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Ukraine: EU needs no new pipelines; no dispute with Gazprom expected

By Derek Brower

Ukraine's gas-pipeline system is big enough to handle European demand, making multi-billion-dollar plans for new infrastructure redundant, the deputy chief of Naftogaz told *WGC News* in an interview yesterday.

Vadym Chuprun said falling gas demand in Europe means Ukraine's pipeline system now has 80bn cubic metres a year of spare capacity – surpassing the capacities of proposed pipelines, such as the Gazprom-sponsored Nord Stream and the EU-backed Nabucco, which are designed to bypass Ukraine.

Another official at Naftogaz, Ukraine's state-owned energy company, dismissed as a "lie" any notion that Ukraine's pipeline system is unreliable.

In January, gas exports through Ukraine to Europe stopped for several weeks during a dispute over Naftogaz's unpaid debts to Gazprom, leaving several countries in eastern Europe starved of their main energy source.

The debate over which company triggered the dispute is still causing acrimony. Naftogaz remains adamant that Gazprom was to blame and yesterday the company passed to *WGC News* documents it claimed would prove its case.

But Chuprun said another supply conflict was unlikely this January, when Ukraine has agreed to pay European-level prices for Gazprom's gas. Naftogaz settled all outstanding debts with the Russian gas exporter this week and would pay in full for its gas until the end of the year, Chuprun said.

The Russian company confirmed yesterday that it had received Naftogaz's payment for gas deliveries in September. However, despite Ukraine's guarantee to meet its gas payments, Naftogaz' finances remain precarious, say analysts.

Meanwhile, relations between Gazprom and Naftogaz have improved, Chuprun

suggested. He said he had met Alexei Miller in Buenos Aires on Tuesday and the Gazprom chief told him his company was "completely satisfied with Naftogaz".

Chuprun later broke from his interview with *WGC News* to greet Alexander Medvedev, the head of Gazprom's export division, who arrived for an amicable meeting with Chuprun at Naftogaz' WGC headquarters.

However, Chuprun rejected any notion that Gazprom could seek control over some of Ukraine's gas-pipeline system.

That idea was recently put forward by former Gazprom chief and ex-ambassador to Ukraine, Viktor Chernomyrdin, who is now an adviser to Russia's President Dmitry Medvedev. Some European companies have also expressed an interest in managing parts of Ukraine's pipeline system.

"The entire gas transport system belongs to the state and it is illegal to privatise the system or rent out parts of it," Chuprun said.

The gas conflict in January was only the latest of a series of disputes between the two companies, which has alarmed Europeans about the reliability of Russian gas flows to Europe through Ukraine.

The proposed 31bn cm/y Nabucco pipeline would bypass Ukraine to import Central Asian and Mideast gas to Europe, while the 55bn cm/y Nord Stream would deliver Russian gas directly to Germany across the Baltic Sea. Gazprom's other planned project, South Stream, would also avoid Ukraine, delivering 63bn cm/y to eastern Europe across the Black Sea.

The combined cost of the projects could reach €40bn, according to some estimates.

Ukraine's transmission capacity stands at 210bn cm/y, with onward export capacity to Europe of 175bn cm/y. But Chuprun said falling demand in Europe means exports this year will amount to just 95bn cm/y, leaving 80bn cm/y of unused capacity.



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Naftogaz's Vadym Chuprun and Gazprom's Alexander Medvedev in discussion



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