European Union’s Nabucco pipeline project aborted

Clara Weiss
13 July 2013

The Nabucco pipeline project, which was to have transported gas from the Caspian Sea to Europe in order to bypass Russia, has been cancelled.

The pipeline, sponsored by the European Union (EU), had already been reduced last summer in length from the original 3,900 km to 1,300 km. The eastern section, which was to have run from Azerbaijan across Georgia and Turkey to the Bulgarian border, was abandoned. Instead, the Trans Anatolian Pipeline (TANAP), funded by Azerbaijan and Turkey, is due to come into operation in 2018.

Nabucco-West, which was to have carried gas from Turkey to Austria, through Bulgaria, Romania and Hungary, was the only remaining part of the original project. At the end of June, it was announced that this project would also be dropped.

The Shah-Deniz II consortium, which runs the largest gas field in Azerbaijan, awarded the contract for the transportation of gas to the Trans Adriatic Pipeline (TAP), which runs through Greece and Albania and under the Adriatic Sea to Southern Italy. This route is 500 km shorter than that proposed by Nabucco-West.

The failure of the Nabucco project was due to a combination of geopolitical factors and business considerations.

Although the TANAP and TAP pipelines will reduce Europe’s dependence on Russian supplies of gas, its capacity of 10 billion cubic metres of gas per year is only around one third of the amount Nabucco was to have carried. This equates to just 1 percent of Europe’s total demand. And while Nabucco was a joint European project, Turkey and Azerbaijan are behind TANAP and TAP.

The decision to abandon Nabucco was not taken in Brussels, but in Baku. According to reports in the Russian media, the Shah-Deniz II consortium invited representatives of the Nabucco and TAP projects to the Azerbaijani embassy in Budapest, where the decision in favour of TAP was announced.

The Austrian firm OMV, which had promoted Nabucco for years, will be affected most by the decision, as well as Bulgaria’s BEH, Romania’s Transgaz, and the Hungarian firm FTSZ. These firms would all have profited from the transport of gas. The German firm RWE, which had been heavily involved in support of Nabucco, withdrew from the project some time ago.

Rival firm E.on is part of the competing project, together with the Swiss concern AXPO and Norway’s Statoil. The latter in turn controls 25.5 per cent of the Shah-Deniz consortium, which awarded the contract to TAP.

The second major part owner of Shah-Deniz is BP, which also controls 25.5 per cent. In addition, the Azerbaijani state-owned SOCAR (10 per cent), France’s Total, the Russian firm LUKOIL, the Iranian State Oil Company (NIOC), and the Turkish firm TPAO are all involved.

Planning for Nabucco began in 2002. From the start, the pipeline was a joint European and American project aimed at undermining Russian influence over the European continent by reducing Russian energy imports. Europe currently obtains 36 per cent of its gas and 20 per cent of its oil from Russia.

From a technical standpoint, however, the project never got very far. In 11 years, no country could be found to be an energy supplier. Iran, Turkmenistan, Egypt and Iraq all pulled out, and Azerbaijan finally rejected the idea.

Responding to Nabucco, Russia built the North Stream pipeline, which has been exporting gas from Russia under the Baltic Sea to Germany since 2011. In this way, it has bypassed transit countries such as the Ukraine and Belarus. The pipeline now has two lines and could possibly be expanded in the coming years, even though it is currently only supplying gas at half of its capacity.

In addition, Russia took on the South Stream project in 2007, which is to export gas from Russia, under the Black Sea and through the Balkans to western Europe. Work on South Stream began in December 2012, and it should be completed by 2018. The pipeline will be capable of supplying 63 billion cubic metres of gas per year.

Although representatives of the EU and the US state department declared their support for the decision in favour

© World Socialist Web Site

of TAP, it is a defeat for the EU. It shows how divided member states are over questions of energy and foreign policy. Until recently, there was no unanimous agreement among EU states to build the Nabucco pipeline.

In Germany, which is economically dependent on Russia but orients politically to Washington, there have been sustained conflicts for years over energy policy and relations with Russia. Germany obtains 40 per cent of its gas from Russia and is its most important trading partner in the EU. Questions of foreign policy orientation and the importing of energy from Russia played an important role in the disintegration of the Social Democratic Party (SPD)-Green governing coalition in 2005.

While former chancellor Gerhard Schröder (SPD) backed Russia's NorthStream pipeline, Joschka Fischer of the Greens called for greater independence from Russian energy imports. In 2009, Fischer became a consultant to the Nabucco consortium. After his election defeat, Schröder became chairman of North Stream's board of management. In April 2012, SPD politician Henning Woscherau was elected chairman of the board of directors of the South Stream project.

The question of Russian energy supplies also caused divisions throughout the EU. Last year, Hungarian president Victor Orbàn announced his country's exit from the Nabucco project after differences with the EU over the state budget. Hungary has continued to participate in South Stream, however.

The increased independence of Turkey from Moscow was one of the main goals of the southern route from the outset. Turkey is one of the largest importers of Russian gas, but at the same time is a key political partner of NATO and the EU in Eurasia and the Caspian region. The route will now not be built under the direction of the EU, but instead primarily under the control of Turkey and Azerbaijan. The laying of the TANAP and TAP pipelines will increase the geopolitical importance of these two countries as EU energy partners.

The failure of the Nabucco project was also caused by the fact that it has not appeared economically viable for some time.

Gas expert Rudolf Huber described Nabucco in the Austrian daily *Standard* as "a relic from the past," when the expanding market for gas made investment in long-range pipelines more or less secure. Due to the recession, the demand for gas has declined by more than 11 per cent since 2009. It is not currently clear if the supplies from TAP are required.

Through the development of shale gas in the United States, and the growing significance of liquefied gas, the demand on the energy market specifically for natural gas has dropped.

In eastern Europe, where the Nabucco pipeline was to have supplied gas from the Caspian region to countries that are highly dependent on Russian gas, governments are seeking to develop the production of shale and liquefied gas.

The decline in demand for natural gas and the increased importance of shale and liquefied gas has seen the position of Russia's energy supplier Gazprom sharply weaken. Last year, gas exports to Europe from Gazprom dropped by 10 per cent. In 2012, Norway sold more gas to the EU than Russia for the first time. The growing role of Azerbaijan as an energy supplier for the EU and the TAP will see this tendency intensify.

In comparison with Nabucco-West, TAP emerged as a better business prospect due to the smaller number of transit countries. This reduced the costs and political risks involved in the business. Almost two thirds of TAP will run over Greek territory.

Greek prime minister Antonis Samaras hailed TAP in a statement as "The most important and most positive development in the last ten years for our country." According to Samaras, TAP will put Greece "on the international energy map."

Through the EU's austerity measures, Greece has been forced to privatise the state-controlled energy company DEPA, as well as the state gas provider DESFA. DESFA was bought a few weeks ago by the Azerbaijani state company SOCAR, which is also involved in delivering gas for TAP.

While it currently obtains the majority of its gas from Russia, Greece will likely soon become one of the largest importers of gas from Azerbaijan. More than three quarters of Greek gas and 40 per cent of its oil imports currently come from Russia.

The Albanian government also welcomed the project as a sign of the growing geopolitical role of the country. But according to analysts, a worsening of the economic crisis, above all in Greece, could place the completion of the TAP project in doubt.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site