

With sub-zero temperatures across Europe

Russia-Ukraine gas dispute leaves thousands without heat

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Natural gas supplies from Russia to Europe via Ukraine have been halted or greatly reduced in the latest stage of a dispute between the ex-Soviet neighbours over prices and allegations of unpaid bills. As a result, thousands of people across large areas of Central and Eastern Europe are without heating, as outdoor temperatures reach lows of -10C.

Russian energy giant Gazprom has accused Ukraine of stealing gas passing through its territory intended for Europe and shutting off gas supplies to Europe. The Ukrainian national gas company Naftogaz has claimed that the cut-off occurred at taps within Russia.

Russian Prime Minister Vladimir Putin said Thursday night that Moscow would ensure normal gas to Europe if independent monitors are in place to check the flow to European markets. The Ukrainian government has promised to guarantee the supply to the European Union.

"Ukraine was committed to ensure uninterrupted transit of the Russian gas to Europe but there is no gas at all, as we found out, which speaks for itself," Ukrainian Deputy Prime Minister Grigory Nemyria told the BBC.

The European Union receives a quarter of its total gas requirements from Russia, with 80 percent of this piped through Ukraine. Gazprom claims it has increased gas being pumped to its markets through alternative routes, such as the Yamal pipeline to Europe via Belarus and Poland, and the Blue Stream pipeline under the Black Sea to Turkey.

Countries that have reported a complete halt of gas supplies from Ukraine this week include Romania, the Czech Republic, Slovakia, Bosnia-Herzegovina,

Bulgaria, Croatia, Greece, Hungary, Macedonia and Serbia. Some power stations in the region have transferred to fuel oil.

An estimated 100,000 people in Serbia, residents in eight towns and cities, were left without heating. Slovakia, which gets all its natural gas from Russia, declared a state of "energy emergency" on January 6 as imports plummeted, then halted. The large French-owned Peugeot Citroen automobile factory in Trnava in the west of the country has suspended production in an attempt to save energy.

Austria, a major centre for European gas distribution, receives 70 percent of its gas from Russia. Austrian energy group OMV has reported that these supplies had stopped completely by January 7.

Italy only received one-tenth the normal level of Russian gas this week. The western European countries generally hold substantial reserves of gas, and the dispute is yet to have a major impact on Europe's two largest economies, France and Germany.

The government in Bulgaria has said its natural gas reserves are at the point of exhaustion, and most areas in the country have suffered severe shortages for domestic use. The country receives over 80 percent of its gas needs from Russia through Ukraine. The BBC reported January 7 that 12,000 households in the eastern Bulgarian city of Varna had been left without central heating.

Soviet-era nuclear plants could be restarted in Slovakia. Bulgaria's mothballed Kozloduy reactor, condemned as unsafe by inspectors from the European Union and United States, could be reactivated, said the country's president, Georgi Purvanov. "A more critical situation is hardly possible," Purvanov stated January 5,

warning "preparations for a restart of the reactor must begin immediately".

Ukraine is relatively well placed to weather a continuation of the Russian gas cut-off, having built-up large reserves of natural gas in the two years since Moscow last halted supply in a dispute over prices. Naftogaz claims it has stored gas to last until April.

Late-night negotiations took place on Wednesday in Moscow between Gazprom and Naftogaz, without any agreement. European Commission President Jose Manuel Barroso has met with Gazprom's chief executive Alexei Miller and Naftogaz boss Oleg Dubyna.

Held under the auspices of the EU, further talks in Brussels took place the following day between Russian and Ukrainian officials. Leading Ukraine's team at the EU, Deputy Prime Minister Nemyria told press in Brussels that Russian claims against his country were "lies".

The Kremlin hopes that EU leaders, aware of their dependence on Russian gas and European big business's numerous lucrative energy deals with Gazprom, will loose patience with Kiev and pressure it to accede to Moscow's demands. Ukraine is seeking membership of the EU and is wary of antagonising Germany in particular, which has close bilateral energy relations with Russia, such as the Nord Stream gas pipeline under the Baltic Sea.

Following the Brussels talks, the Czech Republic, current holders of the EU presidency, said it hopes that monitors will check Russian gas entering and leaving Ukraine. "This deployment should lead to the Russian supplies of gas to EU member states being restored," Czech officials said.

The EU-brokered talks have focused on a temporary return to normal gas supplies. Even if this is achieved, there are major short-term and strategic tensions between Moscow and Kiev that show no sign of abating.

Naftogaz and Gazprom have not managed to agree on a price for gas next year, with Russia demanding an increase from last year's price of \$179.50 per 1000 cubic metres to at least \$250. Senior figures at Gazprom have even suggested that Ukraine should pay the full European market price of around \$450 per 1000 cubic metres.

Ukrainian officials have offered to pay \$210 per 1000

cubic metres in 2009, and are refusing to pay the \$600 million that Gazprom claims is owed to it in fines for late payment.

More fundamentally, Moscow wants to use its vast energy reserves—and the EU's dependence upon them—to advance its interests in Europe and stymie those of its rivals. In particular, Moscow wants to use "energy politics" as a counterweight to US efforts to expand its military domination in the former Soviet countries. Washington is seeking to have Ukraine admitted to NATO and is planning to locate military bases in the Czech Republic and Poland. In response, Moscow is indicating that it is willing to put Eastern Europe on rations.

There are also bitter political rivalries within Ukraine, which Moscow will seek to exploit. Ukrainian and foreign media have hinted that the feud between President Viktor Yushchenko and his former "Orange Revolution" ally, Prime Minister Yulia Tymoshenko, is exacerbating the gas crisis. With Yushchenko having very poor relations with the Kremlin, Tymoshenko may be happy to let the president take the political flak for the gas shortages while she prepares a separate deal with Russia. Certainly, the political civil war within the Orange camp in Ukraine militates against Kiev developing a united strategy to deal with Moscow.



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