Romania: Progress in the Pipeline

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Bucharest, Belgrade and Zagreb sign up to the construction of an oil pipeline linking the Black Sea to Western Europe.

A new oil pipeline linking Romania, Yugoslavia and Croatia could boost the Balkan nations' battered economies by opening up lucrative trade routes from Central Asia to Western Europe.

The three states signed an agreement on the 1,200 km long pipeline - which is to run from Constanta in Romania to the Adriatic oil terminal near Omisalj, Croatia - in Bucharest on September 10. The contract is to be finalised in November, according to Serbian officials.

Work on the project could start next year and, once completed, it is expected to reduce western dependence on Gulf exporters and Russian pipelines.

There is also potential for the Constanta-Omisalj pipeline - which would have a capacity of 10 million tonnes of oil per year - to be extended to Trieste in Italy and beyond.

"The project is one of the most important of its kind in Europe and may attract financing from the European Union and many important banks and oil companies," Romanian industry minister Dan Popescu told IWPR.

Analysts agree the pipeline could improve economic development and international trade in the Balkans, which is making a slow recovery from years of ethnic conflict and corruption.

"The project's chief selling point is that it will provide access to Balkan markets, which are now beginning their economic revival," said Dana Armean of the London-based Economist Intelligence Unit.

Financing remains a problem, as construction is expected to cost around one billion US dollars, even though some two-thirds of it will be made up of existing pipelines.

The Serbian section will be the most problematic part of the scheme and is expected to consume around 80 per cent of the construction budget.

Bucharest officials, however, are confident their section will not be hard to finance. "The 400 km-long construction on Romanian territory benefits from easily accessible terrain. This should result in lower costs and may attract potential investors," said Popescu.

The United States is a key supporter of the project. Washington officials said recently they are prepared to provide 200,000 dollars to fund a study into pipeline routes, and to support the scheme as one of several aimed at enhancing economic cooperation with the Balkan states.

Money is also expected from Interstate Oil and Gas Transport to Europe, INOGATE, a ten-country project funded by the EU and aimed at developing a pipeline network stretching from Central Asia to Europe.
Balkan countries have enjoyed limited benefits from this project to date, despite their strategic position along the east-west corridor.

All countries along the pipeline hope that the project will inject new life into their shattered economies. "The biggest winner will probably be Croatia, which has two refineries in Omisalj and great potential for access to Western Europe," Armean said, pointing out that the latter are linked by pipeline to Yugoslavia to the south and Hungary and Austria to the north.

The pipeline may also play a key role in building Balkan security, as the foreign investment it's expected to attract could strengthen stability and regional relations.

Some analysts, however, are cautious over the scheme's potential impact on the area. "The project is probably too small, compared to the scale of others, and it would be an exaggeration to conclude that somehow it could lead to intense international interest in the Balkans," Armean said.

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Location: Central Asia
         Balkans
         Macedonia
         Albania

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