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Russian Gas Giant Ordered to Pay Ukraine $2.56 Bln Over Price Hikes

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Vincent Mundy / Bloomberg

Nearly four years after failing to agree on a price for Russian gas shipments, Ukraine's state-owned energy company has declared victory in international arbitration that orders Russia's Gazprom to pay $2.56 billion for failing to fulfil export volume obligations.

The long-running dispute accompanied deteriorating diplomatic relations between the countries after Russia's 2014 annexation of the Crimean peninsula from Ukraine. Kiev accused Moscow of failing to return $1 billion worth of gas during the annexation, a claim that Gazprom had denied. The sides also butted heads over a Russian price hike for gas against cheaper prices for Gazprom's European consumers.

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The price dispute over Gazprom's deliveries to Ukraine ended up at the international arbitration court in Stockholm, Sweden in June 2014, and the arbitrator has now decided to

award Naftogaz $4.63 billion in damages.

“The award means that Gazprom will have to make payments to Naftogaz in the order of $2.56 billion after residual payments for gas delivered in 2014 and 2015 have been settled,” the Ukrainian firm confirmed in a statement late Wednesday.

Gazprom confirmed the ruling and registered its disagreement with the Arbitration Institute of the Stockholm Chamber of Commerce, the state-run RIA Novosti news agency reported.

The head of Naftogaz, Andrei Kobolev, said on Twitter that the decision marked “an important day for the Ukrainian people and the future of European gas markets,” while Ukrainian President Petro Poroshenko congratulated Ukrainians and called the ruling “a convincing and historic victory!”

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