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CENTRE FOR EASTERN STUDIES 27.07.2011 www.osw.waw.pl

Gazprom reduces gas price for Italian contractor

On 22 July, Gazprom agreed to reduce the price of Russian gas purchased by the Italian energy company Edison. This is the first ever case of the Russian monopoly approving the revision of a long-term contract's conditions. Gazprom's concession will not bring it any significant financial loss, but it could complicate its negotiations with other European contractors.

The agreement closes a two-year dispute between Edison and Gazprom over gas prices. Edison advocated lowering the price of Russian gas in long-term contract prices to the level of short-term market transactions (in 2010, prices of Russian gas were higher than EU spot market prices by an average of US$80 per 1000 m^3). This agreement became possible only after Edison referred the case to the Court of Arbitration in Stockholm late last year. It was the first case in the EU where the Russian monopoly's prices were challenged. According to information from unofficial sources, it appears that Gazprom agreed to an adjustment of the contract which covered both the price formula for the raw material and an easing of the 'take or pay' condition (the parties have not revealed the details of the agreement). In this sense, the concession by Gazprom (which in its negotiations with contractors had previously ruled out the possibility of revising the principles of long-term contracts) can be considered as precedent-setting. Although the concession will not expose Gazprom to overly heavy losses – Edison is one of its smaller contractors (Gazprom is contracted to supply 2 billion m^3 of gas per year until 2022) – it is likely to weaken the Russian monopoly's negotiating position. Currently, all of Gazprom's customers in Europe are demanding a revision of its pricing policy. <epa>