

Russian gas for the Donbas: the games being played with Kyiv and Brussels

Szymon Kardaś

On 19 February, Gazprom began direct gas supplies to areas controlled by the Ukrainian armed separatists (in parts of the Donetsk and Lugansk oblasts). This happened after Naftogaz announced a freeze for several hours of gas supplies to the Donbas on the grounds of damage to the infrastructure. Naftogaz also accused Gazprom of supplying less gas than the amounts demanded by Kyiv, and of sending the gas via boundary points not covered by the bilateral arrangements, which the Ukrainian side sees as a violation of the contractual obligations. For its part, Gazprom said that the cost of supplying the Donbas will be covered by the prepayments made by Naftogaz, and warned that if Kyiv does not make any further prepayments, Russian gas exports to Ukraine may be stopped in the coming days, which would seem to threaten the security of gas supplies to EU states.

The suspension by Naftogaz of gas supplies to the Donbas (a move which Kyiv says is purely temporary; meanwhile, Gazprom and the separatists argue that currently only gas sent directly from Russia is reaching the Donbas) has been treated by Moscow as a pretext to unfreeze the Russian-Ukrainian gas dispute, which the Kremlin has been using as an instrument to destabilise the situation in Ukraine. It is possible that Moscow is provoking a new (albeit small) gas crisis. By building a narrative that the financial problems of Ukraine are the source of the dispute, Russia wants to strengthen its negotiating position before the planned tripartite talks between Russia, Ukraine and the EU on the so-called summer gas package, a new agreement that would regulate the supply of gas from Russia to Ukraine after the expiry of the Brussels agreement of 30 October last year, at the end of March 2015. Moscow is also probably trying to force the EU to take the Russian position into account in its discussion on EU energy security (on 25 February in Brussels, the introduction of an EU Framework Strategy for a Resilient Energy Union was announced).

Chronology of events

On 19 February, the Ukrainian gas company Naftogaz said that because of the damage to the transmission infrastructure, it had stopped the supply of gas to the regions controlled by the separatists. After a few hours, it stated that gas supplies to the Donbas had been resumed, along a different route, and in smaller quantities. On 19 February, the Ukrainian company also announced an increased gas demand from Gazprom, from 30 to 42 million m³ daily. On 20 February, Gazprom's CEO Aleksei Miller said that at the request of the Russian government (Prime Minister Dmitri Medvedev stated that the gas delivery

constituted humanitarian aid), his company would begin direct gas supplies to the separatist-controlled areas, stating that their costs would be covered by the prepayments made by Ukraine. Also on February 20, at a meeting of the Russian Security Council in which President Vladimir Putin participated, Prime Minister Medvedev said that Ukraine's prepayment would only cover the deliveries for a few days. On 24 February, Gazprom accused Naftogaz of not fully meeting its contractual obligations; the Ukrainian company requested that Gazprom provide 114 million m³ on 22 and 23 February, but received only 47 and 39 million m³ of gas on those dates respectively; Naftogaz also accused the Russian company that the gas supplies to Ukraine were being carried out via metering stations which are not agreed with Naftogaz. On 24 February, Gazprom's CEO said that the funds sent by Naftogaz would allow a further 219 million m³ to be delivered (according to the Ukrainian side, the amount should have been 287 million m³), which means that if Ukraine fails to make its next prepayment, gas supplies to Ukraine can be suspended after two days. On 24 February representatives of Naftogaz stated that they would not make any further advance payments until Gazprom provides assurance that it will comply with its contractual obligations. The Ukrainian side has also informed the European Commission about violations by Gazprom of the Russian-Ukrainian-EU gas agreement concluded on 30 October last year (the intergovernmental protocol concerning the conditions of Russian gas supplies to Ukraine for the period 1 November 2014 to 31 March 2015); Naftogaz's CEO Andriy Kobolev said that the Ukrainian side will demand explanations from Gazprom during the tripartite consultations between Russia, Ukraine and the EU scheduled for 26 or 27 February in Brussels. On 25 February President Putin, in turn, stated that Gazprom *has been fully complying with its obligations under the Ukraine gas supply contract signed in 2009*, and added that the lack of subsequent prepayments from Kiev will mean a suspension of gas supplies to Ukraine.

