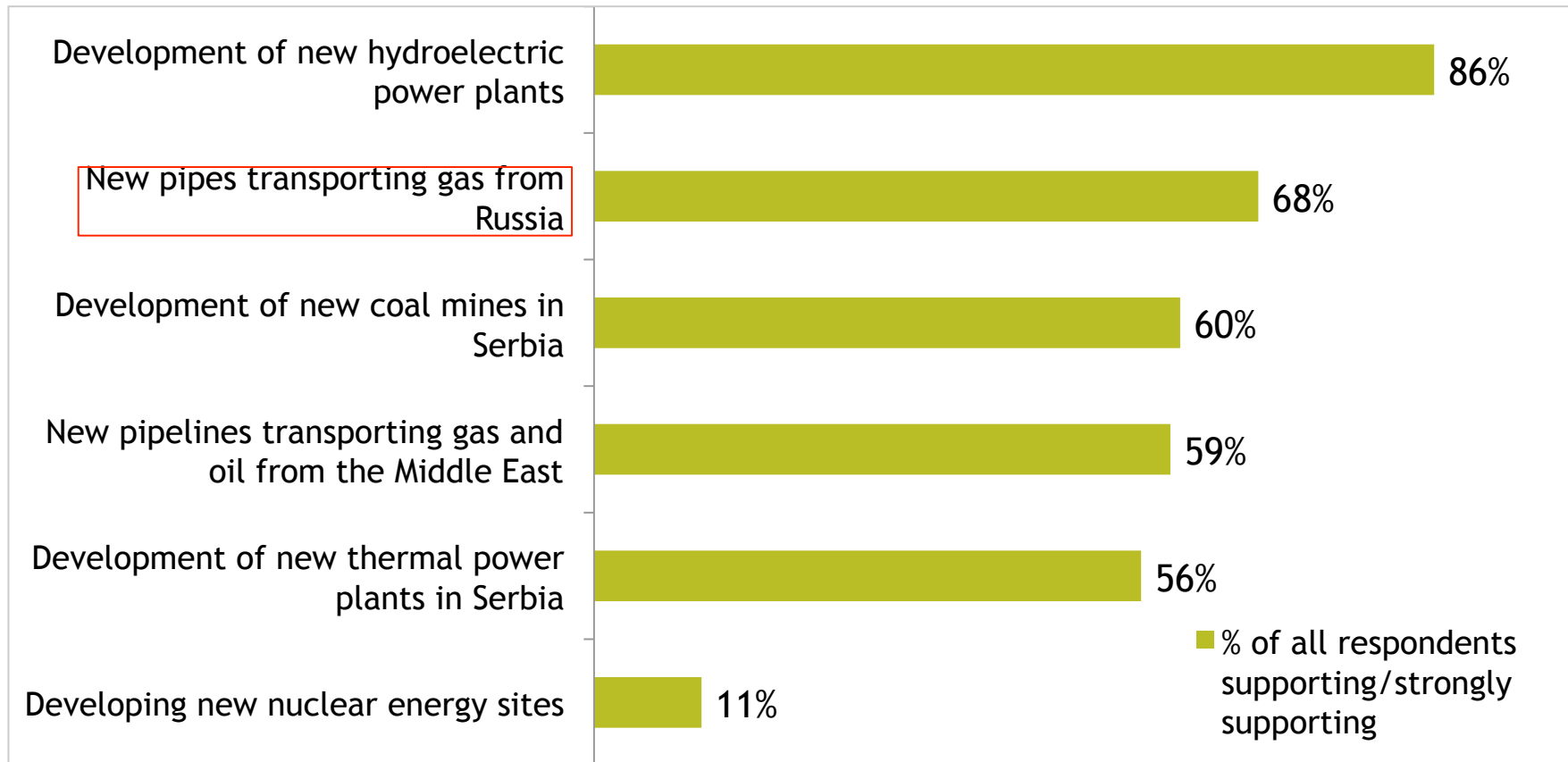
“Natural gas is the energy source of 21st century. The main reason is ecological. All thermal power plants produce huge pollution...Natural gas does not. It’s clean, and contains little sulphur.”

Stakeholder

“Gas is, of course, important. According to the research there is more of it than there is of some other energy sources...It is also cleaner than other energy sources. What is less good is that if Serbia relies on gas, we will be permanently relying on someone else. On the other hand, if we used heat pumps, good insulation and other measures, we could ensure that our energy market was independent of anybody else’s.”

