UKRAINE GAS TRANSIT: WHAT’S AT STAKE

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By building the Nord Stream 2 and Turkish Stream gas pipelines, Russia is seeking to circumvent Ukraine for the transit of billions of cubic meters of gas bound to European countries. EURACTIV looks at the issues Europe faces with gas transit at its border.
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The clock is ticking. The long-term gas transit contract between Russia and Ukraine expires on 31 December. Chances that the two sides could reach a comprehensive agreement before this date are slim. EURACTIV looks behind the scenes of the dispute.

Ukraine is a key transit route for Russian gas to reach Europe. A current deal between the two post-Soviet countries regulating gas transit expires at the end of the year.

Time is running out to hammer out an agreement, with relations tense since Moscow annexed Crimea from Ukraine in 2014.

Ukraine has been earning $3 billion a year from transit taxes and would like to preserve as much of this income as possible. Moreover, the country has invested massively in its gas transport system and has made it profitable and in conformity with EU rules.

In the meantime, Russia is stepping up two big pipeline projects circumventing Ukraine: Nord Stream 2, bringing gas to Germany under the Baltic Sea, and Turkish Stream, which will ship gas under the Black Sea. The latter will tap into Balkan Stream, continuing on to Bulgaria, Serbia, Hungary and Austria.

In recent years, Gazprom's tactics in gas transportation have been to load the existing pipelines bypassing Ukraine to maximum capacity, while the Ukrainian corridor was used to

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respond to demand fluctuations.

Conversely, Ukraine stopped buying gas from Russia since 2015. Imports are carried out by reverse flow from European countries. There are currently three reverse routes, the main route is the Slovak one (capacity of nearly 15 bcm/y).

Russia likes to make the sarcastic remark that gas from reverse flows is also Russian gas. Ukraine retorts that it is cheaper than the gas Gazprom sells to Naftogaz.

In the winter, Ukraine uses gas from its huge underground gas storages (UGS), which have a huge potential also for clients in Western Europe.

There are a number of obstacles to a comprehensive new deal, such as the political row between Kyiv and Moscow, a pro-Russian insurgency in eastern Ukraine, and litigation between Russian gas supplier Gazprom and Ukraine energy company Naftogaz.

The attempt by the previous European Commission to mediate in so-called “trilateral gas talks” has failed. Ukraine and Russia have continued lately on a bilateral track.

The issue was also discussed in Paris on 9 December between Presidents Volodymyr Zelenskyi and Vladimir Putin.

Commission Vice-President Maroš Šefčovič, who mediated in the trilateral talks, has said that the Commission proposed that Russia and Ukraine conclude a transit contract of at least 10 years with a minimum 40-60 bcm/year ship-or-pay clause and the possibility to ship additional flexible volumes – between 20 and 30 bcm/year.

In comparison, in the last couple of years, more than 80 bcm/y were piped annually via the territory of Ukraine. Ukraine’s maximum capacity is more than 140 bcm/y.

The chances to reach an agreement in time to avoid a disruption are slim, not only because of the complexity of the talks, which involve contested payments under litigation, but also due to the interest of the Russian side to see the gas prices grow in the context of uncertainty. Gas storages in the EU are full like never before.

CAN NORD STREAM 2 AND TURKISH STREAM REPLACE THE UKRAINIAN TRANSIT?

Gazprom had such an ambition, but for various reasons, Nord Stream 2, with a planned capacity of 55 bcm/y, is late and will not be operational before mid-2020. Moreover, the project, as well as Turkish Stream, is likely to suffer from US sanctions.

The first pipe of Turkish Stream, with a capacity of 15 bcm/y, is designed for the Turkish market. Regarding the continuation of Turkish Stream into Bulgarian territory, under the name of Balkan Stream, the laying of the pipes is still ongoing.

Gas flowing via the second offshore pipe of Turkish Stream (also 15 bcm/y) is aimed at supplying Bulgaria, Serbia and Hungary, before the excess gas reaching the Baumgarten gas hub near Vienna (the same hub which used to receive gas transited via Ukraine).

At this stage, it is impossible to predict when the supplies via the Black Sea will reach Baumgarten and compensate for the missing Ukraine-transited supplies.

It appears therefore that Russia was unable to attain its goal: to be ready to supply the same amount of gas to clients in Europe by the two alternative pipelines, just in time when the long-term gas transit contract with Ukraine expires.

