

The European Commission inspects Gazprom's European companies

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On 27 September, the European Commission carried out unannounced inspections (of the documentation of gas contracts, among other items) of 20 companies in 10 EU countries. The inspections covered Gazprom's subsidiaries and joint ventures in Central Europe (including Gazprom Germania, Lietuvos Dujos, Eesti Gaas, Latvijas Gaze, Vemex in the Czech Republic, and Bulgaria's Overgas) as well as contractors for the Russian monopoly (including PGNiG, OMV, E.ON, RWE, SPP and Bulgargaz) and the transmission operators in some of these countries (such as Poland's Gaz-System and Bulgartransgaz). These inspections are a preliminary step in the EC's anti-monopoly proceedings concerning Gazprom-dominated regional gas market, which has never been comprehensively studied; the Commission conducted a similar investigation into Western European corporations in 2007-2010. The proceedings concern compliance with the rules of competition, including how supplies are organised, access to transmission infrastructure, and pricing policy. Gazprom's reaction was non-confrontational. The company declared its readiness to cooperate with the European Commission, and expressed the hope that its interests would not be jeopardised. Prime Minister Vladimir Putin expressed similar opinions.

Commentary

- It is possible that one of the formal reasons for initiating this investigation was the appeal made to the European Commission by Lithuania, which has been in conflict with Gazprom for some time, for it to investigate the Russian company's monopolistic practices on its market, which include the inflation of prices. In addition, Gazprom does not agree with the loss of its shares (37%) in Lietuvos Dujos – the monopoly on the Lithuanian gas market – which it has to give up within the full unbundling model (separation of the ownership of transmission and supply network) which Vilnius has chosen, in line with the EU's third energy package. The EC's participation in resolving this conflict could serve as a model in similar situations.
- The inspections may also be a reaction to the dispute which has been ongoing for two years between Gazprom and most of its European customers on gas prices and conditions for long-term contracts, which were signed in different market conditions (i.e. before the current economic crisis, which caused a drop in demand for gas). Gazprom is manipulating its gas prices for individual customers, on the basis of whether the

individual states are more or less ready to grant economic and political concessions to Russia.

- The Commission's increased activity in its long-time conflict with Russia on how the EU energy market should operate (including the third energy package) is part of its efforts to strengthen its position and become the coordinator of a common energy policy for the EU countries. Among other actions, the Commission has long sought the right to participate in the negotiation of contracts for the supply of gas onto the EU market.
- Moscow's calm reaction to the EC's inspection is probably due to the belief that fundamentally revising the already-agreed contracts will not be easy, particularly as there is currently a lack of a sufficient infrastructure which could provide significant alternatives to Russian gas supplies. According to Russian commentators, the EU's procedures will take many years, and even if the inspection's results are unfavourable for the monopoly, Gazprom can cover any possible financial penalties.