

# State Plans to Curb Gazprom's Domestic Gas Tariffs

By [The Moscow Times](#)

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Gazprom's gas prices for Russian industrial users will fall 3 percent in the second quarter, the first drop in years as analysts say the government tries to curb the company's overblown spending.

Denis Volkov, in charge of oil and gas tariff policy at the Russian Federal Tariffs Service, said the FST would recalculate the state-controlled gas export monopoly's tariffs later this week with a view to cut them 3 percent starting from April 1.

"This is in line with a government order to recalculate the tariffs quarterly," he said, adding that on average, Gazprom's charge of some 3,000 rubles (\$98.55) per 1,000 cubic meters will decline by around 90 rubles as a result.

Gazprom has benefited from a steady increase in state-regulated domestic gas tariffs as the government has sought to achieve parity between the company's high exports prices

and its traditionally lower prices for domestic users.

Analysts have deemed this policy irrelevant as other companies such as Novatek, Rosneft and TNK-BP have taken a greater share of the domestic gas market by striking direct deals with end-users at lower prices than Gazprom's.

Regulated tariff increases for energy suppliers such as Gazprom have furthermore been working against the government as it has attempted to beat back inflation, a sensitive political issue for Russian President Vladimir Putin.

Analysts said the state has been tweaking tariffs as a way to make Gazprom more efficient, helping it maintain markets at home and abroad, although they criticize this approach so far as piecemeal and insufficient.

"This is a sign that the state is seeking a new tariff model. The state should move to a normal market-determined price mechanism, but it is afraid of making radical steps. These steps are small and tentative. There is a danger of Gazprom losing its exports," Ildar Davletshin, an analyst from Renaissance Capital said.

"It can't go on forever. Gazprom, like an old clunker, will surely hit the wall one day if there are no changes in the state policy towards the company," he added.

Last year, Gazprom's exports to Europe, a major source of revenue, fell 7 percent to 139 billion cubic meters (bcm) on the back of sluggish demand. European gas consumers have also won pricing concessions from Gazprom in long-term contracts.

FST's Volkov said Gazprom's tariffs still will increase by 15 percent in 2013, though analysts say it is not clear and that the state should be more transparent and straightforward in setting out tariff policy.

Gazprom's more important clients in Russia are power stations, which consume more than half of the gas it sells.

According to the Oxford Institute for Energy Studies, Russia's gas consumption in 2013 will outstrip the pre-crisis level of 2008, while Gazprom is steadily losing its market share.

Under long-term sales contracts signed in 2012, large power and industrial consumers will be buying more than 65 bcm of gas a year from other Russian suppliers by 2015.

By comparison, Gazprom supplied a total of 183 bcm to domestic users in the first nine months of 2012.

Furthermore, another 40 percent, or around 89 bcm per year, of Gazprom's existing long-term contracts with power and industry sector consumers in Russia are due to expire this year.

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