Moreover, even if and when Nord Stream 2 and Balkan Stream are operational, there will still be a need to transit gas via Ukraine. Skolkovo energy centre, a Russian think tank, estimates this need at 40 bcm/y, while the Commission has put the figure at 60 bcm. Even at official level Russia seems to accept that some transit via Ukraine will remain.

IS A REMAKE OF THE 2009 GAS CRISIS POSSIBLE?

Unlike in the winter of 2008-2009 when gas across Ukraine stopped flowing, leaving several EU countries in the cold (at least 11 people reportedly died, 10 of them in Poland), in 2019, the EU is much better equipped to face such a challenge.

Reportedly, gas storages in member countries have never been as full as now. However, it should be clear that in the absence of an agreement, in the morning of 1 January, gas will stop flowing from Russia into Ukraine. In such a case, the consequences will be less heavy, but still important.

Simon Schulte, head of gas markets, Institute of Energy Economics (EWI) at the University of Cologne, warns that a three-month disruption would have serious implications on gas prices. Prices will go up everywhere, but the countries in South-Eastern Europe are likely to be the most affected. [See report]

Ukraine’s transit has so far stabilised prices in the EU during demand peaks, as well as during maintenance of Nord Stream and of Yamal pipelines (once a year for each of them). The Ukrainian gas transmission system, being very flexible, has no such interruptions.

The biggest potential impact is on spot prices, which would jump in the event of a cutoff. Depending on the length of the disruption, gas flows also could be redirected and European demand for LNG could spike.

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BORISSOV: THERE WILL BE NO INTERRUPTION

Asked by EURACTIV on 13 December what will happen when the long-term gas transit deal between Russia and Ukraine expires on 31 December in the absence of agreement, Bulgarian Prime Minister Boyko Borissov was optimistic.

“The transit of gas via Ukraine will not stop”, he said, adding that he had expressed the same view on the occasion of his recent meeting with Donald Trump in the White House, and at the EU summit the previous night.

“Those dependent on the production of gas are the gas exporters. They are dependent on our money, on those invoices they are sending us and which we are paying. Will they renounce this? They won’t. Actually the opposite is true: more and more companies are trying to bring gas”, he said, alluding at the US LNG.

Bulgaria has already imported LNG from the US, reportedly at prices lower than those the country pays for Russian pipeline gas.

It is widely assumed that Russian authorities should know that it is not in their country’s interest to harm its image of a reliable gas supplier. However, with Russia entangled in so much power play in Europe and elsewhere, its leaders’ decisions are really hard to predict.
Ukraine's national oil and gas company, Naftogaz, said on Monday (16 December) that no agreement had yet been reached over the transit of Russian gas through Ukraine after 2019. As tensions grow, EURACTIV looked at the details.

"The parties continue negotiations at the level of experts as well as in the trilateral format mediated by the European Commission. The company [Naftogaz] will inform about any agreements reached through official sources", the statement reads.

The tug of war takes place amid allegations by Russia that transit via Ukraine has become unreliable following a 2009 spat over transit rules and prices that saw gas supplies to Europe briefly interrupted.

To circumvent Ukraine, Moscow has launched the construction of costly new offshore gas pipelines across the Baltic and the Black seas. Ukraine, meanwhile, argues that its own gas transportation system has improved hugely since the 2009 gas crisis.

The political agenda between Ukraine and Russia is lengthy and arguments concerning gas supply and transit are often biased. But what matters in the end for gas buyers in Europe is security of supply, price, and the impact of gas on policies to tackle climate change.

How do these considerations play in the case of on-shore and off-shore pipelines?

On the Russian side, the dominant narrative builds on the negative image of Ukraine as a transit route, following the gas crisis in the winter of 2008-2009. At that time, Russian President Vladimir Putin proposed taking part in the privatisation of Ukraine’s gas transport system.

**A BEAST FROM THE EAST**

Ukraine chose another way. After Russia’s annexation of Crimea in February-March 2014 and the crisis in Eastern Ukraine, still controlled by pro-Russian paramilitaries, a new team of managers led by Andriy Kobolyev started the transformation of Naftogaz.

At that time, in 2014, Naftogas represented a risk for the country's...
sovereignty. It was the country's largest loss-making company, responsible for a $8 billion “black hole” in the state budget, and for 27% of national spending. Today Naftogaz is Ukraine's largest taxpayer and the country's most profitable asset, with a net profit of $1.3 billion and contributing 15% of the state's budget revenue.

In January-November 2019 alone, Naftogaz contributed nearly 14% of the state budget revenue.

