

Finland Reveals its Enviably Terms on Russian Gas Purchases

By [The Moscow Times](#)

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HELSINKI — Finland came clean Wednesday on its gas deal with Russia that would be the envy of much the rest of Europe, but said, thanks to sinking domestic demand, it was not as good as it had been as lower usage pressured prices.

Supplies from Gazprom in a long-standing deal are 50 percent indexed to oil prices, giving it lower import prices than in Western Europe where buyers are crying out for a less than near-total link to oil, said the head of the Finnish gas utility Gasum, itself part owned by Gazprom.

"Our contract is good, but the gas price level is not competitive in this market," Antero Jannes, Gasum's CEO, told the Baltic Energy Summit.

Gasum operates Finland's natural gas network and buys all its natural gas from Russia under a contract which was signed in 2005 and expires in 2026.

Apart from the oil link, the rest of the indexed link is against coal prices and a basket of domestic power and heat prices, so-called domestic energy index, Jannes said.

"While in Western Europe it is difficult to replace gas used by households, in Finland gas is mostly used for power and heat generation, and in the paper industry," he added, explaining why Finland got such a lucrative contract.

Cheap coal because of global oversupply, along with low power prices as a result of stagnant demand, mean that Gasum's contract is now relatively cheap, and that Finland is now buying Russian gas at a discount of about 7 euros (\$9.30) per megawatt-hour, or MWh, compared to customers in Western Europe, according to Gasum.

Also, nearly one-quarter of Finland's total energy consumption was covered with wood fuels in 2012, which is almost as large as consumption of oil.

Gasum data showed that Finland was paying less than 30 euros a MWh during the first half of this year, comparable to gas prices in Britain's competitive spot market.

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