

From Russia, with gas

By Rainer Nõlvak

Brussels is mouthing about joint energy policy for Europe: together we stand better against risks in energy supply. Who's to decide what is in the best interest of Europe? Oddly enough, with its ages-old divide-and-conquer tactics, Russia's Gazprom seems to be the force in charge of Europe's energy future.

Imminent Russian-German gas pipe, Nord Stream, is necessity for both parties. Designed to meet about a quarter of gas needs of Europe it also fills Russia's state budget with much needed euros. "North European Pipeline", as the project is called in Brussels, is one with "utmost importance" to EU, according to recent memo.

Wealthy Europeans helping Russians to rebuild their economy, while we euries are cleaning up our energy act by switching from dirty coal to much cleaner gas. Can't get any better - or can it?

Nord Stream has been planned grande, in good old Russian style. Current plans call for no less than world's longest underwater pipeline, double stringed. With total length of 1200km, nonstop from Russia to Germany, the cost of offshore pipeline grew from initial 4.7bn euros to more than 6bn during first year's paperwork. The Russian-controlled company has seen cost estimate for pipeline ballooning with disheartening pace since then. Sources close to Gazprom already talk about cost of 9bn while recent Estonian "no" would allegedly add another billion plus to the extraorbitant pricetag. Mind you, entering Estonian waters would have been departure from initial plans to start with.

However, for mere mortals, there are alternatives for gas transport from Siberia to Europe.

First, there's an existing pipeline already. Rolling through countryside of Ukraine and Belarus, it has suffered from excessive political valve-shuffling and is therefore deemed unreliable for Europeans to depend upon exclusively. Whether underwater gas pipe with pricetag of 14bn euros would be reasonable expense or could deliveries be assured via political means has not been brought up for a serious discussion yet. Physically, the existing pipe has plenty of capacity to cater European needs.

Provided that the alternative gas route to Europe is necessary brings us to the question of its location. Is the current underwater pipeline the safest and possibly the least expensive choice? It is known that underwater pipeline is two to six times more expensive to build than pipeline on dry land. Allegedly lesser maintenance requirement underwater is not nearly enough to cover that difference, not speaking of hidden "cost" of increased military presence which Russia is gladly offering for patrolling the entire route. Albeit second to energy security in prevailing view, impact on the fragile Baltic Sea ecology will be huge. Gazprom's current plans call for essentially bulldozing all the uneven areas and thoroughly rework the rest of 1200km stripe of sea bottom, while blasting rocks where needed. One needs to recall that the whole Baltic Sea is essentially a military dumpster since World War II: the underwater gas pipe will have to cross no less than eight large minefields between Estonia and Finland alone, not speaking of dodging chemical weapon's dumpsites which no one dares to touch. Recently, while extending deepwater harbour in Muuga, Estonia, the digging into sea bottom brought up at least one mine daily from already cleaned area. Granted, Nord Stream plans to clean 2km wide corridor through minefields, creating incredible mess on the sea bottom. However, who's to guarantee that all the bombs will be caught? Cost of fishing

out all the deep-settled metal debris is unthinkable. How will aging explosives behave in the vicinity of the gas pipe remains to be seen. In regard of the above, land is much safer place to put pipes on than the bottom of the Baltic Sea.

It turns out there's another route worth considering: Latvia. The Baltic country boasts huge aquifers where gas can be stored in mind-blowing quantities. One of the smallest aquifers in Latvia, with capacity of 2bn cubic meters, is already being used as gas storage in Inčukalns. Gas is being pumped to Inčukalns from Russia in summer, while supplying all Baltic States and feeding back to St. Petersburg in winter. Potential storage capacity in just one of the available sites, Dobeles, would be ten times larger, surpassing many times the largest gas storage in Europe and being able to store quarter of Germany's yearly gas requirement.

It gets better than that. The pipe network to Dobeles and further to coast already exists; all it takes is to widen it. Routing Nord Stream through Latvia would shorten underwater leg of the project more than twice, saving billions while providing extra security via added storage en route.

Why isn't Latvian-German pipeline being built already? Gazprom does not want it.

Lower cost for pipeline with huge storage bonus might be good for European consumers, but not necessarily for Russian leaders. It gives Russia much more control to put separate pipes to Turkey, Germany and soon to Italy rather than dealing with Europe jointly. Just the same, extra gas storage capacity might give Europe extra security, which might not be in the interest of Gazprom.

Whether enough gas will be available for Europeans is another issue. It's known that Gazprom struggles to keep up with future demand. What if the pipe runs empty in bitter cold of the winter? Even more realistic threat, whether any Russian gas will be available for Europe when pipeline to China will start pumping 40bn m³ of gas yearly to opposite direction, remains to be seen.

There's also a delicate question of private interests. Anyone who has done business in Russia knows the "creativity" of clerks, or apparatchiks as they're called in Moscow. Builder's ballooned bids are frequently kick-backed to apparatchiks, so bigger deal means essentially bigger "bonuses". Whether all the billions will be spent purposefully while digging up most of the Baltic Sea remains to be seen. Think Iraq and Halliburton, if you will. On top of that Nord Stream, being Swiss company, is outside European jurisdiction so there's not much we can do about it anyway. Except paying the gas bills, of course.

Don't get me wrong; I'm not blaming Russians. To collarise Europe would serve greatly to Russia's newly found global aspirations and it is smart thing for Putin to do. Question remains, whether it's of mutual benefit. Perhaps it's time for Brussels to act.

Rainer Nõlvak

Chairman of the Board

Estonian Nature Fund

Estonia

