What are the Pros and Cons of the Nabucco Pipeline?

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What is Nabucco?

- The Nabucco Pipeline is a natural gas pipeline that is planned to be built from Erzurum, Turkey to Austria (through Bulgaria, Romania and Hungary) and its goal is to provide an alternative route and supplier for Europe’s energy needs. Its capacity is planned to be 31 billion cubic meters per year.

- From Turkey eastward, Nabucco will theoretically be connected to other pipelines that travel different routes to the Caspian Sea. While there are many potential suppliers of the gas that will fill the pipeline, the Shah Deniz field of Azerbaijan is planned to be the primary source in the pipeline’s first phase.

- While the Nabucco project is seen as a positive step by most Western European states (and the United States) in their quest toward energy security, *Gazprom*, the main exporter of Russian natural gas, has proposed a pipeline that would be in competition with Nabucco called South Stream.

- The Nabucco project was first initiated in 2002, however due to controversy and lack of agreement, Turkey only was prepared to sign an agreement in 2009, and full funding will not be officially allocated at least until the end of 2010. One of the main problems is where the supply will come from.
What is Nabucco?

- The five states that Nabucco would travel through have a large stake in the project, which vows to connect European markets to the Caspian area and the Middle East.

- With predictions of Europe’s increased energy consumption, along with an increase of natural gas as a primary energy source and an increase in the amount of natural gas imported to Europe, Europe is heading toward change in its energy supply and dependence.

- These expected changes have inspired many new projects like Nabucco. The Nabucco pipeline has been heavily debated and has been the focus of lots of controversy.
Pros of Nabucco

- Currently Russia supplies one third of all the EU’s gas needs, which is mainly used for heating.
- Due to pricing disputes with Ukraine, which transports most of Europe’s gas across its borders, there have been serious supply cuts to Europe that have been felt most sharply in the dead of winter. These shut offs have been triggered by Kiev’s refusal to pay increased prices for gas and have caused Europe to realize the volatile political nature of energy security. Furthermore, with Europe’s increasing demand for natural gas, this issue of diversification has become more urgent.
- The Nabucco line would lessen Europe’s dependence on Russia for natural gas and allow Europe to diversify its supply, giving it more energy security in the long run, especially considering consumption is projected to rise.
Pros of Nabucco

- The pipeline would not only open the ‘fourth corridor’ of gas importation to Europe but would also facilitate a more competitive gas market in Europe and potentially for Russia.

- It is also argued that the pipeline could promote the unification of a ‘EU energy policy’, enabling a tighter and geopolitically stronger block.

- Some argue that lack of ‘political will’ to create a common energy policy within the EU and with the US has been a major impediment to Nabucco. The problem is that the nation states of the EU have very different energy interests and needs, making consensus difficult. Delay in development of Nabucco is attributed to opposing voices within the Union, which some say is not entirely organic but also deepened by Russia’s ‘courting’ of EU nation states.
Pros of Nabucco

- If Nabucco was to get off the ground, it could also nurture an ‘effective energy partnership’, facilitating better relations between the EU and non-EU states, such as Turkey and Azerbaijan. Additionally, this has the potential to transform the Central Asian states into more independent, self-sufficient policy makers, rather than ‘appendages of Russia’.

- Nabucco is also a relatively inexpensive investment ($6.2 billion, some sources say $10.4 billion), compared the amount of money Europe is paying to import gas from Russia plus the money it will need to invest in infrastructure improvements in the coming years.
Cons of Nabucco

- The Shah Deniz field’s supply of natural gas (Azerbaijan) would only be viable for a ‘first commercial phase’ of transport to Europe. However, continued supply could come from a variety of sources including Central Asia (Turkmenistan). However, deals in Central Asia have been attempted to be undermined by Russia (for example by South Stream and by Gazprom signing contracts for supply flow from Turkmenistan) and are put into question if the Trans-Caspian line is not going to be built.

