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Gazprom Strains to Meet Demand

By The Moscow Times

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Gazprom boosted daily production by 20 percent to 30 percent to 1.6 billion cubic meters per day, RIA-Novosti reported, citing deputy chief executive Andrei Kruglov.

That's 300 million to 400 million cubic meters more than last year's levels, the news service reported Saturday.

Nonetheless, "Gazprom isn't currently able to meet the additional gas volumes requested by our partners in Western Europe," Kruglov said.

The state-run company reduced deliveries to Europe by 10 percent for several days because of cold weather and is now fully delivering contracted volumes, RIA-Novosti reported, citing Kruglov.

Supplies were reduced to Poland, Slovakia, Austria, Hungary, Bulgaria, Romania, Greece and Italy, European Commission spokeswoman Marlene Holzner told reporters in Brussels on Friday.

She cited a 30 percent drop to Austria, a 24 percent reduction to Italy and an 8 percent decline to Poland. Holzner didn't elaborate on the decreases for other affected EU nations.

Natural gas storage facilities across the EU are full, and the situation doesn't qualify as a "state of emergency" because the affected countries have been able to use natural gas from elsewhere, Holzner said.

"The contracts that Russia has apparently allow for a certain flexibility in case they also need the gas, and that's the situation that Russia's facing at the moment," she said.

Speaking to reporters Friday in Moscow, Sergei Komlev, head of pricing at Gazprom's export division, said: "They are asking for more than we are obliged to supply. There is a difference between wishful thinking and agreed contractual volumes." When temperatures plunged, customers "rushed" to the spot gas market, to find insufficient supplies, Komlev said.

Polish gas company Polskie Gornictwo Naftowe i Gazownictwo said deliveries from Russia returned to the requested level Friday after they were reduced Thursday.

Italy is importing more gas from Algeria to offset lower Russian supplies, Eni chief executive Paolo Scaroni told state radio GR-1 on Sunday, adding that he saw no shortage problems in the country for the next few days.

Gazprom pointed the finger at transit nation Ukraine. Deputy chief executive Alexander Medvedev said in a statement Thursday that Ukraine, which transships most of Gazprom's gas bound for Europe and buys the fuel for its own needs, was taking Russian gas above contracted levels.

"Ukraine is currently taking gas at an annual pace of 60 bcm, which is significantly above contracted levels," Medvedev said.

Ukrainian state energy company Naftogaz quickly replied with a statement denying any contract violations.

"The company ... notes that the volume of gas transit through Ukraine's territory and the offtake of imported gas are at levels set by the contract with Gazprom," Naftogaz said.

(Bloomberg, Reuters)

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