Stakeholder

New gas pipelines from Russia are supported by 68%, with only 7% opposed



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



Attitudes to South Stream

Awareness and support

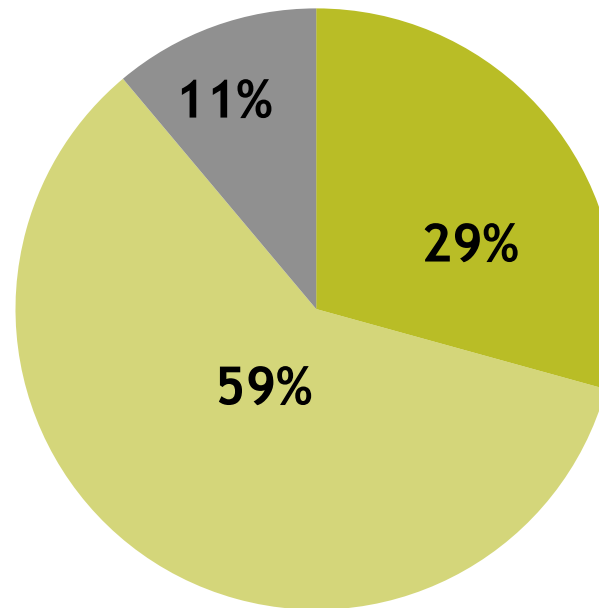
Assessment of potential advantages and disadvantages

Attitudes to organisations involved

Public awareness of South Stream is very high

- The most common source of information about South Stream is the news (95%), followed by word-of-mouth (26%). Twelve per cent heard about the issue on the South Stream website and 8% from an advertisement.

