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Estonia to Cut Gazprom Dependence

By The Moscow Times

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TALLINN, Estonia — Estonia plans to separate Eesti Gaas' gas sales and transmission divisions in two years to reduce dependence on Gazprom, the utility's biggest owner and its sole gas supplier.

A draft bill requiring Eesti Gaas to split the ownership of sales and networks by Jan. 1, 2013, is "90 percent ready" and passage would be in "a matter of weeks," Igor Grazin, a lawmaker with Prime Minister Andrus Ansip's Reform Party and a co-author of the draft, said in a phone interview Thursday. The transmission unit would be sold to a company based in Estonia.

Estonia, Latvia and Lithuania are working to shift their energy dependence to the European Union, which they joined in 2004.

Lithuania on May 19 announced a similar plan at Lietuvos Dujos, spurring criticism from Gazprom and Germany's E.On, which also has a stake in Eesti Gaas. Grazin said he expected Gazprom to take a "rational approach" to the plan.

"Our main hope is that Gazprom will do something itself, will put the unit up for sale or somehow unbundle it, or will change the gas price formula so that it would allow for a monopoly-dictated profit," Grazin said. "The threat of a forced sale and fine is the stick to ensure good behavior."

Eesti Gaas is 37 percent owned by Gazprom. Germany's E.On has a 33.7 percent stake and Finland's biggest utility Fortum has 17.7 percent, according to Eesti Gaas' web site. Itera Latvija has a 9.9 percent holding.

The Estonian bill would include the requirement of a forced sale for the Eesti Gaas transmission unit if a buyer is not found, as well as a fine of 500,000 krooni ($44,600), Grazin said.

Sergei Jefimov, chief executive of the distribution unit of Eesti Gaas, said nobody has informed the company about the plan, according to a posting on the company's web site.

Jefimov also said it might be part of a political campaign ahead of general elections due March 6, according to comments he posted on the company web site. The grid's value is about 4 billion krooni ($360 million) to 5 billion krooni, he said, higher than Economy Ministry estimates of between 600 million krooni and 700 million krooni.

The EU Commission and its Baltic members signed the Baltic Energy Market Interconnection Plan in June 2009 to unify the Baltic electricity grid, which is still largely connected to Russia and Belarus, and link it more tightly to the Nordic region and the rest of the EU.

An earlier option to nationalize the distribution has been dropped from the draft, Grazin said. Taavi Veskimagi, head of Estonia's power grid operator Elering and a former finance minister, said earlier in the week that putting grid ownership in state hands would add efficiency and secure supplies.

"Without a neutral system operator, it is not possible to build the Baltic Connector pipeline between Estonia and Finland or a liquefied natural gas terminal envisaged" by the Baltic Energy Market Interconnection Plan, Veskimagi said in an e-mailed comment.

Estonia pays $340 per 1,000 cubic meters of gas, compared with LNG spot prices and transport costs of about $120, Veskimagi said. European customers paid an average of $307 per 1,000 cubic meters in the first quarter, Troika Dialog said in August.

"The situation where Gazprom has raised the prices of gas sold to Estonia higher than those charged from Western Europe is unacceptable," Rauno Veri, a spokesman for the junior government partner, Isamaa ja Res Publica Liit, said in an e-mailed comment. "We can resist an uncontrolled rise of gas prices only by fighting the Gazprom monopoly."

Gazprom deputy chief Alexander Medvedev warned the EU on Oct. 14 that changes in pipeline ownership and a move away from long-term contracts may lead to a drop in supply and a shift in Russian gas exports to Asia.