

Gas Talks to Restart in January

By [The Moscow Times](#)

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Ukraine and Russia will renew gas talks on Jan. 15, Gazprom said Monday, as they strive to avert a standoff over pricing, which in the past has led to supply cuts and gas shortages in Europe during New Year's holidays.

Both countries have pledged to ensure steady gas flows to the European Union, which relies on Russia for one quarter of its gas supplies, despite differences over pricing and the ownership of Ukraine's strategic gas pipeline system.

Kiev and Moscow have been locked in difficult gas talks for the past year as Ukraine, whose fragile economy is suffering from a budget deficit, seeks a cut in the cost of Russian gas, which is set to rise to \$416 per thousand cubic meters in the first quarter of 2012 to match what the EU is paying.

The price is currently about \$400 per thousand cubic meters. Ukrainian President Viktor Yanukovich said last week that he considered \$250 per tcm the highest acceptable price. But Russia has been adamant in saying Ukraine must stick to the multiyear contract signed

in 2009.

On Friday, Gazprom chief executive Alexei Miller and Ukrainian Energy Minister Yury Boiko met in St. Petersburg.

"The participants have taken note of the positive and constructive character of the 2011 talks and good perspectives for the next round of talks, which will take place on Jan. 15," Gazprom said in a statement Monday.

Unlike 2009, there is no clear deadline for a deal, which is seen as important for securing shipments of gas to Europe by establishing a price and joint control of the transit pipelines that carry more than half of Russian gas deliveries to the EU.

But Gazprom has little incentive to hurry a deal while it stands to gain leverage in the talks as Ukraine's fiscal position worsens. It also continues to collect the higher price stipulated in the current contract in the meantime.

Prior to the November launch of the Nord Stream gas pipeline, which started to pump gas directly to Germany along the Baltic Sea bed at a yearly rate of 27.5 billion cubic meters, Ukraine used to transship about 80 percent of Russian gas to Europe.

The rest passed through Belarus, which last month agreed to cede its gas pipeline operator Beltransgaz to Gazprom in return for cuts to gas prices, which will average at \$164 per tcm in 2012.

Russia would be glad to take over the gas pipeline system in Ukraine as well, but the idea has met with public outrage and fierce opposition in Kiev.

According to Russian Energy Ministry sources, Moscow offered to split pipeline ownership equally between Kiev and Moscow. A proposal also to include EU companies is on the table.

Nord Stream will double its capacity to 55 bcm a year when the second stage is commissioned by the end of 2012, further weakening Ukraine's position in the talks.

Moscow is also pushing forward with plans to build the 15.5 billion euro (\$20 billion) South Stream pipeline, a rival to the EU-backed Nabucco project, to carry 63 bcm of gas a year to Southern Europe via the Black Sea from 2015, in order to bypass transit countries such as Ukraine.

Gazprom CEO Miller said Monday that the implementation of the South Stream project hinges on gas talks with Ukraine. "South Stream has always been linked to Ukraine," he said.

A source in the Russian Energy Ministry told Reuters that Russia expected Turkey to give its nod to the pipeline to pass through its waters. Ankara's prior refusal to give South Stream the green light has been a stumbling block for the project.

A Russian delegation is due to meet with Turkish counterparts on Tuesday to discuss energy issues. "South Stream will effectively kill off the need to acquire Ukraine's gas transit system," the source said.

KIEV — Former Ukrainian Prime Minister Yulia Tymoshenko warned President Viktor Yanukovich in an open letter from jail on Monday against selling gas pipelines to Russia, saying such a move would strip Kiev of leverage with Moscow, Reuters reported.

Government and industry sources say Moscow insists on getting a stake in Ukrainian pipelines that ship Russian gas to Europe.

Kiev has so far refused to do this, but Yanukovich's government is in a difficult position as the price of gas is rising under the current agreement, stretching state finances at a time of global economic downturn.

"Don't you dare sell the gas shipping network," Tymoshenko wrote. "This is our last strategic resource."

Yanukovich, who narrowly beat Tymoshenko in the February 2010 presidential election, has accused her of betraying national interests by brokering a 2009 gas deal with Russia under which Ukraine pays a price linked to that of oil.

In Monday's letter she sought to turn the tables on Yanukovich.

"You are only being admitted to Gorki (the residence of the Russian president) because this (gas pipeline) system still belongs to Ukraine," she wrote. "Once you lose it, you will have no arguments to make for yourself or for the country."

Ukraine has long offered Gazprom and Ukrainian energy firms to create a three-party consortium that would run its pipelines.

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