In line with the EU's newly adopted energy rules, Ukraine sought to align its policies with Europe and break up national companies in charge of gas transport and generation activities – the so-called “unbundling” rules.

However, Ukraine’s attempt to “unbundle” gas transport and generation activities, although required under EU law, was indirectly blocked by Russia’s Gazprom.

As a party to a 2009 contract Naftogaz had with Gazprom, the consent from Russia was needed to transfer competences to a new independent gas transmission operator, Ukrtransgaz-UTG.

In order not to jeopardise the existing transit contract, Ukraine decided to make the unbundling legally effective after the expiry of the existing transit contract. The Law on unbundling was adopted by Ukraine's parliament on 31 October 2019, meaning everything is now on track for the new gas transmission operator to start working as an independent entity from 1 January 2020.

But while Ukraine appears ready to apply EU rules and continue playing its role as the main gateway for Russian gas into the EU, Moscow is pursuing other plans.

Russia has stepped up two big pipeline projects circumventing Ukraine: Nord Stream 2, bringing gas to Germany under the Baltic Sea, and Turkish Stream, which will ship gas under the Black Sea. The latter will tap into Balkan Stream, continuing on to Bulgaria, Serbia, Hungary and Austria.

WHICH RUSSIAN GAS?

In a recent paper, Dr. Frank Umbach a German analyst at Global Intelligence Services (GIS) underlined that the gas Russia ships via Nord Stream is not the same as that which is now being supplied via Ukraine.

Gas bound for Germany via Nord Stream 2 will be fed from the new fields on the Yamal peninsula, where gas production in a permafrost environment is much costlier. Likewise, he calls “dubious” the Russian claim that transporting gas through the existing Nord Stream 1 pipeline is much cheaper than routing it through Ukraine.

According to Umbach, offshore pipelines, given their greater cost, are only cheaper at distances of 3,000 kilometres or less. Since the Yamal fields are 4,300 kilometres from Germany’s Baltic coast, including the 1,200-kilometre Nord Stream segment, this rule suggests that imported North American or African LNG – or certainly the Russian gas transited via Ukraine – could be cheaper than gas from Yamal.

Umbach also considers that gas transiting via Nord Stream is currently heavily subsidised from more profitable gas fields in Western Siberia, suggesting this may not be financially sustainable in the long run.

The German analyst also points to climate change risks, related to the Continued from Page 7

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melting permafrost on which onshore sections leading to Nord Stream 2 are located.

FINANCIAL AND ECOLOGICAL RISKS

Speaking to EURACTIV on Monday (16 December), Umbach raised the issue of the EU’s official climate policy, which is based on the assumption that conventional natural gas should be reduced after 2030.

His argument is that the two Russian assumptions for building Nord Stream 2 proved wrong. Recalling a meeting in which he participated in Berlin a year ago, he said that Klaus-Dieter Borchard, deputy director-general for energy at the European Commission, made this point to representatives of the German gas industry, and to a representative of Rosneft, the leader of the Russian oil sector and the largest global public oil and gas corporation.

The Rosneft representative “was obviously shocked, because the commerciality of Nord Stream 2 was based was firstly on a much higher gas price, which decreased to record low meanwhile, and secondly to a higher duration, far beyond 2030”, Umbach said.

“The investments in Yamal have been made in 2002, going up to $250 billion, according to some estimates, and if you add $40-50 billion for building the new pipeline from Yamal to St. Petersburg, this kind of decision cannot be rectified”, he said.

Regarding the melting permafrost, Umbach said that increased risk and costs have upset the Russian planning, not to mention the huge emissions of methane freed in the atmosphere. In his words, Russia has invested “nothing” in the maintenance of its old pipelines leading to the traditional Ukrainian route.

Asked if offshore pipelines could be repaired in case of need, Umbach said it was more risky and time-consuming than dealing with conventional pipelines.

“Repairing a land pipeline, of course it depends of the kind of damage, takes 3 or 4 days, and according to estimates repairing an offshore pipeline takes weeks”, he said, adding that another aspect were the huge underground storages along the old Ukrainian route, but nothing similar on the side of Nord Stream 1 and 2. If the Ukrainian route is not used sufficiently, this, implies security risks for the European side, he said.

Danila Bochkarev, a Senior Fellow at the EastWest Institute, took a different view concerning the security of on-shore and off-shore pipelines, which he considers equally reliable.