- 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

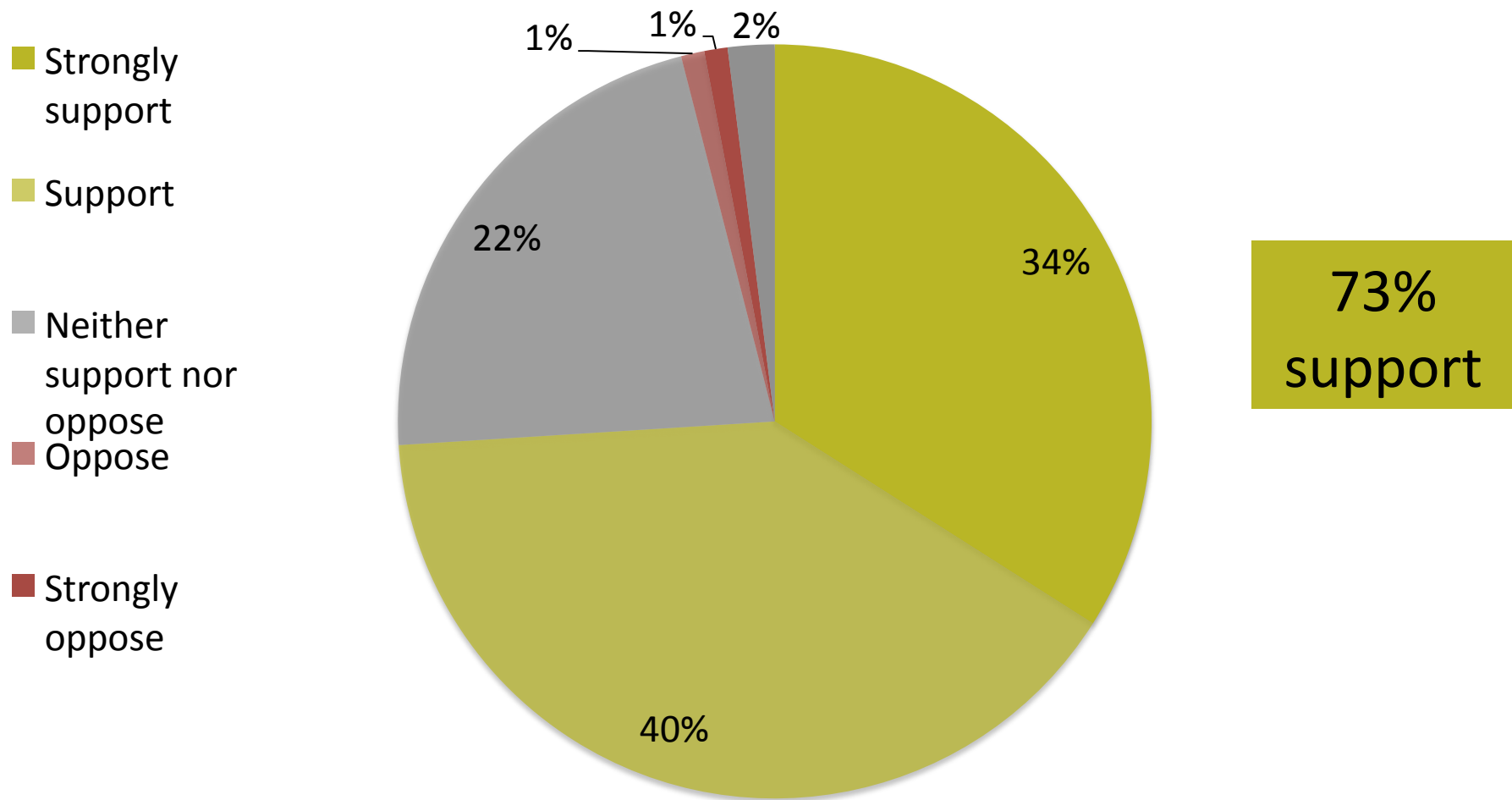


89% know about South Stream.

Q6. Prior to today, were you aware of South Stream? [Base = All respondents (500)]
Q7. Where did you hear about this issue? [Base = All aware of South Stream (443)]

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73% of Serbians support the South Stream pipeline project and only 3% are opposed



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

STAKEHOLDER RESEARCH

Although there are some concerns, stakeholders are overwhelmingly supportive of South Stream

Reasons for support

It has potential economic benefits, including job creation, transit fees and lower gas prices.

It will increase Serbia's fuel security.

Some stakeholders think it will increase Serbia's negotiating power internationally.

Reasons for opposition

It will lead to a greater dependence on only one supplier.

Serbia will have a minority stake in the gas pipe, and will therefore have little control over it

There is some concern that the pipeline will be delayed, or that the project will not be properly executed.

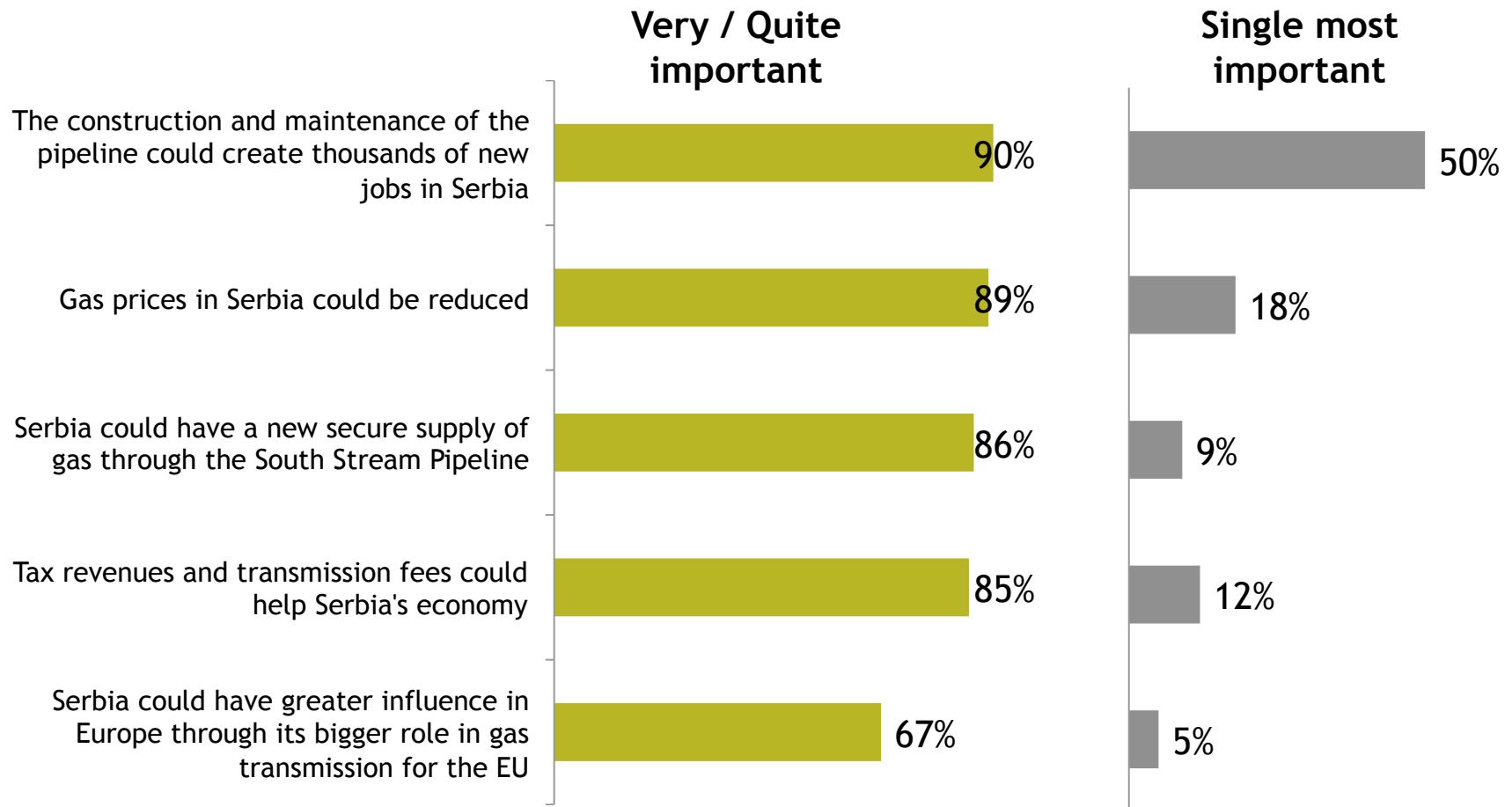
“I support it, because it will bring Serbia many benefits. These include security of our gas supply, new jobs and it will boost the economy, and in particular the construction industry.”

