

Ukraine Ups Russian Gas Imports, But Low Volumes May Prove 'Strategic Mistake'

By [The Moscow Times](#)

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Ukraine's state energy company Naftogaz has slightly increased gas imports from Russia this week, buying some 29.3 million cubic meters on Feb. 25, two industry sources said Thursday.

The overthrow of Ukraine's President Viktor Yanukovych has sparked concerns that Russian state gas exporter Gazprom might exert pressure on a country whose new leaders look set to pursue a pro-European Union course by either raising prices or cutting volumes.

Sources told Reuters earlier this week that Naftogaz had reduced its imports of gas from Gazprom to 28 mcm per day as of Feb. 24 from 147 mcm at the beginning of the month, because of a mild winter and tight government finances.

"We are giving as much as Naftogaz is asking for," a Gazprom source said Thursday.

Asked on possible price revision he said: "We will see. Everything depends on the situation in Ukraine."

In December, Russia agreed to reduce gas prices for Kiev by about a third, to \$268.50 per 1,000 cubic meters from about \$400 which Ukraine had paid since 2009, after Yanukovich spurned an EU trade deal in favor of closer ties to Moscow.

The deal allows for the price to be revised quarterly between the 5th and 10th day of the first month in every quarter.

Prime Minister Dmitry Medvedev said earlier this week that decisions in the gas sphere were for a fixed period of time and that Russia would discuss gas issues with "the Ukrainian government, if one emerges there."

President Vladimir Putin has been silent on Ukraine so far.

Ukraine's protest leaders named the ministers they want to form a new government following the overthrow of Yanukovich, while Putin ordered to put 150,000 troops on high alert in a show of strength.

At this stage, it is unclear whether Russia will return to previous higher gas prices. Gazprom sources say they are waiting for a clear signal.

"Naftogaz's reduced purchases of Russian gas this month may end up as a strategic mistake, since the company will almost certainly pay more for gas in the second quarter and beyond when it eventually needs to buy more gas to pump into storage to replace stocks drawn down from inventory," IHS senior energy analyst Andrew Neff said in a note this week.

A Gazprom official said Thursday that gas flows to Europe, which is getting about a third of its gas imports from Russia, were at usual volumes.

Ukraine consumes about 55 billion cubic meters of gas each year, and imports more than half of that from Russia. Gazprom exported 161.5 billion cubic meters of gas to Europe last year.

Disputes over gas prices between Russia and Ukraine in the winters of 2006 and 2009 led to stoppages in exports to Europe, which gets about a third of its gas from Russia.

As of Feb. 24, Kiev paid off \$1.68 billion of its \$3.3 billion gas debt to Russia which was amassed over 2013 and 2014. Ukraine has said it needs \$35 billion over the next two years to stave off bankruptcy.

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