The Moscow Times
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Russia Should Uphold Gas Discount For Ukraine – Medvedev

By The Moscow Times

June 29, 2015



Employees take part in emergency response exercises at Oparivske gas underground storage in Lviv region, Ukraine.

Russia proposes keeping the gas price for Ukraine unchanged in the third quarter, Prime Minister Dmitry Medvedev said on Monday, a day before Russia's energy minister goes to Vienna for gas talks.

"Despite all the difficulties in our current relations with Ukraine, we should within reason make concessions," Medvedev told Energy Minister Alexander Novak and Gazprom Chief Executive Alexei Miller.

Gazprom had said Ukraine would be charged $287 per 1,000 cubic meters with no discount in the third quarter. That compares to the $247 charged in the second quarter, including a discount of $100 per 1,000 cubic meters.

Russia, Ukraine and the European Commission are meeting on June 30 to discuss gas supplies, the day a winter price deal expires.

Europe gets around a third of its gas needs from Russia and around a half of that comes via Ukraine. Moscow is under Western sanctions for its role in the crisis there, although the Kremlin denies Western accusations it has supporting the rebels with weapons and troops.

Medvedev said that Russia would offer Ukraine a discount of $40 per 1,000 cubic meters of gas in the third quarter and that Russian gas supplies to Europe depend on Ukraine as a transit country.

Gazprom stopped pumping gas to Ukraine during price disputes in the winters of 2005-06 and 2008-09, leading to reduced supplies in European countries that receive Russian gas via pipelines that cross Ukraine.

"We cherish [our] reputation as a reliable gas supplier. ... This [gas discount] is a serious measure to support the Ukrainian economy," Medvedev said.

Gazprom had announced plans to try to bypass Ukraine as a transit country and has said it would redirect flows to the yet-to-be-built Turkish Stream pipeline after its current transit agreement with Kiev expires in 2019.

Gazprom has offered to build pipeline extensions to Europe from a new gas hub on the Turkish-Greek border on their own. Europe supports an alternative gas supply route from Azerbaijan.

But last week, Miller said that Gazprom was rethinking plans to stop transporting gas to Europe via Ukraine after 2019.

"The idea of stopping gas flows via Ukraine after 2019 does not correspond with reality either in terms of costs for new pipelines or in investments needed to upgrade Ukraine's gas pipeline system," a European diplomatic source told Reuters.

"It will be a huge blow to Gazprom's reputation worldwide and with the EU in particular if it terminates supplies via Ukraine."

The diplomatic source said there could be discussions on Ukrainian gas transit — which contributes to the country's budget — in Vienna but that it was not high on the agenda.

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