On the account of the carbon footprint, he evaluates the older Ukrainian corridor at a 60% higher carbon footprint, compared to the same amount of gas shipped via Nord Stream 1.

Russian President Vladimir Putin and his German counterpart Angela Merkel discussed the Nord Stream-2 natural gas pipeline to Germany and the transit of Russian gas to Europe via Ukraine in a phone call on Monday, the Kremlin said on Tuesday.
Ukraine has for decades counted exclusively on Russian pipeline gas, for its own use and for the lucrative transit taxes. But the tensions with Russia after 2014 and the low prices of LNG have changed the paradigm completely.

One of the least known secrets is that LNG from the United States has become highly competitive versus Russian pipeline gas. The unconventional gas revolution in the US has boosted the US economy and the country’s export capacity to 112 bcm/y as of 2020, more than doubling the capacity in just 18 months.

According to the International Energy Agency, in 2018, Europe saved 88 billion on its natural gas bills thanks to the import of US LNG. This huge difference is also the result of a downward renegotiation of Russian pipeline exports.

Even a country like Bulgaria, probably the most “addicted” to Russian pipeline gas, bought the first LNG from the US last May, at prices which were not disclosed. But as energy minister Temenujka Petkova said, they were lower than what the country pays for Russian pipeline gas.

Imports from the US are expected to grow substantially, after Bulgaria and Greece complete in 2020 the gas interconnector Stara Zagora-Komotini.

LNG is natural gas that is cooled to -161 C, at which point it becomes a liquid and occupies only 1/600th of its

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original volume, making it convenient for shipping. The process needs liquefaction plants, specially designed ships fitted with cryogenic cooling tanks, regasification terminals.

Russia says the process is very expensive and pipeline gas will always be cheaper. But Russia has also hugely overspent on developing gas in the northern Yamal peninsula and cannot push its price down.

The whole Russian strategy of having long-term contracts for imported pipeline gas is in shambles, as clients seek flexible commercial terms. As an example, it is impossible to imagine that the 10-year Russia-Ukraine gas transit contract expiring on 31 December 2019 could be renewed in terms similar to those of 2009.

**EUROPE’S LARGEST GAS STORAGES**

As it is impossible to predict what will happen after 1 January, Ukraine doesn’t keep all its eggs in one basket. One of the assets the country inherited from the former Soviet Union are the huge underground gas storages (UGS), the largest in Europe, located mainly close to the border with EU neighbours (Poland, Slovakia, Hungary, Romania).

These UGS, with a capacity of 31 bcm, can store gas purchased from the Baltic Pipe and Świnoujście LNG terminal in Poland. Moreover, 10 bcm of storage capacity in the West of Ukraine is unutilised because of bottlenecks created by Gazprom. Unlocking those interconnectors between Ukraine and the EU will make those 10 bcm of extra storage available for traders.

Ukraine’s strategy is to accumulate gas when the prices are low and sell it to EU consumers during price increases, thus mitigating price spikes. The role of Ukrainian UGSs gets even more significant in balancing scenarios with gradually growing LNG influx to Europe.

Andrew Favorov, head of the Integrated Gas Business Unit at Naftogaz, told EURACTIV that Ukraine could also serve as gas storage for distant clients. He explained that the world gas production during the year is uniform, while the consumption is seasonal, peaking in the first and the last quarter.

“The most profitable market for gas supplies is Asia, mainly Japan, South Korea and China. Therefore, gas producers target those markets for supplies. But the Asian countries do not have gas storages. The world gas summer production needs to be stored somewhere, and Ukraine has a huge potential for the commercialization of its storages. We see that this service is requested,” he said.

Favorov also said that European independent traders already store in Ukraine significant volumes that were injected during the summer and will be used during the winter.

“All the preconditions to make this business successful are there”, he stressed.

An additional reason why Ukraine really needs to be prepared for a completely different gas business is the uncertainty about the two Russian pipelines bringing the Russian gas into Ukraine.

Reportedly, these have not been properly maintained over the last 30 years and there is a risk that Russian gas will stop flowing in Ukraine for purely technical reasons.
As Ukraine unbundles its gas system, the architect speaks

By Georgi Gotev | EURACTIV.com

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nbundling the gas transmission system of Ukraine will become effective on 1 January 2020. This is a major milestone following years of internal bickering, as well as obstructions from the Russian side. EURACTIV spoke to chief unbundling architect, Clare Spottiswoode.

