

# Turkish Stream puts the Balkans under the spotlight

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The Balkans will be an important gas transit corridor once the second stage of Turkish Stream is built, but it could also lead to greater regional dependence on Russia.

THE SECOND STAGE of Turkish Stream is set to transform the Balkans into a crucial transit corridor for gas supply to the EU but could also increase the region's dependence on Russia.

The pipeline is seen as a second version of South Stream, the cancellation of which was lamented by many Balkan countries as it left them with only the Ukrainian route for imports of Russian gas.

Consequently, the new project has been well-received by several regional governments – including Bulgaria, Serbia, Greece and FYR Macedonia.

But the route of the pipeline's second phase has yet to be decided. Once it lands at the Turkish coast it could either connect to Greece and then to the Trans-Adriatic Pipeline (TAP) or the Interconnector Turkey-Greece-Italy, or go on to Bulgaria via reverse-flows on the existing Trans-Balkan Pipeline.

Bulgaria has made its case to Russia by promoting its port of Varna as a future pan-European hub. But regional politics may complicate things: Russian President Vladimir Putin openly blamed Bulgaria for the collapse of South Stream, meaning Sofia may not be seen as a reliable partner by Moscow.

The Greek option would have the advantage of opening up a route to supply Western countries via TAP, according to Katja Yafimava, a senior research fellow at the Oxford Institute for Energy Studies. "The connection to Bulgaria would be easier as it wouldn't require construction of [any] onshore pipeline on Turkish territory. However, the link to Greece would open up a route for Gazprom to supply gas further on to Italy," she said.

Yafimava suggested Bulgaria would struggle to argue its case given the size of the Balkan market.

"The Balkans is only a small part of the southern European market – the forecast demand of Serbia, Bosnia-Herzegovina and [FYR] Macedonia combined in 2020 and 2030 stands at less than 3 billion cubic metres," she added.

Pipe-laying work  
on Turkish Stream.  
(Gazprom)



Dan Breban, former guest researcher at the Belgrade Centre for Security Policy, told *Interfax Natural Gas Daily* that "the ultimate goal of Turkish Stream is to reach the big markets of Germany and Italy". He said it was unlikely the EU would block this as 50% of TAP's expansion capacity will be open for third-party access.

The region seems to be preparing for both options. Bulgaria has been investing in its hub and its interconnector to Greece. Serbia has pushed forward with a pipeline to Bulgaria to gain access to Varna and from there to Greece. FYR Macedonia has recently signed gas agreements with both Serbia and Bulgaria.

## Russian control

According to Breban, Turkish Stream presents an economic opportunity for the Balkans, but countries must be wary of becoming beholden to Moscow. "We can expect the Turkish Stream to become a tool for Moscow to extend its role as a gas supplier in the region," he noted.

Russia is already the dominant gas provider for Bosnia, Bulgaria, Greece, FYR Macedonia and Serbia, and it has a significant presence in their markets. For instance, Gazprom's local subsidiary owns a majority stake in Serbian oil and gas monopoly NIS, while Bulgaria's only oil refinery is controlled by Russia's Lukoil. The EU and the United States have therefore long been discouraging the Balkan states from becoming involved in Turkish Stream.

Yafimava said countries in the region that are not part of the EU – members include Bulgaria, Croatia, Greece, Romania and Slovenia – want to maintain their aspirations for membership of the bloc and good relations with Russia at the same time. "Unlike Poland and the Baltic states, they're unlikely to pay a premium for gas from other suppliers to reduce their dependence on Russian gas as their political relationship with Russia is not antagonistic," she said.

In order to limit dependence on a single supplier, Yafimava suggested the Balkans should continue to develop alternative routes and gas sources by building new pipelines with neighbours and keeping interest in LNG from the region's two planned terminals in Greece and Croatia.

"The fact of having interconnections will serve to ensure that Gazprom wouldn't be able to abuse its dominance in these markets, and will be offering a competitive price. In other words, dependence on Russian gas is not a problem as long as there is access to alternatives too," Yafimava added. ■

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