Analyses OSW

CENTRE FOR EASTERN STUDIES 15.12.2010 www.osw.waw.pl

Ukraine: agreement on controversial gas

RosUkrEnergo (RUE), a former Russian/Ukrainian intermediary company engaged in gas export, has reached an agreement with Naftogaz Ukraine and Gazprom on the adjudication by a court of arbitration in Stockholm, which requires Naftogaz to give back to RUE 11bn m³ of gas taken over in 2009 by the Tymoshenko government, as well as 1.1bn m³ of gas as compensation for the losses. This agreement is primarily beneficial for RUE, which is co-owned by the Ukrainian businessman Dmytro Firtash, and it shows once again how strong his influence on the Ukrainian government is.

The June verdict by the court of arbitration in Stockholm was confirmed on 24 November by the Ukrainian Supreme Court. On 29 November, the three parties announced their agreement, which to some degree reverses the provisions of 2009. Naftogaz is to return 12.1bn m³ of gas to RUE; in return, RUE must give back to Naftogaz US$1.7bn and US$450m charge for transit and storage of the gas, and also repay its US$800m debt to Gazprom. This settlement is unfavourable for Naftogaz, as it will lose about US$900m; this derives from the difference in gas prices (in 2008 it cost US$154, but currently the price is US$100 higher). On 7 December, the energy minister Yuri Boyko confirmed the transfer of US$1.7bn to Naftogaz's account. It is currently not clear how Naftogaz will return the gas (unconfirmed information says that it will be returned in instalments over five years), or whether it will be sold on either the Ukrainian market, or on the European market via Gazpromexport. Even if the gas is returned in instalments, it will adversely affect the already difficult financial situation of Naftogaz. <smat>