

Ukraine Needs More Gas to Avoid Problems in Winter

By [The Moscow Times](#)

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Gazprom Deputy Chief Executive Vitaly Markelov.

Ukraine needs a total of 18.5 billion cubic meters of gas in storage to avoid problems in winter, double what it has now, Gazprom deputy chief executive Vitaly Markelov said on Tuesday.

Moscow and Kiev are on the cusp of another gas war after Kiev has refused to pay at higher levels demanded by Gazprom. The Russian company is now asking for prepayment for June and says it will only provide gas that is paid for.

"According to our colleagues [in Ukraine], 9 bcm is in storage. To pass through autumn and winter periods normally, we estimate that [Ukraine] needs about 18.5 bcm [in total]," Markelov told a news conference.

"So around 9 bcm more is needed."

Ukraine wants to change the conditions of a 2009 contract that locked Kiev into buying a set volume, whether it needs it or not, at \$485 per 1,000 cubic meters — the highest price paid by any client in Europe.

Moscow dropped the price to \$268.5 after then-President Viktor Yanukovich turned his back on a trade and association agreement with the European Union last year but reinstated the original price after Yanukovich was ousted in February.

Twice in the past decade, price disputes between Moscow and Kiev have led to reduced supplies of Russian gas to European clients via Ukraine, a conduit for about half the gas Europe imports from Russia.

Ukraine received a first tranche worth about \$3.2 billion from a \$17 billion two-year aid program from the International Monetary Fund last week, which Moscow hopes Kiev will use to cover gas debt.

Anatoly Yanovsky, Russia's deputy energy minister, said on Monday Moscow would be ready to continue talks with Kiev on gas only after Kiev paid off its debt.

A Gazprom representative said on Tuesday gas flows to Europe via Ukraine remained stable.

China Turn

Russia supplies about a third of European gas needs, an amount which has spurred efforts to try to reduce their interdependence. Europe is scrambling to diversify supply, while faced with Western sanctions, President Vladimir Putin has looked to the east for new export markets.

Putin plans to visit China on May 20 and Gazprom hopes to sign a gas contract after years of talks to supply Beijing with 38 bcm per year — volumes comparable to deliveries to Germany, its biggest gas client.

Yanovsky said that the gas contract was "98 percent" ready. The cornerstone for Gazprom and Chinese CNPC disagreements was the price of gas. Sources told Reuters last month that Gazprom was hoping China would agree a price of \$10–\$11 per mmBtu (million British thermal units).

China is believed to pay \$9 per mmBtu to Turkmenistan, the Central Asian state that beat

Gazprom to the Chinese market.

Asked if Gazprom was considering inviting Chinese companies to develop its fields, an offer which could help spur moves to sign the contract, Markelov said: "We are not looking at such cooperation."

Rosneft, Russia's state oil company, also has big gas ambitions, including in Asia, and sources say it might be one of the factors to quicken Gazprom's decision to sign the deal with China.

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