

Medvedev, Merkel in Gas Talks

By [The Moscow Times](#)

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President Dmitry Medvedev goes to Germany to meet Chancellor Angela Merkel with a stronger hand than ever to win a long-held aim: closer access to consumers in the biggest market for Russian gas.

The host nation is Russia's third-largest trading partner and the biggest buyer of Russian gas, but the relationship has intensified since Germany announced the phase-out of nuclear power by 2022, increasing its need for alternatives.

The Russian delegation will include Energy Minister Sergei Shmatko and Gazprom deputy chief executive Alexander Medvedev.

Gazprom earlier this month announced exclusive talks with Germany's RWE for a joint venture in power generation, with an implied promise of fatter margins on its German sales.

Medvedev was set to meet Merkel in Hanover on Tuesday to discuss stronger energy ties, with hardware in hand to meet a potential increase in German demand for Russian gas.

"Germany's decision to close its nuclear industry by 2022 opens up new [energy] partnership opportunities ... including increasing Russian gas deliveries using the capacity of the Nord Stream pipeline," the Kremlin said in a briefing paper ahead of the meeting.

The Gazprom-led, 7.4 billion euro (\$10.5 billion) Nord Stream, which runs under the Baltic Sea to Germany, will transport 63 billion cubic meters of gas per year to Europe, around transit countries Belarus and Ukraine, where pricing conflicts have posed a threat to European supplies.

The first line of Nord Stream, which will carry 27.3 bcm — 70 percent of the volume Germany imported from Russia in 2010 — will be launched in October and the second one next year.

"There may be yet another line [added to] Nord Stream," Prime Minister Vladimir Putin said Friday.

Gazprom, fighting pricing pressure from spot markets and weak sales in Europe's economic downturn, has strutted its resurgent position in Europe since the Fukushima nuclear crisis in Japan, saying consumers would be happy to accept new 20-year take-or-pay deals.

Europeans have been more receptive to Gazprom's overtures, which have in the past been read in European capitals as an effort by Russia to gain political clout through increasing the continent's reliance on Russian gas.

Medvedev will also meet business leaders during the visit. Companies may sign several deals, including on electricity grids and a tire plant. The president "will ask for Merkel's view of the current financial situation in a number of European Union countries, Greece, Italy and others," his foreign policy aide Sergei Prikhodko told reporters in Moscow on July 15.

The European Union is Russia's biggest trade partner, having bought 48.9 percent of the country's exports in the first five months of this year, figures from the Federal Customs Service show. Investor concern that the euro area's credit crisis would engulf Italy, the region's third-largest economy, sent the ruble tumbling the most in seven weeks on July 11.

Medvedev and Merkel will oversee the signing of a dozen accords including for a Continental Reifen Deutschland tire plant in the Kaluga region, Prikhodko said. MRSK Holding, which manages Russia's interregional power distributors, and Siemens will sign an agreement to modernize electricity grids in Russia.

"We always said we are happy about each Russian investor who secures jobs in Germany and creates new ones. Russians are just as welcome here as American and French," said Eckhard Cordes, chairman of German-East European international trade association Ost-Ausschuss and chairman of Metro.

"This is also true for participations in the energy sector," he added.

(Reuters, Bloomberg)

Russia is offering Germany closer cooperation on rare earths as well as gas and oil supplies,

a Russian official said Monday ahead of an annual bilateral summit in Germany, Reuters reported.

Berlin has been trying to improve German industry's access to the prized metals, which are used to manufacture a range of high-tech products and whose supply has been hit by export curbs by dominant producer China, among other factors.

"There are very many rare earth deposits on the Kola Peninsula," said Valery Yasev, president of the Russian Gas Society and deputy head of Russia's parliament, adding that the two countries could increase cooperation in the area.

Germany's electronics industry has said the market for the 17 minerals with magnetic, luminescent and other properties has become critical due to reported restrictions on exports from China, which produces 97 percent of the world's supply.

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