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Russia, Ukraine and EU to Hold New Gas Talks Next Month

By The Moscow Times

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Russia's Energy Minister Alexander Novak arrives at the European Commission headquarters in Brussels ahead of a meeting with EU officials March 2, 2015.

Russia, Ukraine and the European Commission will hold a new round of gas supply talks next month in pursuit of a deal that could help to defuse wider tensions between Moscow and Kiev.

A preliminary meeting in Brussels on Friday had never been expected to yield major progress, with the two sides still far apart as they jostle for position in the negotiations while European Union officials have set a target date of June for a new accord on how much Ukraine should pay Moscow for its gas.

Speaking after the talks, Russian Energy Minister Alexander Novak said Russia would be willing to consider a discount, but a take-or-pay clause that requires Kiev to buy a certain amount of gas whether it needs it or not would apply from April 1.

EU foreign policy chief Federica Mogherini said she hoped a deal could be reached soon, adding that it "may contribute to reducing the existing tensions in the energy relations between the two countries".

The Commission, the EU executive, brokered an accord in October to keep gas flowing over the peak-demand winter months despite the political arguments between Kiev, Moscow and Brussels over Russia's annexation of Crimea.

Under that deal Ukraine pays $329 per thousand cubic meters for gas in the first quarter and Novak had said the price will rise to $348 after expiry of the "winter package" on March 31.

Ukrainian Energy and Coal Minister Vladimir Demchishin said he expected a price of $250 for the second quarter, according to Interfax news agency.

The Commission said the talks had been constructive and confirmed comment from Ukraine and Russia that further talks are expected in April.

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

In televised comments, Novak said that Ukraine had promised to guarantee transit and that Russia would consider cutting export duty.

"The discount could be provided by a government decision for the second quarter. We agreed to consider this issue each quarter, taking into consideration volatile prices on the market," Novak said.

Even after the winter deal expires, Ukraine can buy cheaper gas through reverse flows from the European Union, but that would not be enough to fill storage adequately over the summer months.

The Commission has estimated that Ukraine would need 4-6 billion cubic meters of gas from Russia to boost reserves it says need to be built to 19-20 bcm by around October, from about 7.3 bcm now.

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