

PRESS RELEASE

NATURAL GAS EUROPE

**SERBIAN PRIME MINISTER IVICA DACIC SIGNALS HIS SUPPORT FOR SOUTH STREAM PIPELINE, NOTING STRATEGIC IMPORTANCE TO SERBIA'S STANDING IN THE WORLD**

Belgrade, 12 July - The Prime Minister of Serbia, Ivica Dačić, today signaled his support for the rapid development of the South Stream pipeline, which is due to commence construction in Serbia in December 2013. Addressing yesterday's conference hosted by Natural Gas Europe, entitled "South Stream: the Evolution of a Pipeline," he stated that the pipeline is a key strategic objective of Serbia and will help to contribute to Serbia's ambitions to become an energy hub in the region.

Mr Dačić said, "South Stream is the most important international project that Serbia is currently involved in and will be key to the country's economic development, ensuring job creation, and energy security for the region.

"We will ensure that there is maximum protection for the environment, and are confident that we have the necessary regulation in place to ensure the highest possible standards. Furthermore, our objective is to ensure energy sector supply and develop our partnership with Russia."

The South Stream pipeline receives high levels of public support in Serbia. According to the first national public poll, run by World Thinks, 71% of Serbians support the use of natural gas in energy development, and 73% support the construction of the South Stream pipeline, with only 6% opposed.

"We used to say energy for democracy. Today I can say that means we need energy for the industrial and economic rejuvenation of our regions and our country. Without new infrastructure projects, it is not possible to expect economic recovery, or an influx of foreign direct investment," stated Zorana Mihajlović, the Serbian Minister of Energy, making it clear that the development of new energy infrastructure is critical to the future development of Serbian society and remained a high priority for the current Government.

"Our gas policy in Serbia is focused on encouraging investment in businesses that use gas as a raw material in manufacturing and as a primary energy source. The construction of new gas plants will create at least 1000 new jobs and bring in €400 million a year in electricity exports.... We expect that the construction of South Stream will enable us to decrease natural gas prices in the Serbian market, which will further encourage development."

Alexander Syromyatin, Deputy Head of Project Management Department at Gazprom, and CEO of South Stream doo, confirmed that construction will begin in Serbia in December 2013, once work begins in Bulgaria. This development was announced at a Natural Gas Europe conference that took place in Sofia at the end of June. He said, "South Stream has been designated as a project of national significance and will generate significant transit fees for those countries involved in the

transportation of natural gas across their boundaries. In addition, we now have all the agreements in place for this pipeline to go ahead and help to diversify the Eastern European gas supplies."

Speaking on the geopolitical importance of South Stream, Dragutin Matanović, advisor to the Prime Minister, said "South Stream's development will benefit the entire region and allow for better relations between all countries involved. It will help in the development of the democratic wealth of Serbia."

This was further supported by Milan Bačević after the conference, who commented, "the pipeline will enable the consolidation of ties between Russia and European countries, including Serbia. The project will encourage the long term development of Serbia's energy potential."

General Director of Srbijagas and joint-CEO of South Stream doo, Dusan Bajatović, further reiterated that, given its regional position, Serbia can become the heartland of European gas transmission and transport. He said, "This is the most powerful project Serbia has ever participated in, offering a huge amount of political stability. Serbia has managed to secure funding for this project, which by and large will be provided by Russia."

As a major infrastructure project, South Stream will help connect the East and the West, is an important step towards economic growth, and will help to break down cultural and social boundaries. The South Stream pipeline will bring gas from Russia, crossing the Black Sea and emerging at Varna on the Bulgarian coast. From there, it will travel through Serbia, Hungary, Slovenia, and supply the intensive manufacturing industries of northern Italy.

The total length of the gas transmission system will account for 2,446 kilometers. According to the consensus forecast by the world's leading forecast centers, Europe's annual demand for additional gas import may reach 80 billion cubic meters by 2020 and surpass 140 billion cubic meters by 2030. Other speakers included Viki Cooke, Director of World Thinks, Vadim Dormidontov, Head of Power and Energy, Project Finance Department at Gazprombank, Leonid Grigoriev, Chief Advisor to the Head of Analytical Center of the Government of the Russian Federation, Aleksandar Kovačević, Senior Visiting Research Fellow, Oxford Institute of Energy Studies, and Guillermo Bravo, VP BD Strategic Relations at Abengoa Group.

#### NOTE TO EDITORS

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