

Eni and Snam mulling 'South Stream Lite' investment

Silvia Favasuli / London

The Italian companies have hinted they may be open to investing in a new pipeline across the Balkans intended to be a substitute for Ukrainian transit after 2019

ENI AND ITALIAN transmission system operator (TSO) Snam are considering investing in a pipeline to transport Russian gas from Turkish Stream to Austria via Bulgaria. As a country reliant on Russian supplies from the Baumgarten hub, Italy wants to ensure enough gas supplies can reach Austria after Gazprom stops exporting via Ukraine.

Eni Chief Executive Claudio Descalzi and Snam Chief Executive Marco Alverà said last week that they would consider taking part in the project. The pipeline has been dubbed 'South Stream Lite' because it would roughly follow the path of the proposed South Stream pipeline, which was scrapped by Russia in 2014 following opposition from Bulgaria and the EU.

South Stream Lite has gained impetus following the decision by Gazprom to stop sending gas to Europe through Ukraine. Gazprom said on 2 March that it does not intend to renew its transit contracts with Naftogaz Ukrainy, which expire in December 2019.

On 5 March, Gastrans, a subsidiary of Gazprom-controlled South Stream Serbia, launched a non-binding open season for capacity booking on a South Stream Lite interconnector between Bulgaria, Serbia and Hungary. The interconnector would be operational in October 2019, Gastrans said.

Italy imports around 27 billion cubic metres of gas per year from Russia and is keen to find a way to ensure it continues to receive supplies after the expiration of the Ukrainian transit contract.

Tapping into the Turkish Stream project, which is currently under construction, could make sense for both Russia and Italy. Its second line will have a capacity of 15.75 bcm/y and is intended to supply the European market. Under the original plans for the pipeline, the second line of Turkish Stream would cross the Black Sea to Turkey and go on to Greece and central Europe. South Stream Lite envisions the Turkish Stream pipeline making landfall at Bulgaria before traversing Serbia and Hungary to Austria.

Eni's involvement

According to Italian thinktank Ref-e, Eni holds an agreement with Gazprom to receive Russian gas at Baumgarten until 2035, which Eni wants upheld. "We signed a contract for quantities, and our expectations are that this gas comes to us at Baumgarten," Descalzi told *Interfax Natural Gas Daily* at Eni's strategy presentation in London last week.

Should Eni invest, it would represent a change in strategy for the company. Eni typically invests only in pipelines that transport gas produced by the company, said Descalzi. "Normally we participate in pipelines built for [shipping] our gas. But clearly [Russian supplies to Italy] are big quantities so I cannot say yes or no, we have to



Source: Gazprom

evaluate the conditions. We are discussing the modernisation of our contracts with Gazprom, inside this [...] maybe we can also consider to participate in the investment in a pipeline," he added.

Alverà said Snam would also consider investing in a new pipeline to bring Russian gas into Europe across the Balkans. "If Gazprom invites us, we would look into this opportunity," he told *Interfax Natural Gas Daily* on the sidelines of Snam's strategy presentation in London last week.

However, South Stream Lite is one of many proposed pipelines being considered by Gazprom to take over from the Ukrainian route, and only one or two of these would be needed. Gazprom may instead decide to use the second phase of the Trans-Adriatic Pipeline (TAP), together with existing interconnectors in eastern Europe and ITGI-Poseidon. It has been assessing these options over the past year.

While Snam has said it would consider investing in a new pipeline, it would likely prefer to continue to receive gas via Ukraine. Alverà underlined Snam's commitment to cooperating with Naftogaz or Slovakian TSO Eustream to create "a reliable corridor" for Russian supplies across Ukraine by upgrading existing infrastructure. Alverà also noted that a link between Turkish Stream and TAP may still be an option, with Russian supplies reaching Italy from the South.

Either way, Snam may be more interested than Eni in investing in a pipeline across the Balkans, Davide Tabarelli, founder of energy research firm Nomisma Energia, told *Interfax Natural Gas Daily*. "Snam needs to invest in order to make money from transport fees, therefore they are interested in every project. However, in this case there is a strong presence of local states, and Gazprom itself, that wants to be in the area," said Tabarelli.

Linking Turkish Stream 2 into Baumgarten would offer Gazprom the advantage of not having to change the delivery point for the supplies contracted with its European partners, said Katja Yafimava, an analyst at the Oxford Institute for Energy Studies.