

Russia Stands Firm on Ukraine Gas Pricing

By [The Moscow Times](#)

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Günther Oettinger, left, sitting alongside Alexander Novak during talks in Moscow on Friday.

Russian Energy Minister Alexander Novak said Friday that Moscow is prepared to offer Ukraine a discount of \$100 per 1,000 cubic meters of gas, sticking to the same position it set out during previous rounds of fruitless gas talks.

Novak spoke after meeting with EU Energy Commissioner Günther Oettinger in Moscow on Friday in an attempt to find a solution to the gas pricing row that saw Russia cut off deliveries to Ukraine in June, Interfax reported.

Relations between the two countries are in tatters. Ukrainian Prime Minister Arseniy Yatsenyuk on Wednesday warned that Russia plans to cut off gas supplies to Europe this winter and there are concerns that the escalating conflict in the country's east between Russia-backed separatists and the Ukrainian army will dominate the agenda of energy

negotiations between Russia, Ukraine and the EU.

Ukraine currently pays \$485.5 per 1,000 cubic meters, but wants to return to the price of \$268.5 per 1,000 cubic meters that was offered to former Ukrainian President Viktor Yanukovich late last year after he turned his back on an EU trade deal in favor of closer ties with Russia. During EU-mediated gas talks earlier this year, Gazprom said it was prepared to go back down to the average price for European customers, about \$380 per 1,000 cubic meters, but Ukraine refused the offer.

Novak said Friday that Moscow will agree the date for another trilateral meeting at the beginning of next week, though any hopes that Russian energy major Gazprom will lower its demands were dealt a blow by company head Alexei Miller, who also attended Friday's meeting along with deputy Finance Minister Sergei Storchak.

The broad outlines of Gazprom's negotiating position will not change while the company is engaged in a legal dispute with Naftogaz, Miller said Friday, ITAR-Tass reported.

Naftogaz and Gazprom filed suits against each other at a Stockholm arbitration court in June. Naftogaz maintains that it has been consistently overcharged by the Russian firm, while Gazprom says that Naftogaz owes \$5.3 billion for already completed gas deliveries.

Gazprom will only resume gas deliveries to Ukraine once it receives \$1.45 billion for 2013 supplies, Miller said as quoted by ITAR-Tass.

Ukrainian Energy Minister Yuriy Prodan said Kiev was disappointed by the "lack of constructive approach" from Russia on gas talks.

"We hear again about the price of \$385 ... due to a cancellation of fees. It, as the Russian side [would] think, means that the price of \$485 is fair and market. We think that this price is discriminatory," Prodan said in a statement.

Novak said the situation on the eve of the heating season is "critical" and warned that Ukraine might start siphoning off gas being sent to Europe via its pipeline network if it fails to add to its storage facilities before winter. He said Ukraine had stockpiled up to 16 billion cubic meters but needed to pump as much as 10 billion more into storage.

Oettinger said an interim solution needs to be worked out, as the international arbitration would not be able to resolve the pricing and debt dispute before mid-2015, adding that gas must not be used as a weapon in the Ukraine-Russia crisis.

Analysts have said that the dispute over Ukraine could sap momentum for the resolution of other EU-Russia energy issues including Gazprom's South Stream pipeline and the EU's third energy package that seeks to prevent energy suppliers from also owning distribution networks.

"The escalation of open military action by Russian could lead to the complete halt of negotiations about South Stream for many years. Moscow's agreement to all the EU's conditions will simply not be heard in Brussels," the founder of Eastern Europe Gas Analysis, Mikhail Korchemkin, wrote on his blog Thursday.

Material from Reuters is included in the is report.

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