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Gazprom taking a tougher stance on Lithuania

The Lithuanian energy minister Arvydas Sekmokas announced on 26 August that a letter from Gazprom received by the Lithuanian authorities, containing a protest against plans to reform the Lithuanian gas sector as being contrary to the interests of Gazprom, was written in a way that resembles an ultimatum. Sekmokas said that Gazprom's warning that it would bring the matter for consideration to an international court of arbitration was the application of pressure on a sovereign state.

Gazprom opposes Vilnius's plans to split ownership in the area of the monopoly's activity on the Lithuanian gas market, the company Lietuvos Dujos (LD, owned by Gazprom -37.1%, E.ON Ruhrgas - 38.9% and the Lithuanian state - 17.7%). The Lithuanian government's decision goes in line with the guidelines set in the EU Third Energy Package. LD will be split into two companies, one of which will handle transmission and the other the distribution of gas, which is 100% supplied by Gazprom. Gazprom is threatening it would claim damages because the Lithuanian government, having failed to consult the changes with Gazprom, is in breach of the agreement on the protection of mutual investments. The reform of the gas sector, which complies with the European Commission's guidelines, offers Lithuania the opportunity to regain control of the gas transmission company and the network of gas mains, owned currently by LD. If this move is not made, any attempts to decrease Lithuania's dependence on supplies of expensive Russian gas (building an LNG terminal or a gas pipeline to Poland) will be in vain.

If the government continues actions which are contrary to Gazprom's interests, this will result in a sharp confrontation with the only gas supplier and a need for Vilnius to accept higher gas prices than those paid by Western European countries for a longer time. Lithuania will feel the gas strain more in November, when Gazprom fulfils its promise of lowering the gas price for Latvia, where it also controls the gas company. However, Latvia is the only Baltic state not to declare its intention to regain state control over the gas mains. <jhyn>