
No Hope in Sight to End Gas War

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It seems that the goal the official Kiev has been pursuing in the current gas conflict with Russia is to fail the talks, blame Moscow for it and thus push the EU, NATO and US to demonstrate a tougher stance on the issue. Then they hope to force Russia to start delivering the technical gas to Ukraine for free.

Kiev officials seem to believe the victory is guaranteed for them. The aim is not just to prove its status to close and distant neighbors, what is most important here is to return to old financial relations with Russia. According to the Head of the Russian Duma Foreign Affairs Committee Konstantin Kosachev, in 2008 Kiev repurchased the Russian gas to the consumers within Ukraine at \$320-340 per 1,000 cubic meters and thus its daily margin amounted at \$14 million.

Victor Yushchenko refused to attend an urgent gas summit personally. His Secretariat continued to blame Julia Timoshenko for a gas row with Russia, though in official statements addressed to the Russian President and Prime Minister Ukraine emphasized that Yushchenko and Timoshenko had had a common approach to the situation. These contradictions of Ukraine's policy could not but put Russia on alert. A spokesman for the Russian Premier Dmitry Peskov said Moscow doubted whether Mrs. Timoshenko had been authorized to sign any bilateral agreements and a gas deal.¹

On January, 18, late at night, Russia's Prime Minister Vladimir Putin announced the sides had reached an agreement. In 2009 Ukraine will get a 20% discount on the European price, as long as it keeps the tariffs it charges for transiting Russian gas to Europe at the 2008 level. Julia Tymoshenko said Gazprom and Naftogaz had been told to draw up agreements on the price of gas and how it would be shipped to Ukraine by January, 19th. "As soon as the documents are signed, the gas flow will be resumed immediately", the "gas princess" reported.²

As the gas negotiations continue, it is too early to talk about the results.

The sides yet have not analyzed the reason why a transit protocol signed between Russia, EU and Ukraine some time ago was not implemented. And without such an analysis no adequate measures can be taken and experts can make no long-term predictions.

It came as a surprise when Kiev announced the lack of the so-called technical gas as an obstacle to pumping the Russian gas to Europe. Ukraine dared to demand that Russia delivered the technical gas for free, though some Kiev officials were boasting that Ukraine had stored so much gas in its underground storage facilities that would last for a year (another sign of Ukraine's long-term strategy). On January 16th Julia Timoshenko's aide on gas issues Alexander Gudyma confirmed the information. So we may suppose that Ukraine has enough gas and its demands that Russia shipped more each month sound like a bad joke.

President Dmitry Medvedev earlier urged Ukrainian President Viktor Yushchenko to weigh up the possibility of supporting consumers in Moldova and Slovakia by way of gas swap operations, whereby gas shipments to European gas consumers from Ukrainian underground gas storage facilities would be compensated by an equal amount of Russian gas. But Ukraine rejected the idea of gas swap shipments.

In spite of this, together with its western partners Russia has started thinking over Ukraine's demand for the technical gas and discussing a possibility to establish a kind of an international consortium that would comprise the leading European energy corporations. When the Russian premier suggested that Brussels paid for the technical gas for Ukraine, the reaction was negative- whether because Europe did not want to spend money in vain (actually, they cannot even provide urgent aid to the crisis-hit Latvia and Lithuania) or due to the political games the EU officials had been playing trying to use freezing Slovakia and Bulgaria as a leverage to gain more power in energy sector to the detriment of the national governments...

Neither a consortium nor a letter of credit provided by a European bank would be a proper tactical solution to the gas issue. As we see, Kiev officials are very inventive, and even after receiving the technical gas and signing any kind of a document (be it a deal or a letter of credit) they may change their opinion the next morning and say that, for example, Timoshenko`s signature was falsified...

Though taking urgent measures, Russia and Europe do not seem to be aware of the gravity of the situation as the concerned sides are interested in a deeper conflict between Moscow and the leading European consumers.

Any minor economic measures in the gas dispute are inherently palliative as here we do not take into account a geopolitical aspect of gas transiting, though the aim of the US foreign policy to prevent further integration of Russia into the leading European economies in France, Germany and Italy and also to seize control over Ukraine's gas transportation system.

When asked to comment on Washington's role in the gas row, Russian politicians and state officials do it very carefully, though this version is being widely discussed not only in the Russian media but also in some non-partisan European expert communities.

In the meantime, Russia will benefit from the current dispute only if it manages (like it was in August 2008) to firmly protect its national interests and make no unilateral concessions to Ukraine, which as a rule cause nothing but growth of appetites and new absurd demands. Moscow has plenty of supporters in Europe. Even in Poland some politicians are strongly opposed to a pro-Ukrainian position of OD President Lech Kaczyński. "The conflict was caused only by Ukraine's refusal to pay its gas debts to Russia. Now Kiev is trying to shun responsibility", writes Le Figaro.

As Vladimir Putin had emphasized, the majority of EU members supported Kiev.

Some experts predict all the attempts to deprive Ukraine of its monopoly on the transit of gas will bring no result.³

Before the August crisis in the Caucasus the EU officials stopped using the expression "strategic partnership" in connection with Russia, though only this kind of partnership would have helped the sides to achieve true progress.

When the gas row is over (and it will certainly happen in the long run), the EU members will face the need to decide on how to develop further. Amid the growing anti-Russian rhetoric in New Europe and with these countries` strong pro-American attitude, we may hardly expect a breakthrough in the Russia-Europe strategic dialog.

According to a leading Ukrainian political analyst Mikhail Pogrebinsky, who is hard to disagree with, "Europe must become aware of the price it will pay for its pro-Ukrainian position. The European political elite applauded to the "orange regime" and supported Ukraine`s prompt separation from Russia and its integration into the "European family of peoples". This is how it was in 2006, during the first "gas war", and one can hardly expect them to change their mind this time. The situation when practically all Russian gas exports pass through the territory of Ukraine, thus giving its "eastern partners" a brilliant opportunity to benefit from it both politically and economically, is not viewed by Europe as monopolism. But when Moscow makes an attempt to diversify its exports and implement the Nord Stream and the South Stream projects, it is immediately blamed for imposing its policy in Europe. And no matter what Angela Merkel says in public during her meeting with Mr. Putin...

If the talks between Moscow and Brussels are deadlocked, for Russia it will be a top priority to become less dependent on the European markets and promptly take adequate steps to repel attacks of the "orange regime"...
