

# Financing could stymie FYR Macedonia-Bulgaria link

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Plans for a second gas interconnector between FYR Macedonia and Bulgaria may struggle to attract funding.

Sections of the Negotino-Kleocve pipeline, FYR Macedonia. (Stroytransgaz)



QUESTIONS OVER FINANCING and profitability are standing in the way of the planned second gas interconnector between Bulgaria and FYR Macedonia, analysts say.

The neighbouring Balkan states, which have had a historically fraught relationship, signed an energy memorandum on 1 August. However, the agreement leaves a lot to be desired, according to Martin Vladimirov, energy analyst at the Sofia-based *Center for the Study of Democracy*.

The core of the energy memorandum is a plan to build a second gas interconnector between the two countries. The existing link, which forms part of the Trans-Balkan pipeline, brings Russian gas to FYR Macedonia through Bulgarian territory.

However, sceptics say finance will be a challenge. “This new interconnector is going to die in the archives,” Vladimirov told *Interfax Natural Gas Daily*. “Bulgaria’s links to Greece and Serbia, which are commercially and strategically more important, are long-delayed due to financing, so where would the money for this project come from?”

Vladimirov also questioned the economic rationale of the planned pipeline and said FYR Macedonia simply cannot consume any more gas at this point. “Only a few parts of the country are gasified. There’s limited infrastructure, and gas is seen too expensive by the local population, who use mostly wood and coal for heating,” he said.

However, Ana Stojilovska, an energy analyst at Skopje-based thinktank *Analytica*, said it was too early to comment on how the project would be financed. “A feasibility study should proceed to show the economic logic behind the project. It remains to be seen whether the procedure will be transparent,” she told *Interfax Natural Gas Daily*.

Stojilovska did not write the pipeline off, claiming it fits well with the plans of FYR

Macedonia’s new government, led by Prime Minister Zoran Zaev. Zaev, who took office at the end of May, is a former mayor of the municipality of Strumica, close to the Bulgarian border.

“Strumica has created its own gas distribution network by bringing CNG with trucks from Bulgaria,” Stojilovska said. “In my opinion, the government wants to play the card of being a ‘gasification-bringer’ as the gasification of Strumica was a small success,” she added.

According to the most recent available data from the Macedonian statistical office, gas accounted for only 1.6% of the country’s final annual energy consumption in 2015, when it constituted just 4.1% of the power generation mix.

## Transnational connectors

The new interconnector plans also reflect FYR Macedonia’s desire not to be left out of transnational interconnector projects in the region. “The country doesn’t want to be [bypassed] by the Turkish Stream [pipeline], whose second string is now being discussed,” Vladimirov said. Once the undersea pipeline reaches the Turkish coast, it can either connect to Greece and then to the Trans-Adriatic Pipeline (TAP) or the Interconnector Turkey-Greece-Italy (ITGI) pipeline, or alternatively it can connect to Bulgaria.

According to Vladimirov, “Bulgaria [is trying] hard to be chosen [as the connection point]” and is touting its port of Varna as a possible European hub. “FYR Macedonia wants to benefit and, as the existing interconnector cannot be used due to its poor state, they came up with the brand new one. The truth is that Bulgaria doesn’t need it. That’s why I think it’s all just rhetoric,” Vladimirov added.

Meanwhile, Skopje is pondering an alternative plan. Macedonian and Greek transmission system operators signed a memorandum of understanding in October last year to build a pipeline between the two countries, which would allow FYR Macedonia to join TAP and ITGI in the future and also enable it to use Greece’s Alexandroupolis LNG terminal.

As a part of this plan, Skopje has commissioned an internal pipeline between Negotino and Kleocve, to be built by Russia’s Stroytransgaz, which is intended to connect its southern border with Greece to its northern border with Serbia. ■

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