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Ukraine Sends $786M Gas Payment to Russia Ahead of Monday Talks

By The Moscow Times

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Gazprom chief Alexei Miller listening to a news conference after EU-Ukraine-Russia energy talks in Berlin.

BERLIN — Ukraine has told Russia that a $786 million partial payment for back gas bills was on its way to Moscow, clearing the way for further talks on Monday, European Union mediator Guenther Oettinger said.

The partial payment on a bill that Russia says could exceed $5 billion by next week also averted an immediate threat that Russia would stop supplying gas to Ukraine if it fails to make advance payments.

Russian Energy Minister Alexander Novak welcomed the news that Ukraine said it had transferred funds to Moscow from Kiev via a New York bank on Friday afternoon but said Russia would wait for confirmation that the payment has arrived in Moscow.

"We haven't quite reached an agreement yet, but we had some important stepping stones that

make a package solution look possible," Oettinger said on Friday after a three-hour, three-way meeting in Berlin. He hoped to have a deal by June 3.

"The money was transferred from Kiev to a bank in the United States and then sent from New York to Moscow — a fascinating journey," Oettinger said, noting the reason for the detour via New York was because energy bills are settled in dollars.

"Provided the money arrives in the Gazprom account in Moscow as planned on Monday morning, both sides said they would continue the talks in Brussels at 2 p.m. on Monday," he added. He said Monday's talks would focus on a "package deal" linking payments to the market prices that Ukraine has been seeking.

The EU Commission, the bloc's executive, brokered three rounds of talks in Berlin in the last two weeks following Moscow's threat it would stop supplying Kiev with gas if it fails to make a pre-payment for June supplies by June 2.

The danger of that escalation appeared to dissipate on Friday with the partial payment from Ukraine, which Oettinger had been urging all along. The German is also trying to persuade Gazprom to sell gas to Ukraine at levels around market prices.

Highest in Europe

Gazprom has said Ukraine's debt for gas supplies will have risen to about $5.2 billion by June 7 unless Ukraine begins to pay it off, while Ukraine has countered that Gazprom owes it natural gas because of Russia's seizure of Crimea.

Ukraine wants to change the terms of a 2009 contract that locked Kiev into buying a set volume of gas, whether it needs it or not, at $485 per 1,000 cubic metres — the highest price paid by any client in Europe.

Moscow dropped the price to $268.50 after then-President Viktor Yanukovych turned his back on a trade and association agreement with the European Union last year, but reinstated the original price after he was ousted in February.

Ukraine insists on a price of $268.50 per 1,000 cubic meters while Russia stands by its demand for $485. Oettinger is trying to get the two sides to agree in the middle. The average gas price paid by European customers to Gazprom lies around $370.

"It was a constructive round of negotiations," Novak told reporters at a news conference in Berlin as Gazprom Chief Executive Alexei Miller watched on from the front row. "At 4:15 p.m. today the Ukraine side said the first payment of $786 million was made.

"That's what the Ukraine party said," he said, adding at one point he had no proof of the payment. "The funds have not yet been received by Gazprom. By the rules of the bank, confirmation cannot be given until Monday. Thus, we agreed once the money is received and confirmed, we'll continue the talks."

Novak, clearly relieved that a payment was on the way, sounded conciliatory on Ukraine's demands for the proposed package deal.

"There will be package negotiations to settle the situation for both future deliveries and the remaining debts," Novak said. "We are prepared to show goodwill to settle the situation."

Ukraine Energy Minister Yuri Prodan said he was pleased that his Russian counterparts had expressed a willingness to discuss the package solution.

"Gazprom has confirmed they are hopeful we can have a package deal," said Prodan. "This is a good signal forward. We hope further talks can be constructive."

Oettinger said the $786 million paid on Friday was for February and March gas bills. Oettinger said other months since last November had not yet been paid.

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