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INDEPENDENT NEWS FROM RUSSIA

Ukraine's Naftogaz to Buy 1 Billion Cubic Meters of Russian Gas

By The Moscow Times

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Valves are seen at a biomass thermal electricity generation plant in Ivankiv, Kiev region on Nov. 11, 2014.

Ukraine will buy 1 billion cubic metres (bcm) of natural gas from Russia by the end of the year and up to that same amount monthly through the winter, Naftogaz Chief Executive Andriy Kobolyev said on Monday.

Kobolyev also said Ukraine would have no problems meeting pre-payment obligations to purchase Russian supplies if needed during the winter, with weather and fighting in the eastern part of the country wild cards for demand.

"We plan to buy 1 billion cubic metres of Russian gas from now until the end of the year," he said during an energy conference in the Slovak capital.

Ukraine and Russia signed an agreement, brokered by the European Commission, at the end of October to cover gas supplies over the winter months as a temporary solution to a long-

standing price dispute between Moscow and Kiev.

But Russian gas giant Gazprom has yet to resume shipments to Kiev, which it suspended in June, and Ukraine has yet to provide the pre-payment which Moscow says is a condition for restarting gas supplies.

Eastward gas flows from Poland and Slovakia have helped to meet demand, though Hungary in September stopped shipping supplies to Ukraine. Kobolyev said he hoped Hungary would resume deliveries as soon as December.

"We hope the supply of gas from Hungary will resume in December or January next year. We are in discussions with Hungarian counterparts," he said.

Hungary's national development minister, however, played down those hopes, saying his country would not be able to provide so-called reverse natural gas flows to Ukraine before filling up its own storages.

Hungary's storages are 71.2 percent full at 4.5 billion cubic metres, according to Gas Infrastructure Europe's website.

"We are filling up (storage) capacities and until then we are not able to provide reverse," Miklos Sesztak told reporters on the sidelines of the same energy conference.

Kobolyev has estimated the amount of extra Russian gas Ukraine might need over winter would range between zero and 5 billion cubic metres (bcm).

Ukraine's annual gas demand has been around 50 bcm, with roughly half provided by Russia. Moscow likely delivered 5-10 bcm between January and June.

The nation's domestic gas production is typically 25 bcm per year, although output will be lower following Moscow's annexation of Crimea, leaving Ukraine needing 15-20 bcm from elsewhere.

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