US steps in to prevent collapse of gas pipeline project

Nabucco pipeline bypasses Russia

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The United States has stepped in to prevent the collapse of the first project to construct a natural gas pipeline that will bypass Russia. It is pressuring the European Union (EU) and Central Asian countries to complete plans for the construction of the Nabucco pipeline, which is intended to link up with the Baku-Tbilisi-Erzurum and planned TransCaspian networks. It will bring gas 3,300 kilometres from Central Asia under the Caspian Sea to Turkey, through Romania, Bulgaria and Hungary to Austria.

Since the beginning of the year, several European countries have abandoned the Nabucco project and defected to the rival South Stream project run by the Russian oil giant, Gazprom. The $10 billion South Stream pipeline is designed to run from Russia under the Black Sea to Bulgaria, where it divides into a southern branch via Greece to Italy and a northern branch via Serbia and Hungary to Austria.

The collapse of the project started on January 18, when Bulgaria announced it was joining Gazprom during Russian President Vladimir Putin´s visit to Sofia. This prompted a complaint from EU High Representative for Common Foreign and Security Policy Javier Solana about the lack of a "credible" European external energy policy, whereas "Big deals are being made every day in the Middle East, the Caucasus, the Balkans and Asia, from decisions on pipelines, to exploration deals to strategic partnerships among producers."

"Our future options seem to be narrowing while others move in a determined manner," Solana added.

The Bush administration has reacting with growing impatience to these developments, warning the EU that it must go ahead with building the $6 billion pipeline and reduce its growing dependence on Gazprom. US diplomats and officials have been touring European and Central Asian countries putting pressure on a number of states to complete plans on a project that was first proposed a decade ago, in 1998.

Nabucco has been dogged by long-running disputes between the states bordering the Caspian Sea—Russia, Iran, Turkmenistan, Azerbaijan and Kazakhstan—over ownership of the seabed, the route of the pipeline, and how much will be paid to allow transit of the gas through their territory.

Russia has sought to delay the project, since it owns the only major gas pipeline out of Central Asia and is the main customer of gas and oil from Turkmenistan, the main intended source of supply of gas to the Nabucco pipeline. The two other potential suppliers are Azerbaijan, which has large gas reserves but not sufficient to meet demand and Iran, whose involvement the US vehemently opposes.

US Principal Deputy Assistant Secretary of State Steven Mann flew into the Turkmen capital, Ashgabat, for the second time at the end of February to put pressure on President Gurbanguly Berdymuhammedov, a few days after he stopped off in the Azerbaijani capital, Baku. According to regional expert Mars Sariev, Mann was taking advantage of the "power paralysis" during the Russian presidential elections to "exert pressure on Ashgabat to resolve its disputes with Azerbaijan."

"Berdymuhammedov and [Azerbaijani President Ilham] Aliyev may be able to reach a consensus under the aegis of the Americans and with [the promise of] massive western investment," Sariev added. Inter-governmental talks between the two countries began in Baku on March 5 and observers say the settlement of an old gas debt dispute paves the way for better relations between the two countries and possible cooperation over the Nabucco pipeline.

There have also been calls for Romania and Ukraine, which have rights over the Black Sea seabed through which the South Stream pipeline will cross, to take out legal action to block or at least delay its construction in the way Baltic countries used their rights last year to delay and modify Gazprom's North Stream project. There have also been criticisms of Italy's ENI corporation for providing technology that Russia does not possess to work in deep water environments.

Virtually overnight, in the first week of March, Austria's OMV, Hungary's MOL, Turkey's Botas, Bulgaria's Bulgargaz and Germany's RWE pulled out, leaving Rumania's Transgaz to pick up the pieces. Lack of investment and gas resources and absence of a unified European energy policy were given as the reasons. In a complete about turn, OMV said it will now transfer the terminus and storage centre in Vienna designated for Nabucco to a Gazprom-OMV joint venture. OMV shares rose sharply at the news followed by rumours that Gazprom was backing a takeover by OMV of MOL, the privately-owned Hungarian partner in the consortium. The speed with which these countries changed their allegiances is a graphic reminder of the British statesman Lord Palmerston's axiom: nations have no permanent allies, only permanent interests.

On February 28, Putin took part in a signing ceremony at the Kremlin with Hungarian Prime Minister Ferenc Gyurcsany, securing the final stage of the pipeline route. Putin mocked the Nabucco project saying, "You can build a pipeline or even two, three, or five. The question is what fuel you put through it and where do you get that fuel. If someone wants to dig into the ground and bury metal there in the form of a pipeline, please do so, we don't object."

To rub salt in US and EU's wounds the Hungarian president declared, "It is with satisfaction and gratitude that I see Russia doing everything it has promised to us. Hungary has realized that it had no alternative to cooperation with Russia."

