

Russia drafts Plan B for ‘peaceful coexistence’ with the *Nabucco* pipeline

Nothing attracts keener attention of Russian Prime Minister Vladimir Putin than the gas business – and nothing upsets him more than encroachments on *Gazprom*’s positions in the European market, which are in fact far less solid than often depicted. The *Nabucco* pipeline project is high on the list of such encroachments, and Putin on many occasions expressed his irritation about this politicized enterprise. The working assumption in the *Gazprom* HQ is that its own *South Stream* project will advance with such an unstoppable drive that *Nabucco* would fall behind and then fall apart. However, as the deficit of the federal budget comes close to 10% of the shrinking GDP and as *Gazprom*’s falling revenues necessitate deep cuts in its investment program, Putin’s aids have to reckon with the possibility of a different gas future.

Assessing the prospect where *Nabucco* is successfully laid but the *South Stream* is delayed, Moscow can opt for denying the ‘hostile’ pipeline sources of supply by making Azerbaijan offers it cannot refuse, while Turkmenistan remains disconnected at the far shore of the Caspian Sea. Such an elegant sabotage would bring Putin joy, but he might also become eager to explore opportunities for channeling Russia gas via Turkey. The expanded *Blue Stream* pipeline would make it technically possible, and political gain would come from weakening the link between *Nabucco* and the South Caucasus. There are few doubts in Moscow that for the US the main purpose of this pipeline, camouflaged by the discourse on European energy security, is opening a new Western connection for Azerbaijan and Georgia, so out-maneuvering Washington would be a sweet victory.

As for the much-trumpeted EU ‘diversification’ plans, Moscow is inclined to take those with a big grain of salt – and to presume that *Nabucco* would not make much difference. *Gazprom*’s strategists expect that the deepening crisis would put an end to the wishful ‘green’ thinking about alternative ‘wind-farms’ and establish beyond reasonable doubt that natural gas is the most efficient and environment-friendly energy source and that Russia is the indispensable supplier. Seeking to illuminate these facts of energy life Moscow is encouraging Turkey’s ambitions to become a ‘gas hub’ and not merely a transit corridor. *Nabucco* is a key part of this ambition, and Russia has good reasons to assume that by the middle of next decade, Turkey – frustrated by the failure of its desperate attempts to join the EU – would give European customers such a hard time bargaining over gas exports that *Gazprom* would appear a dream partner.

What makes *Nabucco* so feeble in the project phase and so vulnerable to manipulations later is that the EU Commission is pushing this ‘diversificator’ not only without support from the European energy ‘champions’ but actually against their preferences. *Gazprom* might find the *South Stream* too expensive to come true but its strategy of alliance-building with ENI and E.ON and *Total* could still prove invincible. The EU bureaucracy has neither resources for nor ideas about rescuing Latvia and other failing European economies, so their energy assets might soon be auctioned off – and *Gazprom* will not miss a chance to exercise its purchasing power. Much to surprise of the trans-Atlantic *Nabucco* fan club, Russia might end up owning a nice slice of this pipeline, reduced to a minor tributary of *Gazprom*’s streams.

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