Stakeholder

Stakeholders believed that the most convincing benefits to Serbia are increased security of supply and economic advantages

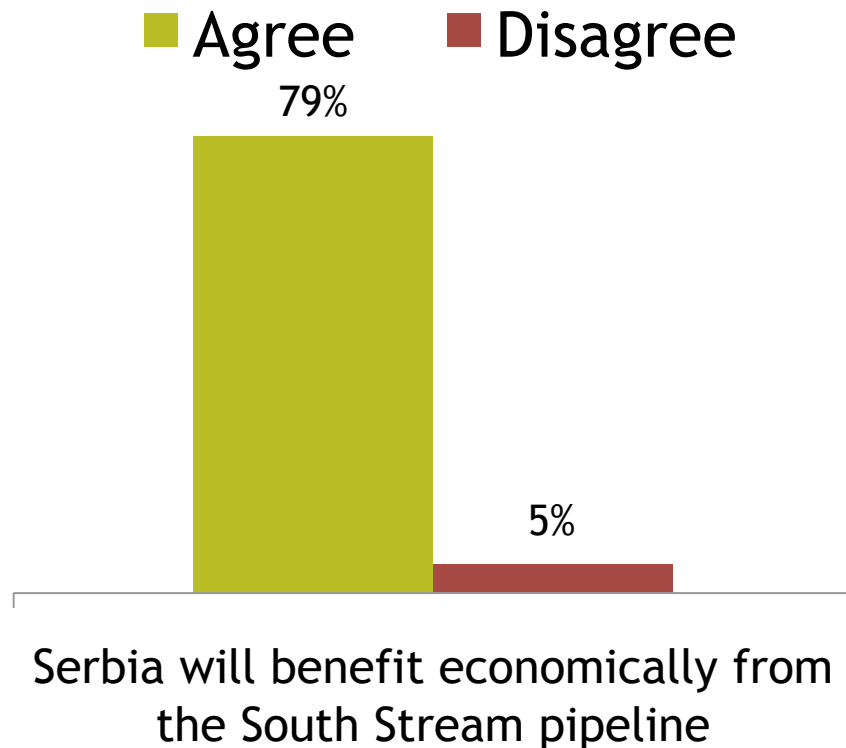
- Most stakeholders believe that South Stream will increase Serbia's energy security, by increasing the number of routes by which gas is brought into the country.
- Stakeholders anticipate a variety of economic benefits.
 - The construction and maintenance of the pipeline will create jobs.
 - Building work will provide a boost for the construction industry.
 - Serbia will benefit from transit taxes.
 - Reduced gas prices.
- A small number of stakeholders question how realistic these economic benefits are.
- Some stakeholders believe that South Stream will increase Serbia's negotiating power internationally, although this is questioned by others.

