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Official Says Russia not to Blame for High Gas Prices

By The Moscow Times

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Europe's portrayal of itself as overly reliant on Russian gas is motivated by politics, while the reality is that Russia supplies only around 6 percent of the EU's fuel, a top Russian envoy said.

It is also unfair, he said, to blame Russia for high gas prices in Europe, given that they are the result of regional market forces and will remain so for years to come.

"When I hear that the European Union is overdependent on Russian gas, I consider it politically motivated allegations trying to make new barriers between the European Union and Russia," Alexander Krestyanov, deputy permanent representative of Russia to the European Union, said late Wednesday, as part of a series of interviews on gas.

Both sides are wary of relying too much on the other. The European Union wants new pipelines to bring gas from Azerbaijan, while Russia is seeking new outlets for its gas,

including holding talks with the Chinese.

Energy Commissioner GЯnther Oettinger has urged EU leaders to present a united front, as the bloc seeks to bring in non-Russian gas to improve energy security.

Krestyanov said Russia supplies roughly 30 percent of EU gas supplies, but that taking account of the entire energy mix, the Russian share was much lower at around 6 percent.

Ties between Russia and the European Union hit a low at the start of 2009? when a pricing row between Russia and gas transit nation Ukraine led to severe disruption of shipments to EU customers.

A significant step towards reducing Europe's dependence on Russian gas is likely in June, when a decision is expected on which of two rival pipeline projects will get the nod to ship Azeri gas to Europe.

The Trans Adriatic Pipeline (TAP) proposes a route through Albania and Greece into Italy, while the rival Nabucco West would ship gas from Turkey's western border through Bulgaria, Romania, Hungary and into the Baumgarten hub in Austria.

Bulgaria and Hungary are both highly reliant on Russia, and some Baltic nations are almost 100 percent dependent, but Krestyanov said that was not Russia's fault.

Some governments are hoping to develop shale gas, which in the United States has slashed energy prices and raised the prospect of exports of liquefied natural gas (LNG).

Any U.S. exports would probably go to more lucrative Asian markets rather than Europe, where demand is falling. But that would still have an impact in Europe, analysts say, shifting it from a sellers' market to one in which buyers can negotiate.

Krestyanov said Russia was "taking into account reality" but that pipelines and long-term gas supply contracts would remain as a complement to shale gas and LNG.

"Gas prices are determined by regional markets," he said. "Maybe in 10 years, 20 years, there will be a world price for gas. But then we'll speak about a new situation. But nowadays, the markets for gas are regional and the prices for gas are determined by regional market forces."

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