

Gazprom Hikes Gas Price for Ukraine by 40%

By [The Moscow Times](#)

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Russian energy giant Gazprom has foisted a large gas price increase on Ukraine.

Gazprom announced a more than 40 percent increase in the price of gas for Ukraine on Tuesday, stepping up economic pressure on Kiev in its crisis in relations with Moscow.

Price rows have in the past led to cuts in Russian gas supplies to Ukraine and decreases in onward deliveries to Europe, but this time the financial blow to Kiev is set to be cushioned by a new International Monetary Fund loan package.

Ukraine will now have to pay \$385.5 per 1,000 cubic meters of gas in the second quarter, an increase from the \$268.5 agreed in December and higher than the average price for clients in the European Union but around the level Kiev had expected.

The decision, which had been clearly flagged by President Vladimir Putin, ended a discount that had been agreed in December, before the crisis over the ouster of Ukraine's Moscow-

backed president and Russia's annexation of Crimea.

On Tuesday the Russian parliament moved to annul agreements with Ukraine on Russia's navy base in Crimea. In 2010, Ukraine extended the lease of Russia's Black Sea Fleet's base until 2042 for an annual rent of \$98 million and discounts for Russian natural gas. The lower house voted to repeal the deal Monday, and the upper house was to follow suit.

Gazprom's CEO, Alexei Miller, said an increase was justified because Ukraine's debt for unpaid gas bills now stood at \$1.7 billion.

"The December discount for gas cannot be applied anymore," Miller said, adding that the transportation tariff for Gazprom's gas to Europe via Ukraine was increasing by 10 percent, in line with earlier agreements.

The new head of Ukraine's state energy company Naftogaz, Andrei Kobolev, is expected to visit Moscow this week for talks on Russian gas supplies. Ukraine has been working on reducing its dependence on gas from Russia, which meets one half of its gas consumption.

Before the December discount, Ukraine paid a price of about \$400, which Kiev said was unaffordable for its fragile economy.

"The \$385.5 price is absolutely expected and clearly in accordance with the contract. The [December] discount is not continued," Kobolev told a news conference in Kiev.

Gazprom has suggested a new conflict over gas payments and supplies — like disputes in 2006 and 2009 that halted supplies to Ukraine and onward to Europe — could break out, though it has said it has no interest in a resumption of such disputes.

But the IMF has agreed a \$14 billion to \$18 billion standby credit for Ukraine, in exchange for painful economic reforms, as part of a \$27 billion international package aimed at getting the country's economy on its feet.

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