Ukraine is a party to the Energy Community Treaty and has an Association Agreement with the EU. Both require aligning legislation in the energy field with the EU acquis, namely with the rules on the internal electricity and gas market in the Third energy package.

On 17 November, the long awaited “Unbundling Law’ came into force after being passed by the Parliament on 31 October. The Energy Community commented that “following years of inertia and political infighting, the adoption of the Law removes one of the main obstacles to compliance in the country’s gas sector and for the continuation of long-term gas transits from Russia”.

There were obstructions from Moscow – as a party to the existing gas transit agreement between Naftogaz and Gazprom, consent from Gazprom was needed to transfer rights/obligations under the existing contract to a new independent GTS Ukrainian operator (Ukrtransgaz (UTG)).

UTG, a subsidiary of Naftogaz, has already reassigned nearly 10,000 employees involved in gas transmission and ensured that all necessary business processes and IT-systems are in place. The dispatching centre, the heart of the transmission operation, is fully transferred to the Transmission System operator (TSO).

The Russia-Ukraine gas contract contract expires on 1 January, and this is also the day when UTG is ceding the TSO to Mahistralni Gazoprovody Ukrainy (MGU), a state-owned company, which is independent from Naftogaz group.

Along with the handover of the TSO ownership to MGU, the government will transfer the gas transmission system under full operational control of the new TSO, led by CEO Sergiy Makogon.

The control over the MGU itself is transferred to the Ukrainian Ministry of Finance. According to law, no interference from their side is possible into the operational/investment activities of the TSO.

“We just had a long meeting with the MGU, the supervisory board, and we were just confirming that making sure that everything was fine. They were happy that they had all the skills and the people they needed to run

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the unbundling from 1 January”, said Spottiswoode, speaking on the phone from Kyiv on 18 December. She has the title of chairwoman of the supervisory board of Naftogaz.

Spottiswoode paid tribute to the Naftogaz CEO Andriy Kobolyev, who has run the state company since the 2014 Ukrainian revolution, when he was chosen as an outsider untainted by the corruption of the regime of Viktor Yanukovych.

“Andryi and I promised that we would deliver on bundling and I think many people just didn’t believe us. They were very sceptical. But […] it’s all done and it will be delivered”, she said.

Spottiswoode came on board Naftogaz in January 2018. She explains:

“One of the reasons I was appointed is because I did the first ever unbundling in the whole world in the UK. Because we were introducing competition, and in order to create vibrant competition, we had to separate out the monopoly parts, which is the network, the pipes. And so I had to work out a design for unbundling our pipelines to ensure that we could get competition. So we did that in the UK. So it’s somewhat of a surprise to me when I came back to this job in Ukraine that the European Commission has adopted a model for unbundling which is identical to what I designed all those years ago. So it’s very familiar to me, the whole process of unbundling and how to do it”, she said.

Asked about the Russian obstructions, Spottiswoode said that unbundling was a complicated and time-consuming task.

“To me, 1 January 2020 was actually quite a quick date to deliver everything you need to do to get unbundling done. So to me, [the deadline with the expiry of the Russian gas contract] has never been a constraint”, she said.

Asked what the difference between unbundling in the UK and in Ukraine was, she said the task in the UK had been greater.

“We had to unbundle the pipelines, not just the national pipelines that we’re doing here, but also the tiny pipes going into each individual premises, each individual house. So our task was far bigger than what we’re doing here. And also it has never been done before, so we had to work out from scratch, what model to use and what was important, how to make sure that we had the computer systems in place. And that was 1996, a long time ago. Computers were far less powerful then. I think that was a far, far more difficult process”, she said.

She also said that in the UK, the political circumstances had been easier, while in Ukraine, there was “another set of complexities”, with a change of administration halfway through, and international implications with Russia and the EU.

Regarding relations with Russia, she mentioned another Ukrainian request for the Arbitration Institute of the Stockholm Chamber of Commerce to rule on a $12 billion claim against Gazprom. Ukraine already won one such legal battle to the tune of $2.5 billion.

Asked to explain this claim of huge dimensions, she said:

“Andriy [Kobolyev] described it to the British ambassador really well, he said just imagine you’ve got a $1000 iPhone and you lease to someone for a year, but they give it back to you after six months having paid you half the lease, and then you lose out on money because that iPhone isn’t worth the same to you, particularly if they’ve locked it and you can’t use it.” She continued:

“So what we are doing here is we’re saying to Gazprom, we have all these pipelines that were designed specifically for you. We can’t use them for any other purpose, you are now not providing us with any transit. Therefore, you should pay for the value of those assets that you are forcing us never to be able to use. They were built for you. They are designed purely for your system, we can’t use them in any other way. Therefore, you owe us for the value that you are depriving us of and there are also legal reasons why that is money owed to us.”

