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Wide variations in prices for Russian gas in Europe

On 24 February, the Russian press agency Interfax revealed data on the average prices of Russian gas in 2010 for certain European countries. They show wide variations in the prices: for example, the United Kingdom paid nearly half as much for gas than Hungary did. Russia's gas prices were largely dependent on competition on the market, access to alternative sources of raw materials, and the relationship of the individual parties with Gazprom.

Citing a source close to Gazprom, Interfax reported that the average price of Russian gas in 2010 for the United Kingdom amounted to US$191 per 1000 m³. German and Finnish customers paid $271 per 1000 m³, the French $306, and the Italians $331. The highest price was paid to Gazprom by Central and Southern European countries: Hungary $348, Poland US$336, and Greece as much as $357 (the Interfax report did not give the prices for the Baltic states; Lithuania complains that it pays the highest price). Furthermore, the European recipients of Russian gas (apart from Britain, Germany and the Netherlands) paid more in 2010 for Russian gas than they had done in the previous year. Gazprom's offer to London is the result of the liberalised British gas market, much competition (in the form of supplies of LNG, and Britain's own extraction) and a highly-developed transportation infrastructure. The lower gas prices for the countries of continental Western Europe came about mainly as a result of negotiations with Gazprom, as a consequence of which the German companies E.On Ruhrgas and Wingas and France's Gas de France increased the amount of gas (up to 16% of the contractual amount) they purchased from Russia at spot prices (which in 2010 were lower than the prices in long-term contracts), and the Italian firm ENI negotiated a discount of around $40 per 1000 m³. The individual companies' negotiating positions did not depend solely on how much gas was bought in Russia (Turkey, Gazprom's second biggest customer after Germany, paid $328 per 1000 m³), but primarily on those countries' access to alternative sources of gas, or on the development of their infrastructure, as well as on the business and political links which the individual companies had with Gazprom. <iwo>