

# Russia's Energy Monopoly Topples the Bulgarian Government<sup>1</sup>

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## SOFIA, Bulgaria

Another government on Europe's periphery has collapsed under pressure from its angry citizens. On February 21, the Bulgarian government of Prime Minister Boyko Borisov resigned following large-scale public demonstrations against electricity prices. Borisov and his center-right Citizens for European Development of Bulgaria (GERB) party had been relatively successful in their attempts at implementing strict austerity policies and balanced budgets in the aftermath of Europe's economic crisis. But while budgetary discipline was sustained, almost half the companies on the market went bankrupt and unemployment and poverty rose dramatically. Yet this is only the most obvious manifestation of the economic and political crisis that has stricken the EU's poorest member, a popular target of criticism for institutional inefficiency, high levels of corruption, and an inadequate judiciary.

The electricity prices that angered millions of Bulgarians are an effect of an energy system that is under the full control of corporate oligarchies in Moscow and in Sofia. Bulgaria has a special position in Moscow's energy strategy. Strong pressure has been exercised upon successive Bulgarian governments since the early 2000s to accept several large Russian energy projects on Bulgarian soil. The

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Burgas-Alexandroupolis oil pipeline was developed in the early 1990s, and a framework agreement between Russia, Greece, and Bulgaria was signed in Athens in 2007. The project envisaged almost no benefits for Bulgaria but posed high-level environmental risks and other liabilities for the Bulgarian Black Sea coast, a popular tourist area. The GERB government consequently revoked Bulgarian participation in the project in 2010. The South Stream gas pipeline is the second major Russian project in Bulgaria, inked by a contract between Sofia and Moscow in late 2012. It was an attempt by Russian President Vladimir Putin to offset the implementation of the EU's third energy package, made effective on January 1, 2013.

But the most controversial Russian project in Bulgaria is the Belene power plant, designed to be the first Russian-technology nuclear site on EU soil. For a decade after 2002, Belene developed as a corrupt and completely illegitimate business project, aimed at producing abundant and expensive electricity in a country with excess capacity in a region of declining electricity demand. Bulgaria will not need additional electricity capacity before the late 2030s, nor can the country export its electricity surplus at the cost levels foreseen for Belene-produced electricity. As the Bulgarian government terminated the Belene project in early 2012, pro-Russian energy lobbies opened a noisy campaign in favour of the project, which ended up in a referendum on nuclear energy that failed to produce clear results. The doubling and tripling of electricity bills in January are widely believed to have been an orchestrated manipulation aimed at provoking open public discontent and protests in the streets of the country.

The Bulgarian crisis might prove a case study for destabilization in Eastern Europe. The post-communist transition model in many countries such as Bulgaria combines a Western-style democratic political system with a Russian type of oligarchic economy, a recipe for corrupt public institutions. The governing oligarchy model is still sustainable in Russia because of two major factors: the

immense natural wealth of Siberia and the authoritarian power maintained by the Putin regime. The other countries of Eastern Europe do not command a pool of natural resources comparable to Siberia, nor can their fragile democratic regimes sustain brutal oligarchic control over national economies and public institutions. Large-scale corruption and the criminal appropriation of funds by local oligarchies in countries such as Bulgaria are a curse for national economic development and for the improvement of their low living standards.

The clash between the Russian oligarchic model of economic and political control and a Western-style democratic system produces structural instability in the Eastern part of Europe, which may prove a strategic challenge for the EU and the transatlantic security system. The Russian strategy of energy monopolization is aimed, first, at charging extraordinarily high prices and, second, at undermining the Western strategic periphery in Eastern Europe. Both Brussels and Washington seem to be heedless to the effects of this strategy. The instability and fragility of Eastern Europe could be compensated for by efficient policies of investment, institutional development assistance, and diversified energy supplies through projects like the Nabucco pipeline from Turkey. Yet the improvement of relations with Moscow at any price seems to be a bigger priority for the EU and the United States, rather than the guaranteed security and stability of Europe's eastern periphery.

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