In the days before the signing ceremony the US government warned Hungary about the South Stream project. Matthew Bryza, US deputy assistant secretary of state, gave several interviews that were broadcast in Hungary and Assistant Secretary of State Daniel Fried published an article in the country's leading newspaper. In a visit to Hungary, Assistant Secretary of State for European Affairs Dan Browne said, "The US view is that we don't want a gas pipeline war (in Europe). Only Nabucco will promote conditions needed for competition, protect Hungary and other EU states against supply disruptions and increase transparency in the energy sector."

Gyurcsany's junior coalition partners, the Alliance of Free Democrats, and the main opposition party Fidesz have also demanded the government push ahead with the Nabucco project.

Within days of the ceremony, Gazprom agreed with Kazakhstan, Uzbekistan and Turkmenistan to buy their gas at European prices starting in 2009, more than doubling current prices. It was another stab in the back for the Nabucco project and another step in Russia's aim to form an association of former Soviet gas producers modeled on the OPEC oil cartel.

To this end Russia has exerted enormous pressure on countries from the former Soviet Union and Eastern Europe over the last few years. On March 5, at the last minute, Gazprom resumed gas exports to Ukraine after it cut supplies the previous week by 50 percent in a dispute over an alleged $600 million debt and a price hike. The Ukraine constitutes a vital energy transit route for the EU. For countries like Hungary, which receives around 80 percent of its gas from the Ukrainian pipeline, its only source of foreign gas, the latest dispute was a nightmare.

It also had a knock-on effect on the already tenuous coalition between Ukraine's Prime Minister, Yulia Tymoshenko, and President Viktor Yushchenko, who both rose to power in the Western-backed 2005 Orange Revolution. The former allies have fallen out over the gas crisis, with claims that Tymoshenko sabotaged a deal on Ukraine's debts that Yushchenko had reached with Putin. According to Federico Bordonaro, a Rome-based analyst, "Gazprom's moves are not entirely due to business problems. I think Gazprom is striking back at Europe, firstly because Europe recognized Kosovo's independence without listening to Russia's concerns, and secondly because Ukraine is heading toward NATO integration."

Bordonaro also believes the recent Russia-Ukraine stand-off, following the similar incident two years ago, will make Europe "try to push for new key agreements with Libya, Algeria, and it may also try to revive the Nabucco pipeline." The Ukraine is also promoting its own pipeline, White Stream, as an alternative to South Stream and Nabucco.

Gazprom's successes have wiped out Russia's debt and accounts for 25 percent of its foreign earnings. The company has a market value of $245 billion and is growing rapidly through an aggressive campaign of buying up state energy companies across Europe. It currently provides all the gas needs of neighbouring countries like Latvia and almost half the needs of the rest of Europe, which will rise from 200 billion cubic metres today to around 600 billion cubic metres by 2020.

The economic basis for Russia's new geopolitical ambitions rests on its huge external trade surplus, which has risen in the past few years to about $100 billion annually. Accumulation of the "oil money" has permitted the state to build up its gold reserves to about $300 billion and top up the so-called Stabilization Fund, which now holds over $100 billion.

There is also an important political reason for the relative strengthening of Russia's economic and political role, which is related to the growth of inter-imperialist tensions. The occupations of Iraq and Afghanistan by US imperialism have led to a growing anxiety among the European ruling elites that a US stranglehold over the extraction and transport of the oil and natural gas resources of the Middle East and Central Asia will conflict with their own interests.

These fears and the growing role of China and India have been utilised by the Kremlin to further its interests in Europe. The European powers and Russia find themselves in the contradictory position of growing interdependence and rivalry. Lacking sufficient energy resources of its own and home to some of the world's largest energy companies, Europe sees Russian oil and gas as a vital geopolitical asset and source of profits. For the Russian elite, expansion in Europe is necessary to secure and advance its political and economic interests in a situation where it is being encircled by a militaristic US.

While Secretary Browne has said that the US and Europe do not want a "pipeline war", this is exactly what threatens. It could be sooner rather than later before the great powers send in their armies to protect their strategic interests in the region. Sections of the European ruling elite also recognise this. In a recent speech European Commissioner for Energy Andris Piebalgs made it clear that "The overall aim is to break down the divisions on the external borders of the European Union. Just because the external border of the Union has been reached, an electron just does not turn around and go back to its generator. Nor does a gas molecule have a passport. What I am saying is that the borders of the European Union are not the borders of the energy market. In an enlarged European Union of 25 [states], this is more obviously the case, as several Member States were integrated into other systems before they joined the EU. We cannot ignore this historical fact. So the Commission and the Council of the European Union have made it clear that we need to extend the borders of the internal energy market and extend the reach of the single regulatory framework of the European Union."