The Russian-Ukrainian context of the gas dispute

There are signs that the interruption of a few hours in the supply of gas by Naftogaz to the Donbas has served Moscow as a pretext to re-freeze the Russian-Ukrainian gas dispute, which Russia sees as one of many tools to destabilise the situation in Ukraine. It is very likely that by starting direct gas supplies to the Donbas, Moscow is hoping that Kyiv will not agree to pay for them. Kyiv's failure to make the next prepayment, as Russia would expect, would give Moscow the opportunity to withhold gas supplies in accordance with the contract. If Naftogaz itself then limited or turned off gas supplies to the Donbas, this would allow Russia to accuse Ukraine of violating the Minsk agreements, which assume the full restoration of economic ties between the Donbas and the rest of Ukraine. This has been confirmed by a statement on 20 February by Sergei Naryshkin, the President of the Russian State Duma, who remarked that Naftogaz cutting off the gas supply proves that the economic blockade of Donbas from Kyiv is being ramped up. On 25 February president Putin said that Kiev's recent decision to switch off gas for the Donbas "*smells like genocide*".

Due to the confidential nature of the technical agreement of 2009 which regulated the technical aspects of Russian gas supplies to Ukraine, it is difficult to assess whether Gazprom's supply of gas to Ukraine via metering stations different to those indicated by Naftogaz constitutes a violation of the contract (the Ukrainian side designated four

metering stations: Sudzha, Valuyki, Pisarovka and Sokhranovka; Gazprom decided to transmit part of the supplies via the collectors at Progorovka and Platovo, which are located in areas controlled by the separatists [see Map]). In addition, it is unclear how much gas Gazprom has sent to the Donbas with since the direct supplies were launched (the Russians announced that the deliveries amounted to 12 million m³ of gas per day; however the press reports published on 25 February state that from 19 to 23 February, Gazprom had supplied the Donbas with a total of 29 million m³ of gas, or an average of around 6 million m³ of gas per day).

However, Gazprom's delivery on 22-23 February of less gas than the pending demands from Naftogaz (47 and 39 million m³ of gas respectively, instead of the requested 114 million m³ per day), is unquestionably a violation of its contract obligations and the agreements concluded last October in Brussels.

The Russia-EU context of the gas dispute

Moscow's re-freezing of the Russian-Ukrainian gas dispute is also important in the context of energy cooperation between Russia and the EU. By warning that Kyiv's failure to make the prepayment for new gas supplies may result in deliveries to Ukraine being suspended, and thus (according to Russia) threaten supplies for European consumers, Moscow is returning to the rhetoric it has consistently employed during the tripartite negotiations held between itself, Ukraine and the EU. Its consistent goal is to present the Ukrainian side as an unreliable trading partner, which is unable to meet its current liabilities. This is also intended to strengthen Russia's argument for the need to exclude Ukraine totally as a transit route to Europe, and for the EU countries to support projects for alternative supply routes (in particular, Moscow's newly-announced Turkish Stream project, which does not yet have any clear shape, but whose essential purpose is to reduce Ukraine's importance in gas transit).

However, there is no real way of closing the Ukrainian transit route over the next few years, which leads one to believe that the Russian rhetoric is a short-term cover for other purposes. On one hand, Moscow is seeking to strengthen its negotiating position before the planned talks on the so-called summer gas package. In addition, the Russian warnings about limiting supplies to European customers, caused by the suspension of Russian gas supplies to Ukraine, coincide with the date of the European Commission publishing (on 25 February) its strategy for the introduction of an Energy Union. Russia's actions can therefore be regarded as a way of putting additional pressure on the EU, which would force it to take the Russian position into account in discussions on the EU's energy security.

Map

Russian gas collection points in eastern Ukraine