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)]

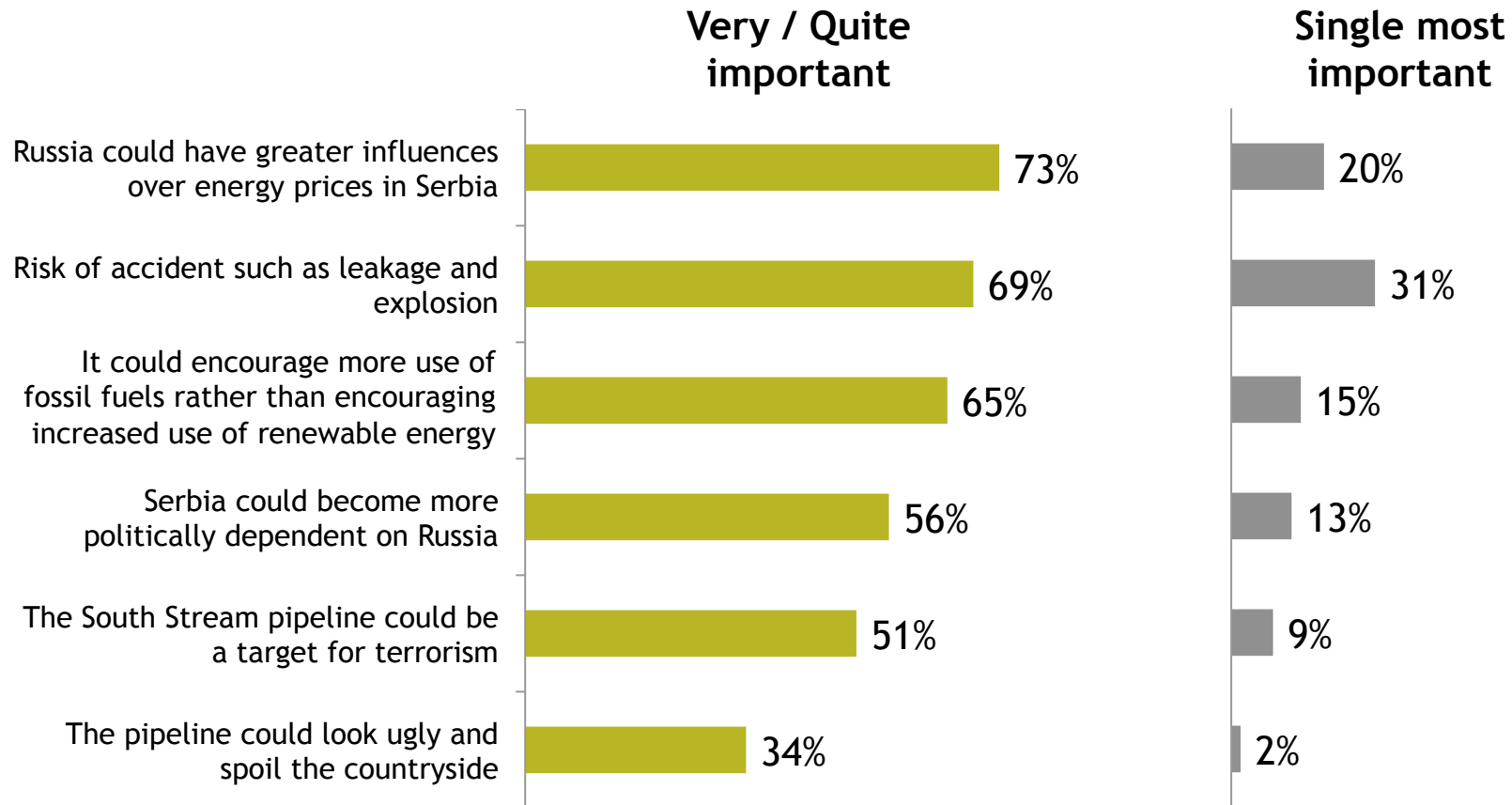
The majority believe that South Stream will actually lead to economic benefits for Serbia



