

Russian Federation: Edison v. Gazprom under arbitration in Stockholm

On 2 November the head of the Italian gas group Edison, Umberto Quadrino, reported that his company has filed a lawsuit at the Court of Arbitration in Stockholm against Promgas, a company belonging to Gazprom and Italy's ENI. The suit calls for a reduction in the price of Russian gas in a long-term contract. This is the first case in the EU of a lawsuit being brought against the prices set by a Russian monopoly. So far Gazprom has dealt with similar disputes with large companies (such as E.ON, GdF, ENI and Botas) on the basis of compromise. The Edison case confirms that EU customers of Russian gas are still working to change the terms and conditions of their contracts with Gazprom, including those relating to how prices are set.

Edison has claimed that by buying Russian gas on the basis of a long-term contract (2bn m³ per annum until 2022), it is obliged to pay significantly more (US\$300-320) than the price of the gas in spot deliveries (US\$240-250). The purchase of gas under the present conditions means that the company expects to remain in the red until 2013; in the third quarter of this year alone it lost €37 million. For this reason, Edison is demanding that Promgas lowers its gas prices to the level of the spot prices. The appeal to the Court of Arbitration comes after failed negotiations with Promgas on reducing prices. However, it seems that Gazprom will work for an out-of-court settlement, as is demonstrated by the words of its deputy head Alexander Medvedev, who stated that the problem will be resolved before the court hands down a ruling.

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