

Swot analysis of negp project

Business



The North-European Gas Pipeline project is a plan to build a pipeline to transport oil from Russia to Western Europe going around the traditional routes. The SWOT analysis of the project is follows: Strengths: Offers possibilities to transport gas more cheaply, bypassing traditional transit states including the Baltic States and Poland saving gas transportation from:- economic costs- political instability such as recent dispute with Ukraine (reducing sovereign risks of the former routes of gas transportation)Weaknesses: Significant cost of the project (initial investment estimated only in the development of the Yuzhno-Russkoye deposit is about 1 billion euros and total investment will be over 4 billion euros) (NEGP)High maintenance costs of the underwater pipelineLong time to market: the first line will only start operation in 2010. This makes the realization subject to changes that can occur in the period between 2006 and 2010Opportunities: Projected increase in gas consumption in Western Europe. The official website of the NEGP states that " it is expected that that by 2010 the European gas market will need about 100 bcm of gas in excess of the existing long-term contracts" (NEGP)Opportunity to increase the sphere of operations for E. ON beyond traditional base in Western and Northern Europe, getting access to Russian gas depositsThreats: The German political scandal involving former Chancellor Gerhard Schröder. His agreement to head the advisory committee of the NEGP after he advocated it as a chancellor was taken to mean a conflict of interestPossible environmental problems since the pipeline can activate the chemical weapons lying on the bottom of the Baltic Sea.

Although many Russian officials think this concern pure hype, it can be used to campaign against the project. The opposition of the bypassed states can prove a serious threat to the project as Baltic and Polish officials will take effort to prevent its realization.

References

E. ON. Retrieved June 7, 2006, from [http://www.eon.com/North-European Gas Pipeline \(NEGP\)](http://www.eon.com/North-European Gas Pipeline (NEGP)). Retrieved June 7, 2006, from <http://www.negp.info/>