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Putin Orders Scrutiny of Rising Fuel Prices

By The Moscow Times

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ST. PETERSBURG — Prime Minister Vladimir Putin has told the Federal Anti-Monopoly Service, or FAS, to open an anti-monopoly investigation into instances of unfair fuel price hikes.

"The Energy Ministry and other agencies are working to stabilize the market and are working with the oil companies. However, I believe that more intensive action is required. Order must be established," he said following a meeting on the fuel and energy sector.

Putin also called for setting up a reserve of oil products to dampen seasonal fluctuations in price.

Refineries must reach agreement with the Energy Ministry and watchdog Rostekhnadzor concerning plans for maintenance work.

Diesel prices at the factory gate rose more than 35 percent in the period December 2010-January 2011, to an average price of more than 28,000 rubles ($955) per ton. The Energy Ministry and FAS reckon that more than half of the increase is the result of "demand growth," he said.

FAS chief Igor Artemyev said at the meeting that the regulator was prepared to formalize complaints at the oil companies for creating what he described as a "totally artificial shortage of aviation kerosene and diesel fuel, which caused prices to soar" in the fourth quarter of 2010.

"This was artificial price growth," he said. There has never been a time when these fuels had cost more than 92 and 95 gasoline in many regions, he said.

"What the oil companies have done is a downright disgrace, it's very bad practice," he said. More than a hundred cases of price gouging have been opened in recent years, Artemyev said.

"This is the third wave. We'll have to open cases. When are our oil companies finally going to calculate [prices] according to the formulas that are accepted the world over?" he said.

Putin asked Artemyev to draft the relevant proposals for the government. Artemyev said the proposals had already been drafted.

Artemyev also said the shortage had arisen because the number of refineries undergoing maintenance was significant. "We've completed a preliminary investigation, and we're quite prepared to serve complaints to oil companies that in our view have broken the law, and then impose sanctions," he said.

Meanwhile, Putin ordered Gazprom to provide pipeline access to natural-gas producers or face changes to existing rules. Putin criticized Gazprom for insufficient investment and limiting pipeline access amid a shortage of capacity.

“Either you work efficiently, or we will have to change the rules and existing legislation,” Putin said, without elaborating. Gazprom by law owns the nation’s gas pipelines and holds a monopoly over exports of the fuel.

FAS reported late Wednesday opening cases against Rosneft, Gaprom Neft and Lukoil over price hikes, adding that more companies may follow.

(Interfax, Bloomberg)

Gazprom expects natural-gas exports to Europe to return to pre-crisis levels this year, deputy chief executive Valery Golubev told reporters in St. Petersburg. Gazprom won’t face the same pressure from the spot market in Europe as it did in 2010, Golubev said Wednesday.

(Bloomberg)

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