

## **“GAS RELATIONS BETWEEN UKRAINE AND RUSSIA” - EXPERT POLL**

### **GAS NEGOTIATIONS WERE DERAILED, THERE WILL BE A SCANDAL AT THE END OF THE YEAR - EXPERTS**

The Gorshenin Institute has held a round table devoted to the topic of “GAS RELATIONS BETWEEN UKRAINE AND RUSSIA” during which experts discussed the prospects for revising the gas contracts and the future of the Ukrainian gas transportation system.

According to **an advisor and the head of the economic policy group of the Russian Embassy in Ukraine, ALEKSEY URIN**, filing a lawsuit with the Arbitration Institute of the Stockholm Chamber of Commerce by Ukraine over the 2009 gas contracts with Russia might complicate relations between the two states in the gas sphere. “It is clear that if two partners are in a situation when they confront each other in court, this will not improve the negotiating climate for them,” the diplomat said. At the same time, he noted that “it is the sovereign right of any state and any citizen to file or not to file a lawsuit, so there are no problems with this.” Urin also stressed that the Russian party was convinced of its legal position. “We believe that from the legal perspective, the position of Russia and Gazprom as a contractor is impeccable,” he explained. The diplomat also said that the Russian party believed that the contracts signed with Ukraine in the gas sphere were based on market principles, were in line with international standards and that Russia has signed the same contracts with other countries.

Urin believes that Ukraine needs to seriously think about integration processes with Russia if it really wishes to provide its industry with cheaper energy resources. “To be honest, I simply do not see other options,” he said. At the same time, according to him, no one is forcing Ukraine to join the Customs Union of Russia, Belarus and Kazakhstan, although membership of this organization would give it a good incentive for developing its economy. “There are a number of obvious advantages for Ukraine and much has been already said to this effect. However, naturally, there is no coercion here. This is Ukraine’s choice,” the diplomat said.

Additionally, he recommended not to politicize Ukrainian-Russian gas talks. According to Urin, they are an exclusively economic issue. Commenting on the statement made by Gazprom's head **Aleksey Miller** that the gas price will reach 500 dollars for Ukraine at the end of the year, Urin said: “Regarding the price of 500 dollars, this is the price without a discount. It is a market price and it is not unfair since it currently corresponds to the average European level. It will be lower for Ukraine due to the Kharkiv discount”.

The diplomat added that the average export price set by Gazprom's contracts with European consumers was 342 dollars per 1,000 cu.m., while Ukraine paid around 250 dollars with the discount. “Accordingly,

the price will also be lower at the end of the year”, he explained. Urin also noted that the gas price was not a critical factor “for any economy”, calling on Ukraine «not to blow this issue out of proportion and not to turn it into the main issue of bilateral relations.”

**An MP of the Fatherland Party, SERHIY PASHYNSKYI**, is convinced that it is more advantageous for Ukraine to receive a discount on Russian oil than on gas. ‘If Russia sold us cheaper oil, it would give everyone who drives a car extra money, since the car would be cheaper”, he said. According to Pashynskyy, Russia is currently oriented towards destroying the status of Ukraine as the world's largest gas transit state and the owner of unique underground gas storage facilities. The MP challenged the statement made by advisor to the Russian Embassy in Ukraine, Aleksey Urin, that gas was not a crucial component of Ukrainian products. “Note that if the price of gas falls, then prices for metal and urea also drop. This is an economic axiom. However, these conversations are not based on any economics. Accordingly, if the gas price is 400 dollars, then the prices of our equipment will also rise,” Pashynskyy explained.

According to **the head of the executive committee of the Our Ukraine party, SERHIY BONDARCHUK**, the current situation with the Russian-Ukrainian gas contracts and the gas price has debunked a number of myths about the successful talks with Russia and the advantages of the gas discounts for the Ukrainian economy. “We understand that the gas negotiations were derailed and that we will have a scandal at the end of the year,” he said.

Bondarchuk noted that the direct participants in the negotiations with Russia were responsible to a large extent: “Yanukovich was let down by those officials who drew up the Kharkiv agreements.” They were endorsed by the corresponding ministers and it means that they did not attempt to dissuade the president from taking a step which contradicted national interests,” the politician said.

Bondarchuk also said that in 2003, Ukrainian Foreign Minister **Kostyantyn Hryshchenko** and former Economics Minister **Valeriy Khoroshkovskyy** refused to support agreements on the Single Economic Space (SES) with Russia, which prevented their implementation. He drew attention to the fact that the ministers fulfilled one of the most important functions: they did not merely sign everything that was put on their desks but also caution the president against thoughtless steps and mistakes. “Unfortunately, there were no such people in the entourage of the president in 2010”, Bondarchuk concluded.

The politician also believes that Ukraine should consider gas on the border with Russia. He assumes that transferring gas checkpoints from the Western border (with the EU member states) to the Eastern border (with Russia) will increase the transparency of Ukrainian-Russian gas relations. “Ukraine will become independent, when it cuts the ‘gas umbilical cord’, when the gas checkpoints are transferred from the western to the eastern border,” he said. Responding to the statement made by Urin that in the coming decade, “it was legally impossible for European consumers to buy gas on the border between Ukraine and Russia, since there is a contract until 2019” Bondarchuk expressed doubt that Russia would agree to revise this contract after its expiry in 2019. «Before 2019, you [Russia] will extend it as it was the case with the agreement on the Black Sea Fleet in Kharkiv», he stated.

Additionally, according to the politician, the real independence of Ukraine depends directly on the removal of a corrupt component from the Ukrainian-Russian negotiations over gas deliveries. “Political corruption in the gas sphere started from **Pavlo Lazarenko** [former prime-minister], when the

interests of corporations were put above those of the state. Russia presented a unique channel for the opportunity of legal corruption for our officials. Gas discounts conceal the chance for making the Ukrainian authorities 'interested", Bondarchuk concluded.

