

Kazakh oil again to flow to Ukraine

During President Nursultan Nazarbayev's visit to Kyiv on 14-15 September, agreement was reached concerning the resumption of Kazakh oil transit through Ukrainian territory. The resumption of transit and supplies will have great significance for Ukraine whose pipeline system is currently only 25% utilised and whose refineries are not exploiting their production capacity due to a lack of fuel.

The talks with Ukraine's president, Viktor Yanukovich, were mainly on the subject of cooperation in the field of energy, e.g. the creation of a joint Russian-Ukrainian-Kazakh firm producing nuclear fuel. Furthermore, Ukraine gained the support of Kazakhstan in its efforts to obtain the chairmanship of the OSCE in 2013. Above all, however, the main achievement was the agreement on the resumption of oil from Kazakhstan to the amount of 8 million tonnes annually; a part of this looks set to be used in Ukrainian refineries (most likely in Kremenchuk) and the remainder transported via pipelines along the Dnieper river to the port in Odessa where it will be exported on. This solution is possible due to a weakening of the position of Ihor Kolomoyskyi in UkrTransNafta who had previously been using the pipeline in the direction Odessa to Kremenchuk.

The transit of Kazakh oil through Ukraine was halted in February due to a conflict over the transit charges; agreement has now been reached on this issue.

The guarantee of additional oil transit is highly important for Ukraine, especially in the context of the launch of the Russian BTS-2 oil pipeline in 2011 which may lead to a further reduction in the transit of oil through Ukrainian territory. The resumption of cooperation will begin upon the conclusion of the appropriate contracts on the level of economic entities, including with Russia's Transneft on the transit of Kazakh oil through Russian territory.

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