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Kremlin Clashes Over Energy With Belarus, Ukraine, EU

By The Moscow Times

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Russia plunged back into the disputes over energy with Ukraine and Belarus that have repeatedly disrupted oil and gas supplies to European Union countries, and it also referred to EU energy policy as "uncivilized."

On Friday, Russia denied remarks by Belarussian President Alexander Lukashenko that it had agreed to increase its crude-oil supplies, vital for the Belarussian economy, and said it still intended to cut them next year.

On Thursday, Russian President Vladimir Putin criticized Ukraine for refusing a deal for cheaper gas under which it would lease its pipeline network to Moscow and the European Union.

Russia, the world's top energy producer, supplies more than a quarter of Europe's gas and oil needs. Ukraine ships about two-thirds of Europe's imports of Siberian gas through pipelines

in Ukraine, and Belarus is mainly responsible for oil deliveries.

Over the past decade, clashes with Ukraine and Belarus over energy pricing and pipeline transit have led to cuts or stoppages in Russian oil and gas supplies to central and western Europe.

These have most often happened around the start of the new year. Russia didn't agree on supply terms with the two countries.

The European Union has accused the Kremlin of using its energy might as a political tool, while Moscow says it wants its neighbors to pay fair prices promptly for energy.

On Friday, Belarussian state news agency BelTA quoted Lukashenko as saying that Russia had agreed to increase oil supplies next year from 21.5 million tons to 23 million tons (460,000 barrels per day).

"We have really agreed on the supply. ... We will get the oil without any issues," he said.

Moscow quickly denied the report, saying it was offering 18.5 million tons, an effective cut in supplies.

"As of today, an agreement on supplies to Belarus in 2013 has not been signed," Russia's Energy Ministry said in a statement. "The Russian side's offer is to supply 18.5 million tons of oil. Supplies in the first quarter of 2013 will be based on the suggested volume."

Russian oil is crucial for the economy of Belarus and is supplied free of Russia's normally hefty export duties, as Moscow seeks to keep the country in its political orbit.

Belarus has two large oil refineries that process Russian crude and export gasoline and diesel to the West.

The refining business earns vital hard currency, but Moscow has occasionally bristled over supply terms, part of a complex arrangement that also covers pipeline supplies of Russian oil and gas to Europe via Belarussian pipelines.

Belarus, which suffered from a balance-of-payments crisis in 2011, faces a debt-repayment crunch next year, when about $3 billion of its liabilities fall due.

The standoff with Belarus comes as Moscow is struggling to reach a deal with Ukraine over gas deliveries.

Ukraine's reluctance to strike a deal led to the last-minute cancellation of a visit to Moscow by Ukrainian President Viktor Yanukovych this week.

Although Moscow has regularly been at odds with both neighbors, it has never faced a situation of simultaneous cuts through both countries to Europe.

At the same time, tensions between Moscow and the European Union have risen over economic, political and human rights issues.

Putin, in Brussels on Friday for a Russia-EU summit, said it was unacceptable that EU rules were applied retroactively.

He was referring particularly to the third energy package, EU legislation to create a single energy market and prevent dominant suppliers from also dominating distribution.

An EU antitrust case against export monopoly Gazprom, EU attempts to diversify energy suppliers away from Russia and legislation to encourage competition have angered Moscow.

"Of course the EU has the right to make any decision, but ... we are stunned by the fact that this decision was given retroactive force," Putin told reporters in Brussels. "It is an absolutely uncivilized decision."

Russia presented the European Commission with new proposals on the legal status of its gas pipeline infrastructure to accommodate its export projects in Europe, Energy Minister Alexander Novak told reporters.

Russia has been seeking exemptions from EU regulation that would grant it full use of pipelines bringing gas to Europe by routes that skirt Ukraine.

A meeting between Russian President Vladimir Putin and his Ukrainian counterpart Viktor Yanukovych was postponed last week because no deal on energy supplies had been reached, Mikhail Zurabov, Russia's ambassador to Ukraine, said Friday, as cited by Interfax.

The decision was made jointly by both leaders, he said.

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