

## ENERGY|GAS PIPELINE

# Gazprom launches 2nd gas link between Russia and EU consumers

At Portovaya Bay, on Russia's Baltic coast, Nord Stream's twin pipeline system came on stream on 8 October, completing the fully-integrated twin-pipeline system just 30 months after the start of construction of its first pipeline.

Russia has always complied and will continue to comply with its obligations as a secure and predictable fuel supplier to Europe. "We hope that the European Union will contribute to the effective use of the Nord Stream potential," said Russian President Vladimir Putin in a video address. "Only through joint efforts will we be able to satisfy the interests of producers and consumers, and to strengthen energy security. I am confident that Nord Stream will make a significant contribution to the economic development of our countries and the entire European continent," he said.

Putin noted that Nord Stream will meet Europe's growing demand for energy resources. Gas will be supplied directly by the shortest route, linking the major Russian gas reserves to European markets without transit risks, steadily and smoothly. "We can guarantee this," the Russian president added.

Nord Stream Managing Director Matthias Warnig said in a statement that the company is "proud of this incredible achievement, made possible thanks to the dedication of everyone at Nord Stream, the support of our shareholders, as well as, of suppliers and contractors from all over the world".

The Nord Stream pipeline system will provide the capacity to transport up to 55bn cubic metres of natural gas a year from Russia to the European Union for at least 50 years. Line 1 began transporting gas to Europe in November 2011. The project is estimated to cost €7.4bn, and the pipeline is expected to function for up to 50 years.

Now that Nord Stream's second



A Nord Stream pipeline employee before the opening ceremony of the second gas link in Portovaya bay, Russia, 8 October 2012.

string is commissioned, the third and fourth strings are next in turn. Asked if there is enough gas to fill Nord Stream, Gazprom told New Europe on 9 October, "Gas arrives from Siberia through the Gryazovets-Vyborg pipeline and is prepared before it enters the Nord Stream system".

Gerhard Schröder, Chairman of the Nord Stream Shareholders' Committee said: "Nord Stream is without a doubt one of the most modern systems for transporting energy ensuring that Europe enjoys a reliable supply from the world's largest deposits in Russia. Today, we can proudly say 'We Deliver!'"

By starting the gas flow in the control centre of the nearby Gazprom Compressor Station Portovaya, Russian gas can now be pumped without the need for interim re-compression all the way through the Baltic Sea, and onwards into the European gas transmission network, Nord stream said.

Warnig added: "I am very pleased to report that we completed this ambitious infrastructure project on schedule

and on budget. Looking at the number of other pipeline projects in various stages of planning in Europe – Nord Stream certainly serves as the new benchmark. In terms of design, construction, safety, environmental compliance and the operation of our pipelines – we truly deliver!"

Meanwhile, Gazprom CEO Alexei Miller said on 8 October that before 31 December the Russian gas monopoly plans to sign a memorandum on the construction of new capacities. "One of the branches may go to Great Britain. We see interest from British partners," Miller told the high-ranking guests at the pipeline launch ceremony. However, Gazprom's plans to build new Nord Stream branches comes at a time when demand for gas is falling on the European market due to the economic crisis. In January-August 2012, Russian gas deliveries to Western Europe via Ukraine fell by 22.86% year-on-year to 54bn cubic metres while gas supplies through the Nord Stream gas pipeline from November 2011 to 1 October 2012 totalled 8.7bn cubic metres.

## ENERGY INSIDER



## Ukraine: Champions of Energy Inefficiency

By Kostis Geropoulos

**YALTA, Crimea** - Eager to reduce its imports of pricey Russian natural gas, Ukraine is turning to renewables. But in order for Kiev to win the bet for energy independence, the former Soviet republic has to boost energy efficiency.

Ukraine should invest in renewables but, at the same time, their infrastructure system seems to be collapsing. In Ukraine there is a big debate: What does it choose - efficiency or renewables. "I always say we don't need to choose," European-Ukrainian Energy Agency Director Elena Rybak told New Europe recently in Yalta. "There has to be a reasonable way of diversifying energy resources from the perspective of energy security or security of supply but, at the same time, we can't waste these resources investing into expensive renewable energy only without tackling demand on the efficiency side," she added.

Rybak noted that the losses in the district heating systems are up to 50%, the potentials of savings in buildings are up to 70% and the electricity infrastructure is anywhere between 15% to 30%. Thousands of people in eastern Ukraine were left without power last year when a plant went down. "In 2006, it was actually much worse because it was minus 30 degrees outside and people remained without heat," Rybak said. "Since 2006 there has not been such a cold winter yet whereas in Ukraine winters around minus 30 degrees are quite normal. The country is on the verge of infrastructure collapse: It's all old; it's all inefficient," she said, adding that pushing just renewables further is not enough. "Renewables moved much further and this is good but, at the same time, it needs to be the proper energy mix and the proper sustainable development with decreasing the demand side as well, which is enormously high in Ukraine," Rybak said.

In 2011 Ukraine for the first time entered the list of countries favouring renewable energy, occupying the 32nd place in the index of Ernst & Young for 40 states. Ukraine was mentioned as a country which secured steady increase of the projects number in this sphere after the introduction of so-called "green tariff".

Ukraine's Vice Prime Minister for Social Policy Sergiy Tigipko told a press conference in Yalta in the context of the III Black Sea Economic Forum that each year Ukraine buys smaller amounts of Russian gas. Ukraine is working in a number of directions to provide for energy independence, he said, responding to a question from New Europe. "Now we have a very serious focus on renewable sources of energy," he said, adding that in Simferopol hosts the biggest solar power station in Europe. Ukraine also has big willow tree plantations used for biofuels and has put back into operation 58 hydro power plants, he said. The country has restored coal production and has progressed in developing an LNG terminal, Tigipko said. It also plans to develop two more units in Khmelnytsky nuclear station, he added. He also mentioned that Ukraine had a successful tender that focused on the Black Sea shelf and also "sees good promises for solar energy and wind energy in Crimea".

However, Rybak stressed that energy efficiency is key in order for Ukraine to cope using its own resources. "That's the trick of it."

KGeropoulos@NEurope.eu  
follow on twitter @energyinsider

## ENERGY|ENVIRONMENT

## EU issues lukewarm directive on offshore drilling rules

On 9 October, the European Parliament's Energy Committee approved a draft law under which energy firms would have to submit major hazard reports and emergency response plans before getting a license to drill offshore for oil and gas. Licenses would be granted only if the firm could prove it has enough cash to remedy any environmental damage caused, the committee said in a press release. The draft will now be negotiated with the Council.

The draft law, endorsed by the Energy

Committee by 48 votes to seven with one abstention, would replace the EU member states' current patchwork of laws and practices offshore drilling activities. It is designed to prevent accidents such as the Deepwater Horizon oil spill in the Gulf of Mexico in 2010, the press release read.

However, the EU is backing away from more stringent rules for offshore oil and gas safety since although the European Commission's initial proposal referred to a "regulation," which would be directly binding upon all member states, Energy

Committee MEPs proposed on 9 October a "directive", which lays down ends, but leaves means to member states, instead. "While a Regulation has the advantage of its direct applicability, questions have been raised about the significant revocation and amendments of existing equivalent national legislation and guidance this might entail. Such re-drafting would divert scarce resources from the safety assessments and inspections on the field", said rapporteur Ivo Belet from Belgium.