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

PUBLIC ATTITUDES RESEARCH

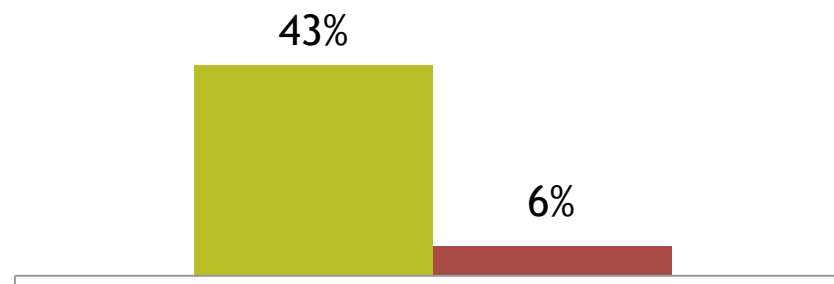
The risk of accident, greater dependence on Russia and increased use of fossil fuels are seen as the most important potential disadvantages



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)]

Less than half are concerned that South Stream will lead to Serbia becoming more reliant on Russia for its gas supply

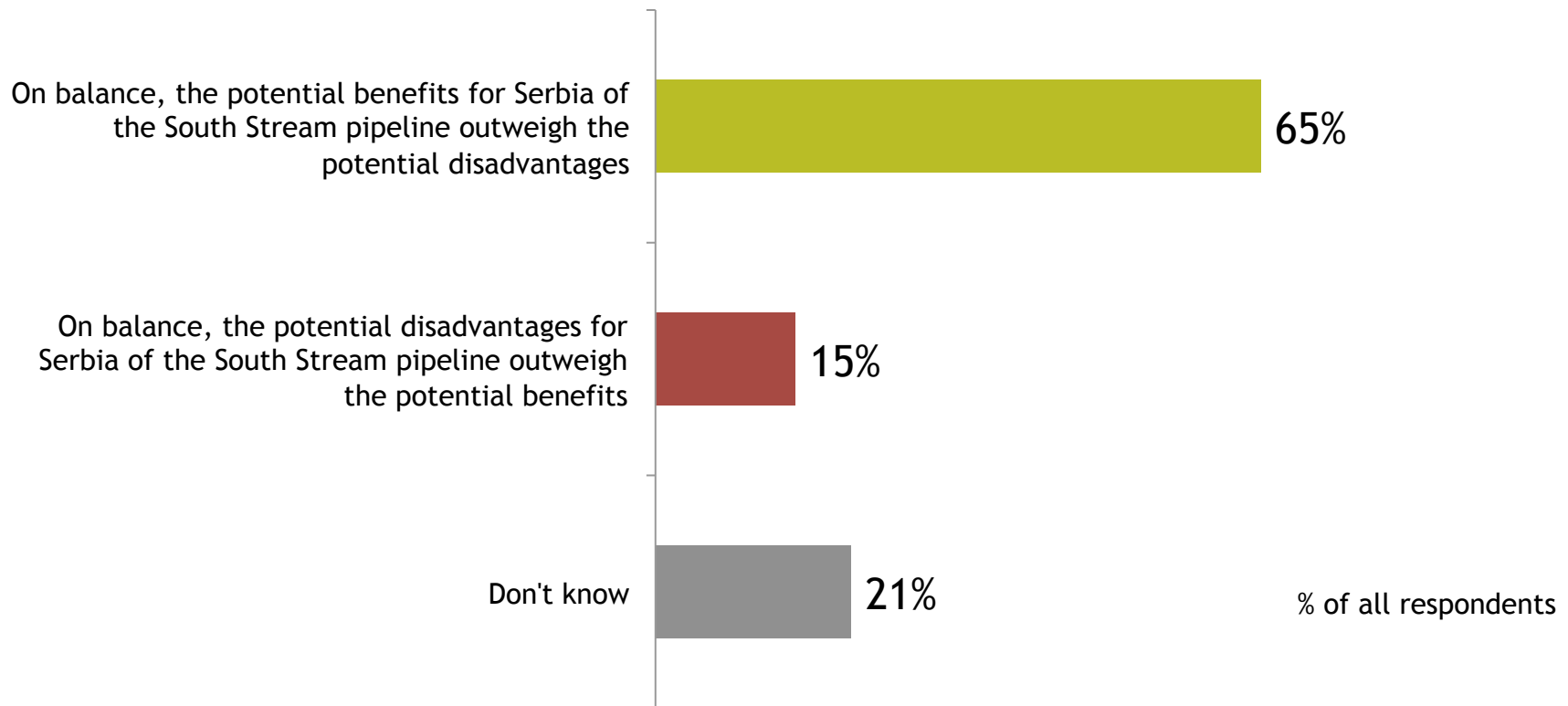
■ Agree ■ Disagree



I feel worried about the idea that Serbia will become more reliant on Russia for its gas supply as a result of South Stream

