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# Energy and Geopolitics Roundtable

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**Geopolitical Challenges in Bulgarian Energy Sector**  
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# Geopolitical Challenges in Bulgarian Energy Sector



Soviet legacy



Russian policies to EU and SEE



US Middle East policies



Uncertain EU geopolitics



Balkan historical regional mistrust



# Soviet legacy in Bulgarian Energy

## PAST:

- ❑ Closed economics: limited options, utmost self-reliance, trench-type geopolitics
- ❑ Dominant technology and resource supply position of USSR (nuclear fuel, Donbass coal): economical and geopolitical reasons
- ❑ Extensive power sector meant to supply ballooned inefficient industry, developed in short period



# Soviet Legacy in Bulgarian Energy

## PRESENT: Power generation

- ❑ Limited resource supply options for major part of power generation plants:
  - Nuclear fuel supply is technology dependant;
  - Ruse and Varna TPP designed for Donbass coal
- ❑ Limited economic incentive for new projects, but also simultaneous ageing and significant environmental spending



# Soviet Legacy in Bulgarian Energy

## PRESENT: Gas and Oil

- ❑ Extensive gas infrastructure but with primarily industrial intention – expensive and slow household gasification
- ❑ Large own refinery dominating the market of liquid fuel
- ❑ Single gas supplier also utilizing most of transit capacity



## Russian policies to EU and SEE

- ❑ Russian entities are in control of significant part of Bulgarian energy sector:
  - 100% of gas import & fully booked transit lines by Gazprom;
  - 56/96 licenses for gas distribution: Overgas Inc controlled by Gazpromexport;
  - 2/3 of liquid fuels come from Lukoil-owned refinery
  - Russian nuclear fuel for the biggest basic generation capacity
  - Someone Kovachki built in short time an empire in generation and district heating (5 DH, 3 TPPs, coal mines, position in nuclear maintenance, etc) presumably with Russian-source capital
  - Ruse TPP and DH privatized by RU conglomerate Mechel, last year sold to ... again Kovachki;
  - Donbass fuel for Varna and Ruse TPPs come from



## Russian Policies to EU and SEE

### YET:

- ❑ Despite relatively hostile BG policies to Russia
  - Membership in NATO;
  - US training range in BG assures constant presence of US military personnel;
  - Use of BG airfields by US planes for ME operations;
  - Use of BG airspace for bombing Yugoslavia
  - Consistent anti-RU rhetoric in last 15 yrs
- ❑ Still Russia never used its energy dominance in Bulgaria for geopolitical incentives – similar to approach to EU in general and SEE in particular



## US Middle East Policies

- ❑ Strong feelings about certain countries leading to significantly biased policies: Iran, Iraq, Syria, ...
- ❑ Unprecedented pressure on EU and international companies to cancel Nabuko pipeline originally meant for Iranian gas
- ❑ Strong support for Turkey, apparently including Turkish resistance to gas and oil supply from Iraqi Kurdistan to EU for purely political reasons

### De-facto

- ❑ Limiting options for diversification of SEE gas and oil supply and reduction of dependency on Russian imports;





## Uncertain EU Geopolitics

- ❑ Decades of lack of common EU geopolitics
- ❑ The new institution of High Representative is more of a protocol title than actual policy analysis and development think tank
- ❑ Continued practice of US pressure on key geopolitical issues not necessarily in line with EU interests (Nabuko, Turkey, Iran, Syria, UA, etc)

### De-facto

- ❑ Indecisive and slow policy formation in a changing and speeding world; long-term 'sacred cows' in EU internal and foreign policies; double-standards and reactive decision-making

# Balkan historical regional mistrust

- ❑ Events 100 yrs old still influence Balkan politics and country energy strategies
- ❑ No real political will for regional cooperation in large energy projects:
  - Failure of Nabuko;
  - Failure of Bulgarian-Makedonian-Albanian Oil Pipe
  - Failure of Burgas-Alexadroupolis Oil Pipe
  - Progress in power transmission lines mostly under EU accord
  - Gas interconnectors reactive and slow
  - Cooperation in power generation not existing
  - Common policy on liquid fuels supply reliability not existing



## THE WAY OUT OF THE SWAMP

- ❑ In SEE energy sector single-country efforts are inefficient and subject to influence by global powers geopolitics
- ❑ EU needs to overcome the long-term dependence on adopting and sharing US geopolitics
- ❑ SEE countries need to be more proactive in overcoming the Soviet legacy
- ❑ Successful Balkan energy development needs common policies and accords apart from general EU framework
  - Joint power generation projects (e.g. nuclear)
  - Coordinated policy towards privatization and new build in energy sector to overcome old and avoid new concentration of influence
  - Joint position on potential supply of resources from Iraq and Iran