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Russia Demands Advance Payment From Ukraine For Gas

By The Moscow Times

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Russia had threatened to cut gas supplies to Ukraine in June if it received no prepayment by the end of May.

Russia will require Ukraine to pay in advance for gas starting from June, Energy Minister Alexander Novak said, after Kiev failed to pay for gas deliveries.

Gazprom said Wednesday that Ukraine's payments for gas supply in April had fallen due and that nothing had been paid, raising Kiev's total debt for Russian gas to $3.51 billion.

"According to contract... failure of obligations automatically leads to a switch to prepayment for gas deliveries for Ukraine starting from June 1," Novak said in a statement late on Thursday.

Russia had threatened to cut gas supplies to Ukraine in June if it received no prepayment by the end of May. Gazprom supplies about 30 percent of the gas consumed in Europe,

shipping about half that amount via Ukraine.

The Energy Ministry added that Gazprom would send a preliminary bill for June before May 16 and will ship gas in volumes reflecting payments received before May 31.

The Kremlin has often used its energy dominance as a tool of foreign policy, cutting off supplies to Ukraine and Europe in 2005 and 2009 after price disputes with an earlier pro-Western government in what became known as the "gas wars."

Ukraine urgently wants to change the conditions of a 2009 contract, negotiated by an earlier pro-Western government, which locked Kiev into buying a set volume whether it needed it or not at $485 per 1,000 cubic meters — the highest price in Europe.

Moscow dropped the price to $268.5 when ousted President Viktor Yanukovych turned his back on a trade and association agreement with the EU but re-instated the original price after the uprising in Ukraine.

"Russia can't and should no long carry the burden of support of Ukraine's economy alone, giving it discounts on the gas price and forgiving debts, in fact covering the deficit in Ukraine's trade," Novak said in a statement.

This week, Ukraine received a first tranche worth about $3.2 billion from a $17 billion two-year aid program from the International Monetary Fund, which Moscow hopes Kiev will use to cover gas debt.

See also:

Gazprom Says Gas Flows to Europe Via Ukraine Remain Stable

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