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Ukraine: on the way to a gas consortium?

Ukraine has intensified discussions on the future of gas transit and the modernisation of its gas pipeline network. On 14 October, Prime Minister Mykola Azarov talked with the European Commission about gas cooperation. The Ukrainian government also announced that this subject will be discussed as part of the intergovernmental Ukrainian/Russian commission on economic cooperation to be held on 26-27 October, and will most likely be the subject of the Ukraine/EU/Russia negotiations on 22 November. In its relations with Russia, Ukraine is striving to maintain the size of gas transit, and to change the current formula for gas prices, whereas the EU is supposed to guarantee Ukraine counterbalance towards Russia. These conducted and planned negotiations may bring closer the realisation of a tripartite consortium for managing Ukrainian gas pipelines.

After meeting Azarov, the Russian energy minister Sergei Shmatko stated that Russia is ready to consider Ukraine's request to change the price formula in the contract to deliver gas. Previously, Russia categorically refused any such possibility. The change in the Russian position may be a signal that Ukraine has expressed its readiness to make concessions, and may allow Russia to co-manage Ukraine's gas pipeline system. This is also confirmed by the government's acceptance of a project to change the law on pipeline transport at the point which forbids changes of ownership, concessions and reorganisation in the state enterprises responsible for this transport. Ukraine is ready to discuss the creation of a consortium (without transferring the infrastructure's ownership rights), in which not only Russia, but also the EU would participate. In exchange, Kyiv expects help in modernising its network, as well as long-term guarantees of the amounts of gas to be transferred. However, it is hard to say whether Russia will agree to so little of its goals being achieved, as the creation of such a consortium would be. It would operate under the conditions of a new law on the gas market, prepared in accordance with EU directives. On the other hand, such a consortium might currently be Russia's only real achievement in the face of its proposition – which Ukraine has categorically refused – to contribute its gas pipelines to a joint company consisting of Naftogaz and Gazprom. <AnG>