

# East European Nations Sign Black Sea-Baltic Sea Oil Pipeline Deal

By [Global Research](#)

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Ministers from five East European countries on Wednesday signed a deal for the construction of an oil pipeline linking the Black and Baltic seas, aimed at improving regional energy security and reducing dependence on Russian crude.

The agreement – signed by Azerbaijan, Georgia, Ukraine, Poland and Lithuania – will call for the building of a 490-kilometer (300-mile) extension to an existing pipeline in western Ukraine northward to the Polish port of Gdansk on the Baltic Sea, and securing supplies of Azerbaijan's crude from the Caspian Sea.

The estimated EUR500 million pipeline is considered to be a victory for East European governments, who are increasingly weary of Russia's nationalistic energy policy and are searching for both alternative energy sources and alternative supply routes.

In the past three years Russia has wielded its energy resources as a diplomatic weapon, punishing former Soviet satellite states for not toeing the Kremlin line. Russia has temporarily cut off natural gas supplies to Ukraine and Belarus and permanently ceased oil deliveries to Lithuania and Latvia.

The E.U. receives 25% of its natural gas and a third of its crude oil from Russia, according to Eurostat, and dependency has been increasing in recent years. Several East European states, particularly the Baltics, receive nearly all of their hydrocarbons from Russia.

Still, it was unclear if Azerbaijan could commit enough crude to the new pipeline to make the project economically viable.

For Lithuania, the pipeline is crucial after Russia stopped delivering crude to Mazeikiu Nafta, the only refinery in the Baltics, citing a pipeline accident in July 2006. The refinery's owner, Poland's PKN Orlen, the largest fuel retailer in Eastern Europe, has been forced to supply the refinery with oil via tanker, which is considerably more expensive than deliveries by pipeline.

The proposed deal will call for building a pipeline from Brody in western Ukraine to Plock in central Poland, and another stretch to Gdansk. The pipeline will have an approximate capacity of 14 million tons a year.

The first leg of the pipeline – from Odessa to Brody – was completed in 2004 in the hope of delivering Caspian oil to central Europe. However, the project has languished, and now Russia uses it to export oil via the Black Sea.

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