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Russia Considers Higher Gas Price for Kiev Ahead of Three-Way Talks

By The Moscow Times

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Russian Prime Minister Dmitry Medvedev (L) meets with Gazprom CEO Alexei Miller at the Gorki state residence outside Moscow, March 18, 2015.

Russian Energy Minister Alexander Novak said Ukraine's gas prices could rise to $348 per 1,000 cubic meters (tcm) in the second quarter as he arrived for gas supply talks with Kiev brokered by the European Commission.

Ukraine has been paying $329 per tcm for gas in the first quarter under a deal negotiated by the Commission last year.

A rise would run counter to falling market prices linked to cheaper oil, but Novak told reporters it was "a preliminary figure" and did not rule out a discount.

The Commission, the EU executive, brokered an accord in October to keep gas flowing over the peak demand winter months despite tension between Kiev, Moscow and Brussels over

Russia's annexation of Crimea.

Friday's talks are an initial step towards a deal to replace the "winter package" that expires on March 31, EU officials said, adding they had a target date of June to reach a new agreement.

After the winter deal expires, Commission officials said Ukraine could buy cheaper gas through reverse flows from the European Union, but that would not cover all its needs.

They estimated Ukraine would need 4-6 bcm from Russia to fill storage over the summer months.

Friday's talks in Brussels brought together Russia's Novak, Ukrainian Energy and Coal Minister Vladimir Demchishin and Commission Vice President Maros Sefcovic.

The Ukrainian delegation did not speak upon its arrival in Brussels just before 4 p.m. (15:00 GMT).

In addition to ensuring supplies for Ukraine, the Commission also wants to avoid any impact on European gas supplies which are piped from Russia via Ukraine.

The Commission said Naftogaz Chief Executive Andriy Kobolev was also taking part in the talks. Gazprom Chief Executive Alexei Miller would not attend, a spokesman said.

One of the aims of Friday's trilateral talks is to agree on figures, including on the volume of gas Ukraine might need as it seeks to fill storage over the lower-demand summer months.

The Commission calculates that Ukraine needs to boost its reserves to 19-20 billion cubic meters (bcm) by around October from about 7.3 bcm now.

Another issue is the duration of any deal, with the Commission keen that it should cover the gap until international arbitrators in Stockholm rule on a dispute between Kiev and Moscow on the size of Ukraine's debt for past gas deliveries.

A court decision on that is not expected until late 2016, the Commission said.

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