

Russia Warns Ukraine May Lose Gas Discount

By [The Moscow Times](#)

March 02, 2014

The  **Moscow Times**

Russia issued several warnings on Saturday that Ukraine may lose a discount on the gas price it now pays to Gazprom due to Kiev's outstanding gas debt.

Russia's state gas company Gazprom estimates Ukraine's outstanding gas debt at \$1.55 billion for 2013 and gas deliveries so far this year.

"It seems that with such gas payments and fulfilment of its obligations, Ukraine may not keep its current gas discount. The gas discount agreement assumed full and timely payment," Gazprom spokesman Sergei Kupriyanov told Reuters.

Russia's warnings on gas prices come as the bitter and fast-moving dispute between the two nations over the southern Crimea region escalates.

A price increase would deepen Ukraine's already dire cash situation and could lead to a new

"gas war" between Kiev and Moscow as well as interrupt gas shipments to Europe, which gets about one-third of its gas from Russia.

In December, Russia agreed to reduce gas prices for Kiev by about a third, to \$268.50 per 1,000 cubic metres from \$400 which Ukraine had paid since 2009, after ousted President Viktor Yanukovich spurned a European Union trade deal in favour of closer ties to Moscow.

The deal allowed for the price to be revised quarterly between the fifth and th day of the first month every quarter.

A Russian Energy Ministry representative said on Saturday that Moscow sees no reason to extend the discount to Ukraine for the second quarter — because of the outstanding debt, Interfax reported.

“If this continues to happen, is there any point in continuing the existing agreement on gas supplies at discount prices? No,” an unnamed ministry representative said, the agency reported.

"It is important that the proposal for a reduced gas price is confirmed quarterly. It would be stupid and wrong to extend it to the second quarter."

Ukraine's newly appointed Energy Minister Yury Prodan told reporters on Saturday that the price for Russian gas would stay unchanged in March but it could jump to \$400 per 1,000 cubic metres in the second quarter if the two sides fail to sign an agreement.

Ukraine, which has seen its currency spiralling down and cash and gold reserves falling significantly as a result of the political protests that led to the ousting of Yanukovich last weekend, is in dire need of cash.

It faces a further \$6 billion in foreign debt payments this year and has asked the International Monetary Fund for financial assistance of at least \$15 billion. Ukraine's newly appointed leaders estimated Kiev's needs at around \$35 billion.

Prodan told journalists that the Ukrainian energy firm Naftogaz is in "active talks" with Gazprom over pricing. Ukraine consumes about 55 billion cubic meters of gas each year, and more than half of this amount is imported from Russia.

Previous disputes over gas prices between Russia and Ukraine in the winters of 2006 and 2009 led to stoppages in exports to Europe at times when consumption demand was at its peak due to the cold weather.

Kupriyanov said on Saturday, Gazprom's deliveries in February were unchanged year-on-year at 13.1 billion cubic metres. In January, Gazprom shipped 13 percent more to Europe than in the same month of last year, he added.

Last year, Gazprom exported 161.5 billion cubic metres of gas to Europe.

Apart from through Ukraine, Russian gas flows to Europe via Belarus and two subsea pipelines — under the Black Sea and the Baltic Sea. Gazprom plans to build another subsea pipeline — the South Stream — to bypass Ukraine by 2016.

Original url:

<https://www.themoscowtimes.com/2014/03/02/russia-warns-ukraine-may-lose-gas-discount-a32589>