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Gazprom Export Chief Reassures European Consumers

By The Moscow Times

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YUZHNO-SAKHALINSK — Europe's gas consumers, wary of price disputes between Russia and transit country Ukraine that twice led to cuts in gas supply in the past five years, face no risk of a new "gas war" between the two, Russia's gas export chief said Tuesday.

"No reason," Gazpromexport chief executive Alexander Medvedev said in Sakhalin, where Gazprom operates Sakhalin-2, Russia's only liquefied natural gas project.

Ukraine's Prime Minister, Mykola Azarov, said Monday that Russia had agreed to review the contract, concluded under the previous government.

Medvedev said the upcoming launch of the Nord Stream pipeline would reduce supply risks by circumventing transit countries Belarus and Ukraine but would not leave Ukraine's pipelines idle.

Even so, he said, Russia and its partners in South Stream, an export pipeline planned to supply Southern Europe, would proceed with that undersea route regardless of developments in Ukraine.

Azarov said Russia had also agreed to establish a consortium with the European Union to manage Ukraine's pipelines, which could in theory reduce the need for a bypass pipeline.

"South Stream is not an instrument of influence on Ukraine," Medvedev said.

Medvedev reiterated Gazprom's position that European utilities' requests for concessions on long-term oil-linked price contracts could be resolved in arbitration.

"The seller should not cover the sales and trading mistakes of our counterparties," Medvedev said.

Medvedev, who traveled to Sakhalin from Kazakhstan, where he held talks on potential deliveries of gas to China, said an end to the long-running negotiations might not come this year.

The talks envisage a contract for as much as 68 billion cubic meters of gas per year, but the final price has eluded them. The talks must conclude this year if Gazprom is to begin delivering gas to China as planned in 2016.

The sides nearly reached a deal in June, when Chinese President Hu Jintao came to Russia for an appearance at the country's top economic forum.

But even if talks do not conclude, he said, Gazprom was not at risk of losing the Chinese market to rivals.

"Even under the most pessimistic scenario, China's demand cannot be [fully] met by Central Asian gas."

Gazprom, which together with several Japanese companies is planning to complete a feasibility study by the end of the year for a new liquefied natural gas plant in the Pacific port of Vladivostok, aims to pre-sell all volumes from its planned LNG projects.

Ukraine plans to complete the revision of its gas contract with Russia next month, Interfax quoted Ukrainian Prime Minister Mykola Azarov as saying Tuesday.
"We aim to complete this work in October," he said.
Ukraine has been pressing Russia for months to revise a 2009 gas deal, which President Viktor Yanukovych's government says saddled the country with an exorbitant price for supplies of Russian gas.

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