

Gazprom Dropping Prices in Europe

By [The Moscow Times](#)

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Gazprom said Tuesday that it had revised gas prices for several European companies as it seeks to keep market share in the face of weakening fuel demand due to economic difficulties in the region.

It said it had “adjusted” contracts with France’s GDF Suez, Germany’s Wingas, Slovakia’s dominant gas provider SPP, Sinergie Italiane and Austria’s EconGas.

Gazprom spokesmen declined to say it was an outright price reduction for its clients, but a source close to talks between the Russian company and Sinergie Italiane said the prices have been revised down “significantly.”

“Conditions have improved for Sinergie Italiane. The volumes have not been touched,” the source said, declining to provide price details.

Gazprom and Gazpromexport have been engaged in prolonged talks about pricing with companies in Europe, where Russia is responsible for about a quarter of gas imports.

“In the end of 2011 to the beginning of 2012, Gazpromexport has reached and concluded agreements with some large European buyers, which foresee a certain adjustment to Russian gas prices,” Gazprom export head Alexander Medvedev said in a statement.

He added that the adjustments were made “to take into consideration development of the gas market in Europe and the situation in economics and energy sphere of some European states.”

Changes in long-term gas contracts may affect the profitability of energy companies that buy Russian gas to sell on to customers in Western Europe or for use in power generation.

Some European gas supply companies are suffering from long-term gas deals with suppliers such as Gazprom or Statoil, which link their import rates to oil prices, while the supply firms are forced to sell gas to customers at lower retail prices linked to the freely traded spot market.

Last week, a source close to Gazprom said that in 2011 the average price for Russian gas in Europe stood at about \$390 per 1,000 cubic meters comparing to \$308 in 2010. Gazprom shipped more than 150 billion cubic meters to the European Union last year.

Sinergie Italiane and some small unlisted energy companies from the northern Italian region of Lombardy have a contract with Gazprom on annual supplies of just less than 1.5 bcm of Russian gas until 2021.

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