

Pipeline turns into pipe dream

Allison, Kevin. **The Globe and Mail** [Toronto, Ont] 02 July 2013: B.9.

▣ Abstract (summary)

Europe's pet pipeline project is dead. Launched more than a decade ago as a way around the continent's dependence on Russian gas, the original Nabucco pipeline ended up boxed in by its potential cost and unenthusiastic shareholders. A scaled-down version ultimately couldn't compete with TAP, a rival project that on Friday won the mandate to bring Caspian gas to Europe. Nabucco's demise can also be seen as a sign of the times.

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The idea of a southern gas corridor to Europe has been around for a long time. Nabucco was originally seen as an attempt to counterbalance the big Nord Stream Russian pipeline, designed to bring Russian gas directly to Western Europe. Planning started in 2002, led by Austria's OMV, and companies from some former Soviet satellites, and was encouraged both financially and politically by European authorities. The original vision was for an EUR8-billion (\$11-billion), 30-billion-cubic-metres-a-year pipeline to carry gas from Azerbaijan across Turkey and into Europe.

The plan was over-ambitious and was soon known as the pipeline with bickering shareholders and no gas. Oil majors developing the big Azeri gas fields easily convinced the country's government to go with a smaller project. State-backed oil companies in Azerbaijan and Turkey started building their own pipelines across territory earmarked for Nabucco.

From 2007, the project also had to contend with the Russian South Stream pipeline project, which Moscow always intended as a Nabucco killer. The future of that plan, the costs of which have sky rocketed, now looks more uncertain than ever. Moreover, the project suffered from lack of support from Germany.

The shorter, cheaper Trans Adriatic Pipeline, or TAP, now looks set to benefit from the yet-unsigned contracts that the Azeri government will award. TAP has strong backing, since Norway's Statoil - part of the Shah Deniz consortium developing the Azeri gas fields - is a 43 per cent shareholder.

Countries like Italy can look forward to more diverse gas supplies than before. The former Soviet client states that were to benefit from Nabucco will continue to live in Gazprom's shadow, at least for a while.

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