



Energy (In)Security: the Bulgarian Parliament's Decision on Special Treatment of the South Stream Pipeline Increases Energy Security Risks for the Country

Media note

The decision of the Bulgarian Parliament from 4 April 2014 to adopt at first reading the amendments in the *Energy Law*, which grants South Stream special status highlights the lack of logic in the national energy policy and compounds the impression that public interest is not the driving force behind the proposed changes. The decision and the manner, in which it was taken, reveal some of the most serious problems in Bulgaria's energy policy in terms of bad governance and corruption:

- **Avoiding established procedures for coordination and consensus-building in the executive.** The amendments to the *Energy Law*, which concern enormous public resources and long-term interests, were introduced by two Members of Parliament (MPs). Thus, the usual consultation procedures between all relevant stakeholders and the institutions responsible for the protection of national security in the executive, which the law prescribes, has been circumvented. While this might be acceptable under certain circumstances, it is highly unusual in the current situation of heightened geopolitical risk. Moreover, this procedure has been associated in the past with higher risks of pressure by lobbyists and corruption.
- **Circumventing common EU rules.** As parliament's decision has implications on the rest of Europe, and the European Commission has explicitly asked Bulgaria for more coordination and caution concerning South Stream, it would have made sense to at least consult the proposed amendments with EU partners in advance. Moreover so that the proposed amendments seem to create preconditions for circumventing common EU rules on the internal natural gas market by allowing the construction and exploitation of the South Stream pipeline on Bulgaria's territory without effective separation of the ownership of the natural gas and the pipeline transmission system.
- **Introducing a questionable legal norm.** The decision creates a new legal norm which allows for the construction of a marine gas pipeline, defined as a gas pipeline, running through both Bulgaria's territorial waters, and onshore until it reaches "the connection point with another onshore gas infrastructure in the country". The latter also extends the definition of a "gas interconnector" to include marine gas pipelines

entering the onshore territory of an EU member state, but “only used to connect the gas transmission systems of these EU countries”. In this way, the Bulgarian Parliament has created the legal preconditions for South Stream to be treated not as an international gas pipeline between member-states of the EU and a third country, but as a marine pipeline, which connects to a series of gas interconnectors on EU territory. Among the justification for the proposed Energy Law amendments, the MPs, who introduced them, cite the European Commission’s decision from May 2013 to exempt the Trans-Adriatic Pipeline (TAP) from the third liberalisation package, which demonstrates that the decision related to South Stream is subject to the approval of the European Commission, thus increasing the risk of sanctions and future losses for Bulgaria.

- **Increasing energy insecurity.** Over the past several months, the risks related to the South Stream project have increased considerably, which also raises the potential bill Bulgaria will have to foot for the project’s implementation. Independent analyses have demonstrated, on a number of occasions, that the project does not address the top priorities and public needs of Bulgaria’s energy security, and is not of immediate urgency for the country. The determination, with which its implementation has been pursued by Bulgarian institutions, despite rising risks, increases fears that it is not (solely) national public interests that drive the energy decision-making in Bulgaria, in this case.

The adopted amendments at first reading to the *Energy Law* demonstrate yet again the risks of state capture by third-party interests, which do not correspond or even contradict the public interest. The real problems, which Bulgarian society faces on a daily basis, such as energy poverty, high energy prices, and low diversification and energy efficiency receive only a fraction of the attention, in terms of institutional and policy-making focus, compared to projects such as South Stream. What is even more alarming is that the recent actions of the ruling majority take place in the context of increasing geostrategic insecurity and danger of confrontation, which further exacerbate the risks deriving from such decisions.

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