- Furthermore, the pipeline looks to supply from the Middle East, including Iran where the geopolitical situation is currently unstable and deals have been put on hold because of sanctions from the west. Moreover, even if the Iranian option is pursued, most of its main field in South Pars is dedicated to domestic usage. Iran would additionally need to update its infrastructure, develop its fields before Nabucco could be supplied.
Cons of Nabucco

- Research and consideration of other options has been contemplated, including Iraqi or Egyptian natural gas.
- While there is more than one option for further gas supply to Nabucco, the risks are large, as most of these supplier states are geopolitically controversial and some even unstable. Furthermore, the costs of building additional pipelines to keep Nabucco running would be astronomical. These possibilities do not appear as viable as continuing to depend on Russian supply. Additionally, it is claimed that even if the political and infrastructural problems were to be overcome there are serious supply complications that have to be addressed in these Middle Eastern States.
Cons of Nabucco

- While Europe and the United States have come out in favor of the Nabucco line, some western European states, less dependent than their Eastern counterparts on Russian gas, have expressed quiet apprehension. Russia has pursued many angles in hopes of halting the Nabucco project, and some states fear that if eventually undertaken, ties with Moscow might sour.

- Russia’s hawk like behavior has made Nabucco’s development more difficult, as Gazprom has even bought shares in companies sponsoring the Nabucco pipeline along its route. Hungary specifically has been a ‘weak link’ in Nabucco’s development, as it gets the vast majority of its gas from Gazprom and has been apprehensive in its commitment to Nabucco. Competition for access and control over Central Asian gas has made Nabucco’s creation increasingly complex as well.
Obstacles for Nabucco

- While the Nabucco pipeline is relatively inexpensive, it is a private venture that is not sponsored by any state, unlike South Stream. After the hard hitting economic crisis, private investors will be less willing to invest in a costly pipeline and states will opt to gain energy security through easier (and relatively more secure) options like Gazprom sponsored projects, especially if gas sources are not fully secured for continued supply through Nabucco.
Russia’s role and the South Stream Obstacle

- As a result of Nabucco’s controversy, which has primarily been characterized by Russia’s fears of declining European dependence on their natural gas, Gazprom has developed many different pipeline proposals, including their most aggressively competitive line that is seen as Nabucco’s direct rival, South Stream.

- South Stream and Nabucco are planned to overlap, and all states that have a stake in both routes have claimed that they are in favor of both. While this might be true, many claim Gazprom will not be able to supply all of the lines it has proposed but is rather ‘flexing its muscles’ in Europe’s face.

- If South Stream were to be constructed, Russia would gain control of a larger portion of gas transport to Europe thus giving them even greater geopolitical power. Russia is therefore doing all it can not to be bypassed.

- In addition, Gazprom is attempting to gain direct access to Central Asian gas and has signed contracts to secure this gas, causing the Nabucco line’s planned supply to be at risk.
Conclusions

While Caspian gas is a viable option, it is a first phase supplier and its importance has been ‘overshadowed’ by the debate over Iran’s supply to Nabucco. Investors have become uncertain of Iran, mainly for political reasons, and have put their investments on hold. The problem however, is much deeper. Iran ability to supply Nabucco needs to be put into proportion, as many assert that they do not have the ‘gas to sustain’ the pipeline as they is operating now.

The energy security advantages that Nabucco has the potential to offer can only be realized to their full potential if the EU with the US, are able to mobilize the strength that they have and form a unified policy. Moreover, the EU needs to take the initiative to spearhead this project with clarity and vision.
Conclusions

- Europe is facing many risks if it does not move to diversify its energy supply. Because of the divided nature of Europe, creating a unified policy will only become harder to realize. Russia’s Gazprom will only move to strengthen its dominance over European energy supply unless the EU, along with the support of the US, is able to realize a common and ‘coherent strategy’ that is able to rethink the challenges that face Europe.
References

**Articles:**

**Websites:**