
Russia, Ukraine axe intermediaries in natural gas supplies

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MOSCOW, March 13 (RIA Novosti) - Russian and Ukrainian energy companies signed a deal on Thursday ending their complex system of natural gas supplies via intermediaries, and fixed a scheme for 2008 deliveries.

The agreement came after two days of talks between the heads of Russia's state gas giant Gazprom and Ukrainian oil and gas company Naftogaz, and was welcomed in the European Union, which buys a quarter of its gas from Russia via Ukraine's pipelines.

Gazprom released a statement after the talks between company CEO Alexei Miller and Naftogaz chief Oleg Dubina saying that under the new scheme: "The purchaser of gas on the Ukrainian border will be Naftogaz Ukrainy."

Until now the Russian company had sold gas to monopoly exporter RosUkrEnergo, half-owned by Gazprom, via Ukrainian monopoly importer UkrGazEnergo, half-owned by Naftogaz, and on to the Ukrainian state energy company. The convoluted scheme was criticized by Ukraine's Prime Minister Yulia Tymoshchenko, who called it corrupt and non-transparent.

The new deal cancels an agreement reached on February 12 between the countries' presidents, Vladimir Putin and Viktor Yushchenko, which stated that new joint ventures would be set up to sell gas to Ukraine, a proposal that Tymoshenko warned would be blocked by the government.

Gas bought by Ukraine on the border is a mixture of Russian and Central Asian gas. Under today's agreement, "Ukraine will be supplied with at least 49.8 billion cubic meters of Central Asian gas at \$179.5 per 1,000 cubic meters from March until December 2008," Gazprom said.

For Russian gas supplied in the first two months of this year, Ukraine will pay a much higher rate of \$315 per 1,000 cu m. The agreement allows for these supplies to be returned to Russia in lieu of payment.

Naftogaz said that Ukraine would return 1.4 billion cubic meters of Russian natural gas to Gazprom.

The deal also guarantees Gazprom subsidiaries and affiliates direct gas sales to Ukraine of at least 7.5 billion cu m from April 1 to the end of the year.

The latest gas dispute revived memories in the European Union of New Year 2006, when Gazprom turned off the gas taps to Ukraine amid freezing temperatures, causing a shortfall in the EU. Last week, Gazprom temporarily reduced supplies to Ukraine by 50%, demanding the country pay its \$600 million gas bill.

The former Soviet allies had partially resolved their gas dispute last Thursday, agreeing that Ukraine would pay off about \$1 billion of its debt for 2007 and 2008 supplies, and that talks would continue on a supply scheme for 2008.

The European Commission's energy spokesman, Ferran Tarradellas Espuny, told RIA Novosti that the EU's executive body welcomed the new deal.
