

Kiev Tells EU Not to Worry About Lack of Gas This Winter

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Ukraine's Prime Minister Mykola Azarov has sought to allay fears that the increasingly tense discourse on gas trade between Moscow and Kiev will lead to yet another breakdown in supplies across Europe.

Ukraine will honor the existing contract to buy what it describes as overly expensive Russian gas until the countries sign a new deal, he said in comments that became widely known Monday.

"I want to say firmly and absolutely unequivocally to everyone that no one will ever see any kind of war, including a gas war with our strategic partner, with Russia," he said in a television interview late Sunday.

Tension has been building between Russia and Ukraine over gas supplies, with the presidents of both countries stepping into the fray over the weekend with abrasive statements. Similar

frictions led Gazprom to cut off deliveries to Ukraine several times over the past decade, in moves that ultimately caused companies and households further west to suffer shortages.

Kiev has been increasingly intent on altering the gas contract in recent weeks. It said Moscow should reduce the price of gas under the contract or face legal action in an international court. In another possible ploy, Ukraine said it wanted to break up its state energy firm, Naftogaz, and therefore the Russian gas contract would have to come under revision.

Ukraine's prosecutors are also questioning the agreement as they press charges against the country's former Prime Minister Yulia Tymoshenko, who is now incarcerated while standing trial.

President Dmitry Medvedev said Saturday that the Kremlin would not budge, and warned that any breach of contract would spell trouble for Ukraine.

"Russia is ready to defend its position on the contract in any court," the Kremlin said in a statement after Medvedev briefly met his Ukrainian counterpart Viktor Yanukovich on the sidelines of a summit in Dushanbe, Tajikistan.

Changes regarding Naftogaz should not interfere with the gas supply deal, the statement said. "Otherwise, it may entail grave consequences for Ukraine's economy," it said.

The Kremlin also noted that the proposed incentives from Ukraine for Russia to review the deal — which Kiev handed over to the Cabinet — were not sufficiently concrete. The statement did not elaborate on the proposals.

Azarov told reporters Monday that his government invited Gazprom to produce gas in Ukraine, offering a license to pump 1 trillion cubic meters of the fuel.

Moscow has, in exchange, indicated that Ukraine could count on a lower price, should it accede to the customs union between Russia, Belarus and Kazakhstan. Alternatively, another long-standing offer from Moscow was for Naftogaz to merge with Gazprom.

Ukraine brushed these proposals aside again in recent days. As one reason against joining the customs union, Azarov said doing so would require a revision of Ukraine's agreements as a member of the World Trade Organization.

"It's absolutely unrealistic," he said last week.

In a comment on the possible court action, Ukraine's Foreign Minister Kostyantyn Gryshchenko said Monday that the government would do "everything possible" to avoid suing Russia. Yanukovich also said Saturday after meeting with Medvedev that legal action was the last resort.

Under the gas supply agreement, Gazprom and Naftogaz are to take disputes to the arbitration court of the Stockholm Chamber of Commerce, the same court where the Russian-born billionaire co-owners of oil producer TNK-BP derailed the Arctic deal between their partner BP and Rosneft.

Gazprom is set to charge Ukraine \$500 per 1,000 cubic meters of gas in the fourth quarter

of this year. Naftogaz chief Yevgeny Bakulin reiterated Monday that his company considered \$230 per 1,000 cubic meters a reasonable price.

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