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Ukraine to Borrow $1 Billion to Create Strategic Gas Reserve

By The Moscow Times

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Ukraine's Prime Minister Arseniy Yatsenyuk delivering a speech during a meeting in Kiev February 12, 2015.

KIEV — Ukraine plans to borrow $1 billion to establish a strategic reserve of natural gas and fuel oil to cover local needs in emergency situations, Prime Minister Arseniy Yatsenyuk said Saturday.

"The government has adopted a decision to establish reserves of gas and fuel oil worth $1 billion via borrowing under state guarantees," Yatsenyuk told a government meeting.

"This $1 billion will be spent to buy this strategic reserve," he added, giving no details about gas origin.

Ukraine, a traditional buyer of Russian gas, has said it hopes to cut its dependence on energy supplies from Russia and to switch to imports from European states.

Ukrainian state-run energy firm Naftogaz said last month Kiev planned to cover up to 60 percent of its gas import needs this year from Europe, leaving its once-dominant supplier Russia delivering the rest.

The government has expected that European summer spot gas prices for Ukraine could fall to between $250 and $300 per 1,000 cubic meters and this allows Kiev to bolster its underground storage reserves.

Ukraine says it is buying Russian gas above market prices and is seeking alternative supplies from Europe. It bought Russian gas at $329 per 1,000 cubic meters in the first quarter of this year.

Relations between Kiev and Moscow are severely strained after nine months of conflict that has pitted Ukrainian government forces against pro-Russian separatists who have declared "people's republics" in eastern Ukraine.

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