

PRESS RELEASE

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EU AND RUSSIA WILL FIND A SOLUTION FOR SOUTH STREAM TO THE THIRD ENERGY PACKAGE, SAYS RUSSIAN DEPUTY MINISTER OF ENERGY

In Milan, the leaders of South Stream and Gazprom make their case of the pipeline's value for Europe

Security of supply, diversification of energy sources and a strong partnership between the energy enterprises of Europe: these were the questions addressed at "South Stream: The Evolution of a Pipeline", a conference held today in Milan, where leaders of South Stream and Gazprom, along with governmental partners and sector stakeholders, analysed the social, environmental and economic impacts of the South Stream pipeline. The audience heard about the current state of development, with a particular focus on the offshore section in the Black Sea.

"Since 2012, the Russian Federation has provided the countries of the European Union with 160 million tonnes of oil and 125.5 billion cubic metres of natural gas", Russia's Deputy Minister of Energy, Anatoly Yanovsky told the conference. He added that negotiations between the EU and Russia will ensure a solution to the problems raised by the Third Energy Package, which has been seen as a roadblock to the commencement of construction.

"The European Union and Russia are very important partners in the field of energy. Russia, and in particular, Gazprom, is the foremost supplier of energy to Italy and next year we will celebrate 40 years of energy provision and commercial relationships between Gazprom and Eni. The South Stream pipeline represents a long term solution to ensuring a secure energy supply to all European citizens, thanks to the direct connection between customers and the most important gas reserves in the world, in Russia", said the Deputy Minister.

"Gas is an environmentally sound source of energy, and the construction of the pipeline will guarantee stimulate the European market as a whole, providing energy diversification and attracting new investments in Italy, as well as creating thousands of jobs. Eni and Gazprom were the first partners to sign the agreements that were the basis of the South Stream project in 2007," Mr Yanovsky added, addressing a predominantly Italian audience.

Russia is the most important commercial energy partner for Europe and has always represented a sure, stable supply of gas for many European countries. Analysts predict that the gas demand will increase from 312 billion cubic metres to 537 billion cubic metres over the next fifteen years.

“Natural gas today represents the most important source of energy in the European Union” explained Alexander Syromyatin, Deputy Head of Project Management Department, Gazprom. “Demand in the near future will quickly overtake supply, because of the falling extraction capacity in Europe. The South Stream project will solve the problem of this deficit for the future.”

The pipeline will be 2385 km long and will involve the partnership of 9 countries, including Bulgaria, Serbia, Hungary, Italy and Russia, and has required substantial agreements between governments and major energy enterprises. The total investment required will be €17 billion, and will provide a total annual capacity of 63 million cubic metres of gas.

“The South Stream pipeline will reach full capacity at the end of 2017”, said Oleg Aksyutin, Member of the Management Committee, Gazprom, and CEO of South Stream Transport B.V. “Half of this capacity is for Italy. The offshore section of the pipeline will be 30% financed by the partnership between Gazprom, Eni, EDF, and Wintershall and 70 % will be raised by the market. It will satisfy the electricity needs for 38 million homes in Europe.”

Minister Yanovsky’s statements highlighted the importance that Russia places on its energy partnership with Europe, as South Stream will not only diversify and guarantee stable gas supply routes to the EU, but also decrease transit risk.

Gianni Pitella, Vice President of the European Parliament, said, “The primary goal of European legislation must be to maintain access to energy supplies, in particular for consumers and family-run small businesses. That requires the guarantee of an efficient service and low costs. We can reach these goals only by making stronger the infrastructure of the internal market and diversifying the energy sources. This is the reason why the South Stream project represents an important solution to the growing need for gas in Europe.”

Presenting points of view from South Stream's partner countries was Reka Szemerkenyi, Advisor to Hungarian Prime Minister and Dragutin Matanovic, Advisor to the Serbian Prime Minister.

Szemerkenyi said that preparations for construction in Hungary were well advanced, but that a co-ordinated approach between all participant countries was required to navigate legislation at the European level.

She said, “Hungary has come a long way in working towards the preparation in order for South Stream to begin construction. All pre-construction engineering aspects in the pre-construction phase are ready for work to begin and with the work done so far, the deadlines set can be met. However, in the last couple of months all the Intergovernmental Agreements of the South Stream participant countries have come under criticism from the European Union on the Third Energy Package. Therefore, we now have to work together with participation from Russia, the EU and the country participants to ensure South Stream goes ahead as planned.”

This event is the third in a series organised by Natural Gas Europe, a leading independent source of insight on natural gas developments in European gas markets, after conferences in Sofia and Belgrade, with conferences taking place in the coming months in Ljubljana, Budapest and Brussels.

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Note to Editors: *Natural Gas Europe* provides essential daily reading on European gas matters.

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