
Average gas price for Europe could rise to \$400 in 2008 - Gazprom

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MOSCOW, March 14 (RIA Novosti) - Gazprom's CEO said on Friday that the average price for natural gas for Europe in 2008 could reach \$400 per 1,000 cubic meters, 13% more than previously expected.

"The price in Europe now exceeds \$370. We believe the average price in 2008 could be \$378 and could even reach \$400 per 1,000 cubic meters," Alexei Miller said at a meeting with Russian President Vladimir Putin.

Miller said the price hike was necessitated by the weakening U.S. dollar.

However, he said the price increase would not affect the growing demand for natural gas on the European market.

"Gazprom supplied 151 billion cubic meters of gas to the EU in 2007, and we plan [to ship] 157 billion cubic meters in 2008," he said.

He added that gas supplies to Western Europe were based on long-term contracts, most of which would only expire after 2030.

Miller also described Germany as Gazprom's number one customer. The gas monopoly is currently working on the Nord Stream pipeline project together with Germany's E.ON to pump 55 billion cu m of Russian natural gas under the Baltic Sea to Germany.

He also said another Gazprom project, the South Stream pipeline, involving Bulgaria and Serbia under agreements reached earlier this year, would pump 30 billion cubic meters of Central Asian gas to Europe. The project is receiving active support from Italy, Gazprom's second-largest gas market, Miller said.

Gazprom also announced plans on Friday to hold talks soon with importers of Central Asian natural gas following an announcement by regional producers that they would charge European-level prices from 2009.

Uzbekistan, Turkmenistan and Kazakhstan said on Tuesday that they would begin exporting their natural gas at European-level prices from 2009.

"The switchover to market pricing principles requires serious dialogue, so we are planning to start talks without delay," Miller said.

Kazmunaigaz, the Kazakh gas monopoly, warned on Thursday about the possibility that it could raise tariffs to a European price level for the transit of Central Asian gas via Kazakhstan.

The Gazprom CEO said the company was currently switching to market gas contracts with the former Soviet republics, and was already using market pricing for gas supplies to the Baltic nations.

Gazprom and Ukraine's state gas company Naftogaz reached an agreement on Thursday ending their long-running gas dispute. Under the deal, Ukraine will pay a much higher rate of \$315 per 1,000 cu m for Russian gas supplied in the first two months of this year.

Gazprom also committed itself to supplying Ukraine with at least 49.8 billion

cu m of Central Asian gas at \$179.5 per 1,000 cu m from March until December 2008.

Speaking about the domestic market, Miller said Gazprom was currently prioritizing Russian consumers. He cited high economic growth and the influx of foreign capital into the real sector of the economy as driving forces behind Russia's energy demands.

The rise of national industries, such as producers of cement, building materials, and fertilizers and gas refineries, is also pushing up gas demands, Miller said.

Gazprom plans to introduce market gas prices for Russian industrial consumers in 2011.
