

Russia-Ukraine Gas Talks Resume as EU Seeks to Avert Supply Cut

By [Bloomberg](#)

September 19, 2019



Long-standing gas-price and debt disputes between Russia and Ukraine have disrupted deliveries to Europe in the past. **JanChr / Flickr (CC BY-SA 2.0)**

Russia and Ukraine are set to restart natural gas talks later on Thursday, with the European Union seeking to avoid disruptions in imports this winter from its biggest supplier.

In the past five years, mediation by the commission has helped avert disruptions in Russian gas supply to Europe via pipelines across Ukraine, the current deal on which ends this year. European traders are closely watching the trilateral talks as a potential delay in a deal or disruption in flows may affect prices during the peak winter demand season, with few signals that any party expects an immediate agreement.

“One shouldn’t expect any concrete agreements at this meeting,” Dmitry Peskov, spokesman for President Vladimir Putin, told reporters Wednesday. “Of course, a lot of detailed work needs to be done.”

Long-standing gas-price and debt disputes between Russia and Ukraine disrupted deliveries to Europe during freezing weather in 2006 and 2009. More than a third of Europe's gas comes from Russia, and most of that goes through Ukraine's Soviet-era pipelines.

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Russian Energy Minister Alexander Novak and his Ukrainian counterpart Oleksiy Orzhel are due to meet at 2:30 p.m. Thursday in Brussels to discuss stable supplies and transit of gas in talks hosted by Maros Sefcovic, the European Commission's vice president for energy union.

"Some warming in relations between Moscow and Kiev gives hope that there will be a normal constructive discussion," said Dmitry Marinchenko, a senior director at Fitch Ratings Ltd. "It's hardly possible to agree on all conditions of the future contract in just one day, there will be many iterations in this process, and bargaining is likely to last until the end of the year."

Ukraine has been increasing volumes in its storage facilities, preparing for a scenario in which Russia stops gas transit at the end of the year. On Tuesday, Naftogaz announced it signed an agreement with a "big international trader" to buy 450 million cubic meters of gas in the first quarter of 2020. The company said it already contracted needed supply volumes and is considering "several other offers from European traders" on supply next year.

Gazprom also intensified stockpiling. With low hub prices earlier this year encouraging storage, European facilities are more than 95% full more than a month before withdrawals typically start.

"We are watching and preparing our portfolio for all possible scenarios," Gyorgy Vargha, chief executive officer of MET International, a Zug, Switzerland-based commodity trader that stores gas across Europe and is also [active](#) in the Ukrainian market, said in an interview. "There might be an agreement already this year, some arguments are pointing there but with the politics, you never know."

While a recent exchange of prisoners between Russia and Ukraine signaled a bid to ease five years of conflict between the two nations, legal tensions between the EU and Russia over gas supplies have not subsided. A ruling by an EU court earlier this month limited Gazprom's usage of the Opal pipeline in Germany, which carries fuel from the Russian supplier's Nord Stream link under the Baltic Sea, circumventing Ukraine. Opal is a part of Russia's only direct gas export route to Europe.

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The verdict will be a factor in the trilateral talks with Ukraine and the EU, Novak said last week.

Potentially, the court decision leaves Russia in a weaker negotiating position with Ukraine over the extension of their gas-transit deal, according to BloombergNEF analyst Anna Borisova. That's because a decrease in Russian gas exports to Europe via Nord Stream could prompt Gazprom to export more gas via Ukraine.

“Before the court’s decision was made BloombergNEF estimated that the positions of Gazprom and Ukraine’s Naftogaz in the Ukrainian transit negotiations were equal,” Borisova said. “Both were preparing contingency plans for a no-Ukrainian-transit scenario. Their priorities may now change.”

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