

Russian Federation: Gazprom announces a fall in gas transit via Ukraine

On 25 May, Gazprom CEO Aleksei Miller announced that after the Nord Stream pipeline is activated, the transit of Russian gas through Ukrainian territory will fall by around 20 billion m³ per year. This statement should be regarded as an attempt to put pressure on Kiev in the ongoing Russian-Ukrainian negotiations on the future of the Ukrainian gas transit pipelines. However, we should not rule out the possibility that after the Nord Stream pipeline starts operating, transit through Ukraine may indeed fall significantly.

Last year, Gazprom sent 98 billion m³ of gas through Ukraine's territory, of which about 70 billion m³ crossed Slovakia to Western Europe. Of this amount, the Russian company intends to redirect approximately 20 billion m³ to the Nord Stream pipeline after it becomes fully operational (the first branch should be ready by autumn, and the second in 2012; a total of 55 billion m³). This will mean a loss to the Ukrainian budget of approximately US\$600 million annually from the profits of the transit. Although Gazprom stated it would transfer 110 billion m³ per year until 2019 in the transit protocol it signed with Ukraine in January 2009, that document did not include any penalties for failure to meet commitments. The status of another document from December last year, in which – according to the Ukrainian energy minister Yuri Boyko – Gazprom agreed to send 112 billion m³ of gas per year by 2015, is also unclear.

A fall in transit via Ukraine after Nord Stream is activated seems likely, especially if Gazprom does not assume control over Ukrainian pipelines. The Russian company has only contracted to sell gas from the first branch of the new pipelines (27.5 billion m³), which means that the second branch (considering current forecasts of a rise in the consumption of Russian gas in Germany) may be used to transmit part of the gas which had hitherto been sent via Ukraine. <WojK>