Asked if the Russians accept this narrative, she replied “Of course not”. Asked about the ongoing talks with Russia to possibly continue gas transit via Ukraine, in which the Stockholm arbitration appears to be a bargaining chip, she said it didn’t make sense for Ukraine “to throw away” the value of the Stockholm arbitration.

Asked what would happen on 1 January in the absence of an agreement, if Russia continues to pump gas in Ukraine, as an expert recently ventured to imagine, Spottiswoode said that firstly, Russia would be “stupid” to do that.

“If they did that, we would just say, right well, that's unknown gas, it has no owner, it is ours thank you very much. If they proved it was Russian gas, then we will say right, we'll take those assets because you have owe us a lot of money. So we’re restraining your assets around the world in order to get paid the debt that you owe us from Stockholm. So, I mean, Russia might do that, but I don't know why they would. I mean, you never know.”

And she added:

“But I don’t know what the TSO will do, it’s possible they will just shut down the valves anyways, so that they can’t send gas. Because if there’s no transit agreement, and there’s no interconnection agreement, then why would they not close down the valves?”
Moscow and Kyiv on Monday (30 December) signed a five-year agreement on the transit of Russian gas to Europe via Ukraine, after months of difficult talks but just ahead of a looming New Year deadline.

The current gas transit deal between the two ex-Soviet countries expires Tuesday and ties between them have been shredded since Moscow annexed Crimea in 2014 and supported a separatist insurgency in eastern Ukraine.

Some 18% of the European Union’s annual natural gas consumption comes from Russia via Ukraine, putting additional pressure on EU officials who helped to broker the deal.

“Ukraine has signed a five-year transit contract,” Ukrainian President Volodymyr Zelensky announced on his Facebook page, nearly two weeks after a provisional deal was agreed.

“A whole complex of documents has been signed,” allowing “the transit of gas after 31 December,” Alexei Miller, the boss of the Russian gas giant Gazprom told Russian media.

It is expected that Gazprom will

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transit at least 65 billion cubic meters of natural gas via Ukraine next year, then at least 40 billion per year from 2021 to 2024, said Zelensky, earning Kyiv “more than seven billion dollars”.

Other details unveiled by Ukraine’s Naftogaz include the $2.918 billion compensation paid by Gazprom under the Stockholm Arbitration Awards of December 2017 and February 2018, which was received by Naftogaz on 27 December 2019, as well as a withdrawal from all arbitration proceedings where final decisions have not been rendered yet.

The EU has mediated in the difficult Ukraine-Russia talks.

“We have demonstrated Ukraine’s reliability as a transit partner for the EU. Our team is grateful to the European Commission for its consistent position and certifying that the Ukrainian GTS is reliable and efficiently managed. We are also grateful to the US for their firm support of energy security in Europe,” Naftogaz CEO Andriy Kobolyev said.

Last year Russian gas giant Gazprom supplied Europe with 200.8 billion cubic metres of natural gas, with about 40% going through Ukraine, earning the country around $3 billion a year in transit fees.

Russian President Vladimir Putin said earlier this month that Moscow wanted to keep some gas flowing through Ukraine, despite having built several pipelines to Europe since the current deal was agreed a decade ago.

It comes days after Russian energy giant Gazprom paid $2.9 billion to Ukraine’s Naftogaz to settle a long-running dispute over transit fees, in what had been a major stumbling block to agreeing the new deal.

Russia’s gas pipelines include the Nord Stream 2 project due to be completed by the end of next year, which seeks to double gas volumes to Germany.

The United States has long opposed the €9.5 billion project and the US Senate voted last week to slap sanctions on companies working on it. Washington insists the pipeline would give Russia too much influence over security and economic issues in western Europe.

As EURACTIV revealed, the US is also ready to impose sanctions to any additional lines to Turkish Stream pipeline.

Transit problems for Russian gas began after the fall of the Soviet Union when an independent Ukraine won control of the pipeline infrastructure.

Several supply crises followed, with Russia using gas as a weapon against Ukraine and cutting supplies repeatedly in 1992, 1993 and 1994.

The current contract between Russia and Ukraine was signed following the last gas crisis which ended up disrupting European supplies in the winter of 2008-2009.
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