

Kiev Gets Gas Discount for Chemicals

By [The Moscow Times](#)

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BEIJING — An agreement has been reached for the provision of Russian natural gas to Ukrainian chemical producers at a discount, Ukrainian Prime Minister Mykola Azarov said.

The countries in February agreed to trade 4 billion cubic meters of gas, or about a tenth of Ukraine's annual imports, for \$170 per 1,000 cubic meters this year, Azarov said Saturday in Sanya, China. Ukraine's price for the fuel rose to \$293 from \$264 last quarter. As the cost follows that of crude oil, it may climb to as much as \$347 in the fourth quarter, the government has estimated.

Russian gas shipments to Europe through Ukraine halted for two weeks in 2009 before then-Prime Minister Yulia Tymoshenko signed a 10-year contract with Russia. Last April, Russia agreed to reduce the price it charges Ukraine in exchange for the extension of a lease on a Black Sea naval base. Azarov today reiterated that he wants to review the accords.

"Germany and Poland import Russian gas for \$330 and \$320 respectively," he said. "If you take into account distance, the price offered to Ukraine should be about \$200 per 1,000 cubic

meters."

The discount price will affect companies including Azot, purchased by Ukrainian billionaire Dmitry Firtash last month. Firtash also has a 50 percent stake in gas trader RosUkrEnergo, which was the country's sole importer of the fuel from 2006 to 2009. Russian gas monopoly Gazprom has the other 50 percent in the company.

Ukraine's economy shrank by almost 15 percent in 2009 as the global financial crisis cut demand for its exports including metals and chemicals. Gross domestic product rebounded last year, growing 4.2 percent, and will probably expand 5 percent in 2011, Azarov said. The biggest problem for Ukraine is the stability of export markets, Azarov said.

"It comes down to stability of demand and prices for Ukraine exports," he said. "It comes down to the stability of oil and gas prices and food prices."

The government seeks to cut the budget deficit to about 3 percent of GDP this year from 7.2 percent in 2010 and aims to keep inflation below 10 percent, he said.

Azarov said he supports creating a so-called grain pool with Russia and Kazakhstan.

"Together with Russia and Kazakhstan, we have 30 percent of the world's grain market and we shouldn't be rivals," Azarov said. "It is better to agree on prices and the conditions of grain trading."

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