

## **GROWING RISKS TO BALTIC SEA SAFETY FROM RUSSIAN ENERGY PROJECTS**

January 31, 2007

*by Vladimir Socor, courtesy of the Jamestown Foundation*

The Russian government's latest ideas about energy transit through the Baltic Sea are adding to the safety risks that are already involved in these projects. Moscow is launching its new ideas apparently without consulting the countries affected or the European Union and is ignoring the Council of Baltic Sea countries, which is authorized to examine environmental and navigational safety in the region.

One of Moscow's new ideas could potentially turn the Baltic Sea and the narrow straits leading to the North Sea into another Bosphorus in terms of over-congestion with oil tanker traffic. The Russian government is currently considering plans to nearly double the capacity of Russia's Baltic Pipeline System (BPS) for the export of Russian oil by tankers via the Baltic Sea. The Russian Energy Ministry and the Transneft state pipeline monopoly announced such intentions during the conflict with Belarus over oil transit during the first half of January and have reaffirmed those intentions since then.

Russia proposes to redirect to its Baltic ports a very large part of the oil volume that now moves westward through Belarus by pipeline. The plan under consideration involves laying a 1,000-kilometer pipeline circumventing Belarus on Russian territory, from Unecha via Velikie-Luki to the Russian oil export terminals near Leningrad on the Baltic Sea. Those ports, Primorsk and the smaller Ust-Luga, are components of the recently built BPS, with a capacity of 74 million tons annually. The proposed pipeline bypassing Belarus (and carrying oil from other directions as well), added to BPS, could potentially double the capacity of the pipeline system, necessitating an equal expansion of the export terminals on Russia's Baltic shore.

Yesterday, January 30, Leningrad oblast deputy governor Grigory Dvas told a news conference that the Russian federal government is considering two options for capacity expansion of the BPS and its maritime terminals: to 120 million tons or to 150 million tons annually. Moreover, either option would involve deepening Primorsk. At present, the port can handle tankers of maximum 120,000 tons capacity that can take actual loads of 107,000 tons or less at Primorsk. Such tankers are subsequently loaded with additional volumes of oil to full capacity in North Sea ports. According to Dvas, Moscow envisages deepening Primorsk for tankers with at least 200,000 tons capacity.

Such intentions are broadly consistent with Energy Minister Viktor Khristenko's and Transneft president Semyon Vainshtok's statements earlier this month, reaffirmed most recently on January 26, which envisaged expanding the BPS and the ports' capacity to 110 or 120 million tons per year, within two to three years. These stated intentions seem credible, given the speed and efficiency demonstrated in building the BPS and its ports to their present capacity during 2002-2006.

Transit of Russian oil via Belarus to EU countries is estimated at nearly 80 million tons

for 2006, down by some 10% on the 2005 figure, but still more than one-third of Russia's overall crude oil exports to EU countries in 2006. A switch of some Russian volumes to Primorsk already in 2006, as well the deliberate cessation of Russian oil deliveries by pipeline to Lithuania since mid-2006, account for the incipient decline in the transit through Belarus in the year just past.

Moscow envisages redirecting a growing share of its overall oil exports through its Baltic maritime terminals not only at the expense of Belarus, but from other directions as well. In the case of Belarus, however, the rationale for such rerouting is to reduce Russia's reliance on transit routes via sovereign states. At the same time, Russia seeks to ensure that other countries depend as much as possible on oil transit via Russia.

Also on January 30, Russian President Vladimir Putin received Viktor Rashnikov, chairman of the board of the Magnitogorsk Steel Works, at Putin's Novo-Ogarevo residence. This unusual event seems intended to signal that the Magnitogorsk works might be the Kremlin's favorite for the upcoming tender to make steel pipes for the undersea portion of the Russian gas pipeline to Germany on the Baltic seabed. Putin accepted Rashnikov's assurances that the Magnitogorsk works can fully cope with this task for the North Star project (previously known as the North European Gas Pipeline -- NEGP).

In parallel with this development, the tender's deadline for submission of bids has just been postponed from January 30 to the end of May. Moreover, the deadline for announcing the tender's results has been postponed from March 30 to "some time this year," according to Russian spokesmen for the project. These term extensions appear designed to accommodate Magnitogorsk and possibly other Russian companies as well, none of which have been able to present sample pipes for this project by January 30. Several European and Japanese companies have also announced their intentions to participate in the tender. Russia's United Metallurgical Company is already making the pipes for the line's overland section on Russian territory.

The 1,200-kilometer seabed section necessitates pipes with especially complicated characteristics to withstand pressure, salinity, corrosion, and other adverse factors. Russian companies have no experience manufacturing such pipes. Favoring Russian steel companies in the tender for political and commercial reasons could add to the problematic implications of this project in terms of safety hazards.

(Interfax, January 26-30)