

Ukraine's Plans for LNG Imports Face Turkish Resistance

By [The Moscow Times](#)

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KIEV — Ukraine's plans to replace imports of natural gas from Russia with cheaper liquefied natural gas supplies via the Black Sea face resistance from Turkey, which wants to become a regional LNG hub.

"We understand the Turkish side's concerns. ... [Increased] traffic through the Bosphorus has both pros and cons," Vladislav Kaskiv, head of Ukraine's state investment agency, said in an interview. "On the one hand, this means increased economic activity. On the other hand, there are environmental problems."

Turkey controls the Bosphorus and the Dardanelles, which connect the Black and the Mediterranean seas, and it has warned Kiev that it may deny right of passage to LNG tankers bound for Ukraine due to congestion.

Turkey's energy minister, Taner Yildiz, said in May that Turkey was against Ukraine's

proposal to build an LNG terminal on the Black Sea coast. He cited increased tanker traffic through the Bosphorus and heightened environmental and safety risks.

Kaskiv said Kiev was determined to press ahead with construction and had received a legal opinion from U.S. law firm Baker Botts that LNG tankers must be granted free right of passage in the Turkish straits.

"We must protect our national interests," Kaskiv said. "The bottom line is there are no legal issues, and the situation needs to be resolved politically on the bilateral level."

Ankara has suggested that Ukraine buy LNG from one of Turkey's existing or planned terminals, shipping it via a route that bypasses the Bosphorus and the Dardanelles.

But Ukraine views such projects as complementary and not as an alternative to building its own LNG terminal, Kaskiv said.

Both Ukraine and Turkey are major gas importers and see potentially cheaper LNG as a way to diversify supplies.

Ukraine, however, has yet to build its first regasification terminal, a facility needed to receive LNG shipments, while Turkey already operates two.

Ukraine plans to start operating an LNG terminal in 2015 using a floating regasification facility offshore and complete the construction of an onshore facility by 2018, allowing it to import about 10 billion cubic meters of gas a year.

The LNG project became a source of embarrassment for Ukraine in November when Kaskiv signed what he thought was a \$1.1 billion deal making Spain's Gas Natural Fenosa its main investor.

But the Spanish company immediately denied that role, and Ukraine later said the deal had been signed with a middleman who had no power to do so.

Kiev also has yet to secure supplies of LNG for its terminal. Officials have mentioned Caspian countries such as Azerbaijan and Persian Gulf producers such as Qatar.

No facilities have been built so far on the Black Sea to liquefy Caspian gas for shipment, which means Ukraine would need to receive gas through the Bosphorus.

Apart from developing LNG, Ukraine is also hoping to tap potentially huge shale gas reserves to help it secure independence from Russian gas imports, which are costly and come with a heavy political price tag.

Ukraine relies heavily on Russian gas to heat homes and fuel the industrial sector. But Kiev says the current gas supply deal, signed with Gazprom in 2009, sets an exorbitant price of \$430 per thousand cubic meters in the current quarter.

Ukraine's attempts to renegotiate the deal have failed, and its switch to coal to cut imports was met with a \$7 billion bill from Gazprom for gas it did not use. Gazprom cited a "take or pay" clause in the contract.

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