Analyses OSW

CENTRE FOR EASTERN STUDIES 26.05.2010 www.osw.waw.pl

Belarus' debt to Gazprom is rising

On 21 May the Russian press, citing sources within Gazprom, stated that Belarus is behind on its payments for Russian gas to the tune of US$137mn for the first quarter of this year. This debt results from the fact that Belarus is still paying off its arrears at last year's price, which is lower than the one currently applicable. As a result, towards the end of this year, Minsk will be faced with the need to pay a significant debt; this could be an additional instrument to strengthen pressure from the Kremlin, which aims to take control over strategic economic assets in.

As they did last year, the government of Belarus has accepted US$150 per cubic metre as the binding average annual price for gas, even though according to the formula contained in the Russian/Belarusian gas contract, the price of raw material will change every quarter. In the first quarter of this year it was US$169, which made its debt a total of US$137m. Gazprom threatened that if the debt was not paid off, it would limit supplies or impose a financial penalty. At the same time, Gazprom's press spokesman Sergei Kuprianov stated that on the scale of the whole year, Belarus' debt could reach up to US$600m. The arrears in payment have been caused by Belarus' difficult financial situation.

Belarus' growing debt to Gazprom may hinder its negotiations for a more favourable gas price for 2011, unless Moscow makes concessions. For this reason, Russia is determined to exploit Belarus' problem, and in exchange for lowering the price, its demands will include taking control of the Beltranzgas company, which operates the network of Belarusian gas pipelines (it currently owns 50% of the shares). <WojK, kam>