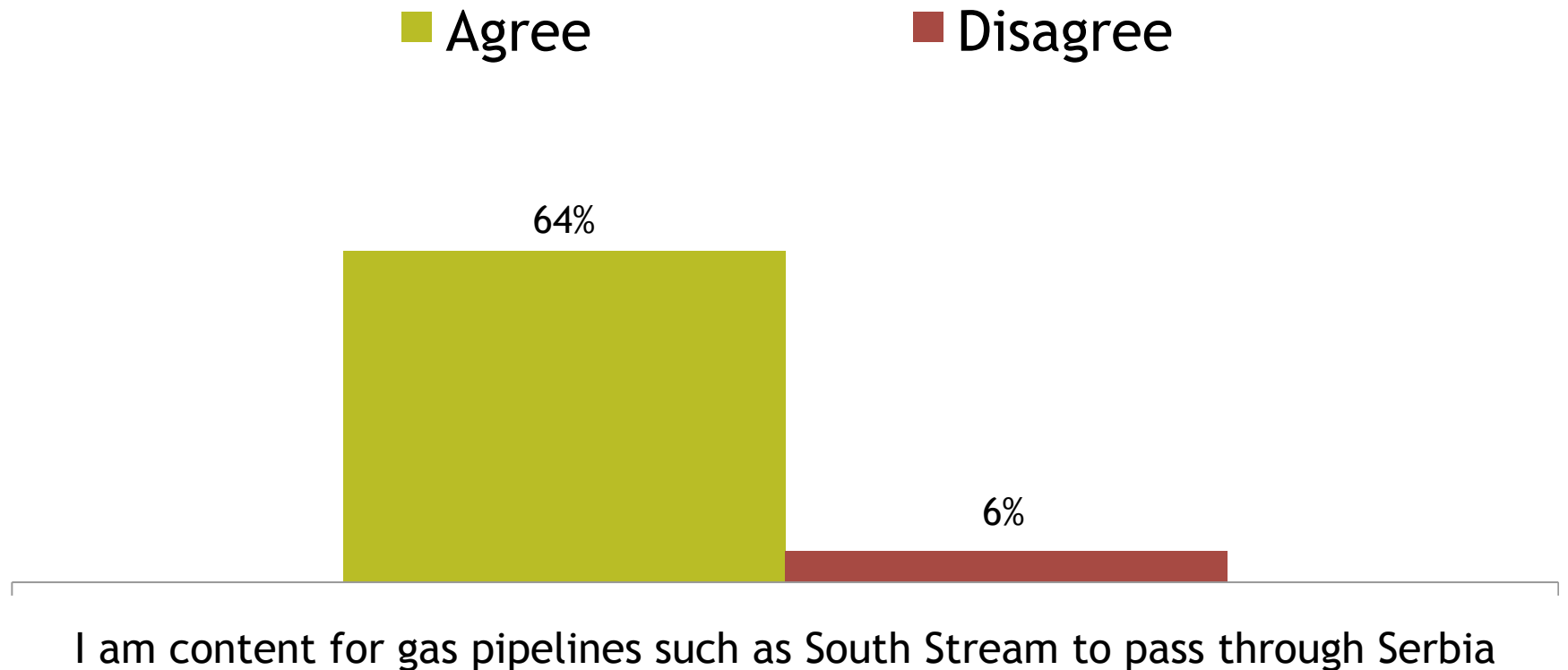
I feel worried about the idea that Serbia will become more reliant on Russia for its gas supply as a result of South Stream

On balance, 65% believe the potential advantages outweigh the potential disadvantages, with 15% disagreeing



