

Russia Turns Off Ukraine Gas Supplies as Talks Collapse

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Gazprom CEO Alexei Miller, right, and Ukraine Energy Minister Yuriy Prodan arriving at the Ukraine Cabinet in Kiev on Monday for round-table gas talks.

Russia's Gazprom on Monday cut off gas supplies to Ukraine and moved its neighbor to a system of prepayment until Kiev's "indisputable" debt for previous deliveries is settled.

After three rounds of intense talks in recent weeks the two sides failed to come to an agreement on the price of gas already delivered and, therefore, on Ukraine's total debt to Russia. They also failed to agree on the terms governing Ukraine's future gas purchases under the new prepayment system.

"The logic of the Ukrainian government is to give us low prices, the ones we have with our Customs Union partners. If not, [Ukraine] will not pay debts and will get your gas for free," Gazprom's head Alexei Miller said Monday at a news conference in Moscow.

The protracted spat appeared to have caused Miller no small amount of irritation, as he spoke slowly and paused for long periods between words at the conference. At one point he rebuffed a journalist who used an English word while posing a question in Russian.

“What language do we speak here?” he asked the journalist.

Russian Energy Minister Alexander Novak said at the same news conference that no further negotiations with the Ukrainian side are planned due to “the unconstructive position of the Ukrainian government.”

Deputy Prime Minister Arkady Dvorkovich said Monday morning that Russia's official position on the gas dispute with Ukraine will be defined after Miller and Novak meet with President Vladimir Putin. No such meeting was reported to have taken place at the time of publication.

Ukrainian Prime Minister Arseniy Yatsenyuk reacted sharply to Russia's decision, saying during a government meeting on Monday that it represented “part of a general plan by Russia to destroy Ukraine.”

“This is another stage of Russia's aggression against the Ukrainian state and its independence. We will not subsidize Russia's Gazprom. Ukrainians will not pull \$5 billion out of their pockets every year so that Russia can buy arms, tanks and planes and bomb Ukrainian territory.” he said.

Both Ukraine and Russia said Monday that they would file lawsuits against each other over their gas supplies grievances at the Stockholm international commercial arbitration court.

While Gazprom insists that Ukraine's debt stands at \$4.46 billion, the Ukrainian government claims that it will only pay a sum calculated on the basis of a discounted price of \$268.5 per 1,000 cubic meters. This price was offered last December to Ukraine's then-President Viktor Yanukovich after he opted out of an economic and political alliance with the European Union that sparked mass protests in central Kiev.

Gazprom canceled these discounts after Yanukovich was chased from power in February, instead raising them to the 2009 contract price of \$485 per 1,000 cubic meters. After negotiations failed to bear fruit, Russia last week offered Ukraine a \$100 discount — bringing it broadly into line with the average price paid by European customers — but Ukraine refused it despite Gazprom's willingness to guarantee that the cut price would remain unaltered until the 2009 agreement lapses in 2019.

The European Commission, which mediated the Russia-Ukraine talks, proposed a compromise on Monday that would see Ukraine pay \$1 billion now and the rest of the debt in installments over the next six months, but Russia knocked back the offer. EU Energy Commissioner Günther Oettinger estimated the overall amount of Ukraine's current gas debt at \$3.8 billion.

Russia's decision will not immediately affect the gas flow to Europe, but can present risks to EU gas supplies in the long-term, Miller said.

In the fallout from an earlier gas dispute Russia accused Ukraine of siphoning off some of the

gas intended for its European customers that were to receive deliveries via pipelines that pass through Ukraine.

“In terms of transit risks [to the EU], they exist and they are not insignificant,” he told reporters.

He also attributed Ukraine's failure to come to an agreement with Russia to its dire economic situation.

“Ukraine is in the process of self-destruction and is in a state of bankruptcy, thus, it cannot pay,” he said.

According to Gas Storage Europe, an organization that monitors the European gas storage system, Ukraine's storage facilities were 42 percent full as of Saturday. In recent months, they have soaked up almost 13.5 billion cubic meters of gas. Miller said Monday that Ukraine needs 18 billion to 19 billion cubic meters of gas to heat its homes and fuel its energy-hungry industry through the winter.

See also:

[Russia and Ukraine Fail to Reach Gas Deal as Deadline Looms](#)

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