

Gazprom Warns Europe About Ukraine Purchasing Scheme

By The Moscow Times

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Gazprom has warned European companies against what it alleges are illicit resales of Russian gas to Ukraine, stepping up pressure on its neighbor in a long-standing contractual dispute.

Ukraine argues that it is being forced to pay too much for its gas from the Russian company, which covers a quarter of Europe's gas needs. Similar stand-offs led to temporary cuts in gas supplies to Europe in 2006 and 2009, though there has been no indication that such blocks — embarrassing both for Russia and Ukraine — could be repeated.

Russia ships more than half its gas exports to Europe via Ukraine, which is tied to a disputed long-term contract with Gazprom at higher prices than those paid by buyers in the European Union.

Ukraine began importing small volumes of gas from Europe last year and wants to buy up to 8 billion cubic meters of gas a year from central Europe to replace expensive Russian supplies.

Gazprom chief executive Alexei Miller has said Ukraine is using "fraudulent" schemes to carry out shipments of Russian gas from European markets.

On Wednesday, his spokesman Sergei Kupriyanov warned European companies against such operations.

"We are sure that serious European companies will not take part in dubious gas deals with Ukraine, in which Gazprom's gas is used and which does not belong to (Ukraine's state company) Naftogaz," Kupriyanov said.

Ukraine agreed a ten-year contract for Russian gas supplies in 2009 under former Prime Minister Yulia Tymoshenko. She was sentenced to seven years in prison in October 2011 on abuse-of-office charges, including her part in signing the gas deal.

Gazprom says that Ukraine bought almost 33 bcm of gas from Russia last year — almost on a par with Germany, Gazprom's largest client. Ukraine pays \$430 per 1,000 cubic metres, far more than the \$370 that is expected to be Gazprom's average price for Europe this year.

Ukraine has said it wants to cut Russian gas imports by a quarter and has signed a contract with Germany's RWE for alternative shipments that could provide about 5 bcm of gas this year.

Gazprom, meanwhile, has pressed Ukraine for underpaying its bill for Russian gas by \$7 billion but has stopped short of threatening legal action.

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