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

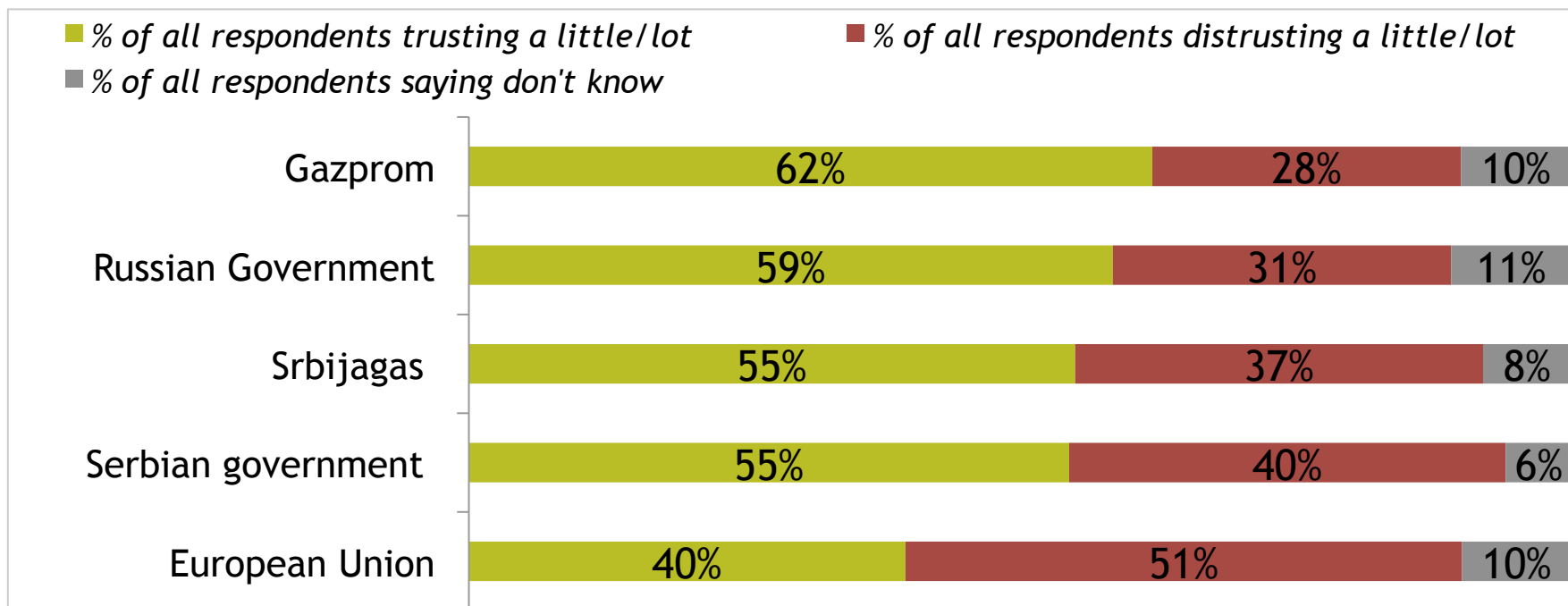
64% are content for pipelines like South Stream to pass through Serbia



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

Trust in the governments and energy companies involved in the project is reasonably high.

- The Serbian and Russian Governments, as well as Gazprom and Srbijigas are trusted by more Serbians than distrust trust them to act in the interests of Serbia.
- More distrust than trust the European Union to act in Serbia's interests.



Q9. Below are some of the companies and organisations that are involved in the South Stream Pipeline project. Please say whether you trust each to act in the interests of Serbia. [Base = All respondents (500)]

Most stakeholders expect that the partnership will work for Serbia, but have limited views on the organisations involved

- Most think the partnership will work well for Serbia.
 - But Serbia must be prepared to stand up for its interests, because everyone involved is there to make a profit.
- Stakeholders are aware of the organisations that are involved in South Stream, but have little to say about them.
- There is some concern about Srbijagas' perceived organisational problems

“I think that the interests of Serbia will be present [in the partnership] as much as Serbia is ready to stand up for them; none of these countries will give us more than we ask for or place the interests of Serbia before their own.”

Stakeholder



Conclusion

Conclusion

- **Support for South Stream is relatively high** amongst the general public (73% support), and amongst stakeholders.
- Both groups are confident that it will bring a variety of economic benefits to Serbia, and that it will increase energy security.

Conclusion

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

1. How can Gazprom and the Serbian government ensure that Serbia sees tangible economic benefits from South Stream?
2. Will South Stream lead to Serbia being dependent on Russia for its energy, and how can this risk be minimised?
3. How can the public be assured of the safety of the pipeline?
4. How will the government ensure that it effectively represents Serbian interests in the pipeline partnership?