

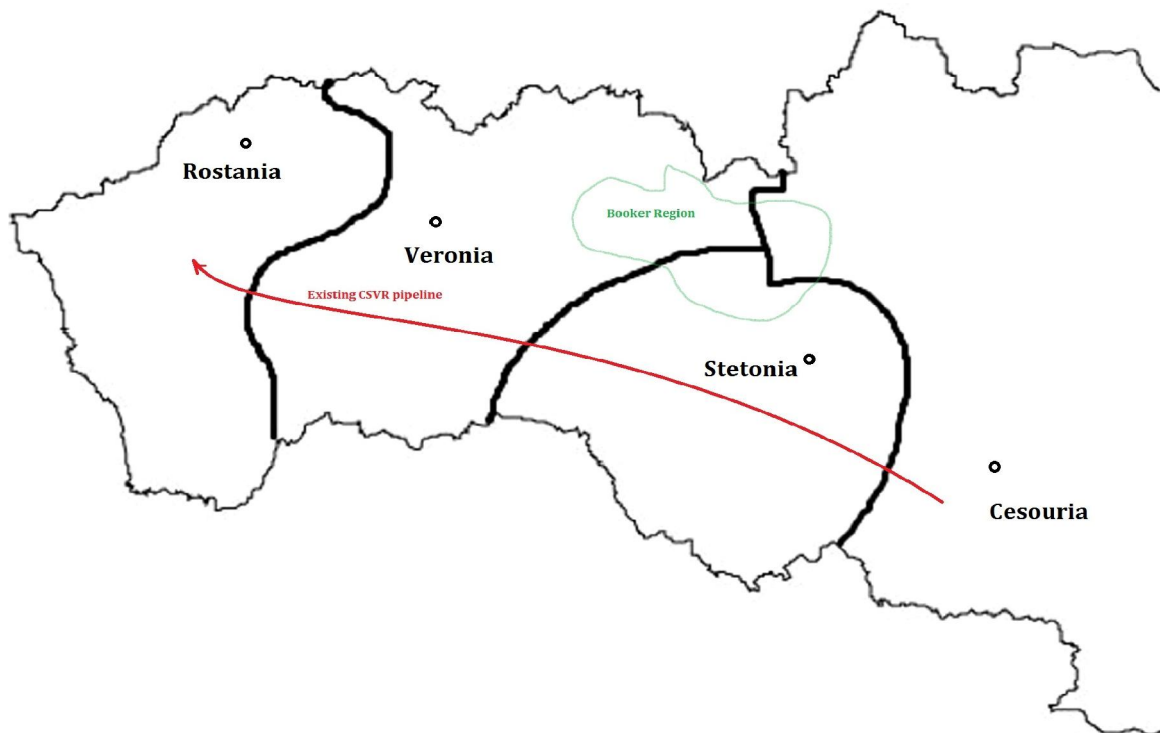
Negotiation Game

Cesouria – Rostania Pipeline

General Context

The **Cesouria – Rostania Natural Gas Pipeline** represents the long-term efforts of four neighbouring countries to manage their gas supply and demand.

Box 1: Map of the Region



These four countries are served by existing line, the CSVR Pipeline. This pipeline was finished 5 years ago in a rare example of successful multilateral negotiation in the region. Now, expanding economies and a boom in production have led to the economic conditions that would support an expansion of this line.

Despite the probable mutual benefits, however, negotiations have been difficult because these four neighbours have historically had strained political and security relationships. As a result, even though the expansion project is of a crucial

importance to all stakeholders, its actual take-off has been long contested, interrupted and largely postponed.

The original CSVN Pipeline was composed of three parallel lines of pipe (hereafter called CSVN 1-3, to differentiate between them and planned CSVN expansions) allowing for the total export of **45 billion cubic meters (bcm)** of natural gas per year, along an approximately 2,800-kilometer long line from **Cesouria** through **Stetonia, Veronia** and terminating in **Rostania**.

The Project has been operated by a special purpose consortium company (SPCC) called the **Cesouria-Rostania Gas Pipeline Project Consortium**, or the CPC. A full breakdown of the CPC and other Articles defining ORSP 1-3 can be found in the original **Intergovernmental Agreement** that was signed in 2009.

Today, times are fairly good in both **Cesouria and Rostania**, the two 'ends' of the line.

Rostania has been on a 20+ year streak of mostly positive growth, boasting the best development and infrastructure in the region. It has high hopes for the future, but needs ever increasing amounts of resources to fuel this growth.

Cesouria has an extensive resource base and has the spare production capacity to easily fulfil Rostania's needs. Furthermore, it needs whatever additional revenues it can get to mitigate an aging, dwindling population and some stubbornly resistant institutionalised corruption problems.

Stetonia and **Veronia** have unfortunately been left out of the bulk of economic development attained by their neighbours. Both are growing slowly, and need additional gas imports themselves, but not as urgently as Rostania.

Veronia and Rostania are members of the European Union.

Stetonia and Veronia have ongoing issues with stability. Veronia in particular is facing a revolt in its eastern region, **Booker**. Regional self-established 'governments' are demanding wide-ranging autonomy, and their militias have taken over police stations and government buildings.

Commentators and **Veronian** leaks point at arms and people from **Cesouria** spilling across the border to fuel this conflict, and the issue threatens the entire project and thus the economic potential of the whole region.

Objectives of the project are:

- Security of additional natural gas for consumers, and demand for a supplier;
- Economic (major investment for the economies of the countries concerned and stronger integration of markets);
- Political (promotion of cohesion among the countries concerned);
- Ideological (promote and strengthen historical and ties in the region, overcome regional instability).

Potential and most salient threats to the project are:

- The current low-level conflict in eastern Veronia;
- Ongoing regional insecurity and low stability enforcement;
- High costs of the pipeline due to required security measures.