

Ukraine Threatens Legal Action if Moscow Refuses to Lower Gas Prices

By [The Moscow Times](#)

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KIEV — Ukraine warned Saturday that it would take Russia to an arbitration court if talks with Moscow failed to roll back hikes in the price of natural gas that Kiev called an act of economic aggression.

Russia nearly doubled the price Ukraine pays for its gas this week, forcing Kiev, whose economy is in chaos, to enter into emergency talks with European neighbors to boost cheaper imports from the West.

Ukraine accuses Russia of using the price hikes as a tool of economic pressure after popular protests in Kiev ousted pro-Russian President Viktor Yanukovich in February, souring relations between the two countries.

Ukraine is still in talks with Russia to cut the gas price, which Moscow raised to \$485 per 1,000 cubic meters from a previously discounted price of \$268.50, making it now by far

the highest price in Europe for Russian gas.

The Russian gas export monopoly Gazprom says that on average it charges its European customers between \$370 and \$380 per 1,000 cubic meters.

Ukraine imports more than half its gas needs from Russia.

"If we do not come to an agreement [with Russia] then there is a procedure laid out in our contract, going to the arbitration court in Stockholm," Ukrainian Energy Minister Yury Prodan told journalists before a Cabinet meeting.

According to a 2009 contract, the price is calculated on the basis of several fuel product prices and Yatsenyuk said there were no economic grounds to increase prices for gas.

In raising the price, Russia scrapped two discounts. One was introduced in 2010 when Ukraine agreed to extend terms for Russia's Black Sea Fleet in Crimea until 2042 and the second was agreed in December after Yanukovich scrapped a trade deal with the EU in favor of closer ties to Russia.

Miller said that the discounts have disappeared "all strictly according to the contract" because Kiev has not paid for deliveries. He said the unpaid bill rose to \$2.2 billion as of the end of March from \$1.4 billion in December.

"They [Ukraine] fully understand why this discount has disappeared, they fully understand that the cancellation of the discount is Ukraine's fault," Miller said, adding: "We cannot supply gas for free."

Energy Minister Prodan said Ukraine would not siphon off gas from pipelines that cross its territory to deliver Russian gas to European consumers if Moscow turned off gas to Ukraine.

Ahead of Saturday's Cabinet meeting, Yatsenyuk ordered Prodan to carry out talks with energy official in Brussels to discuss "concrete steps" toward importing gas from Europe.

He said on Friday that Kiev was carrying out emergency talks with Slovakia, Hungary and Poland on supplies of gas from the West by reversing pipeline flow through infrastructure designed to carry Russian gas to Europe.

Gazprom's Miller said that reverse supplies from Slovakia may not be physically possible, which could mean it would be a "virtual reverse just on paper."

"In particular, I think that European companies that are willing to reverse supply gas to Ukraine should very carefully, very carefully, look at the legality of such operations," Miller said.

Currently about 40 percent of Russia's exports to Europe flow through Ukraine, with the rest sent to Germany via the Nord Stream pipeline under the Baltic Sea and via the Yamal Europe pipe through Belarus and Poland.

Yatsenyuk said the reverse gas could save Ukraine, which is on the brink of default, between \$120 and \$150 per 1,000 cubic meters. Ukraine consumed 50 billion cubic meters in 2013.

Prodan said Ukraine wanted to buy gas from neighboring Slovakia, but Slovakia's gas company had declined to allow Ukrainians to examine its current transit facilities.

Slovakia's Eustream, which operates the gas network, denied it had turned away Ukrainian requests to inspect its facilities.

Slovakia is the EU gateway for Ukrainian supplies, with the potential to reverse flow more than 20 bcm into Ukraine, which could meet more than a third of the country's gas demand, but not in a hurry. Ukrainian officials said they see possible imports from Slovakia at 10 bcm annually.

Analysts said it could take another six months for gas to actually start flowing from Slovakia to Ukraine, and that the link was unlikely to flow at maximum reverse capacity.

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