

# Oxford Energy Comment

## January 14, 2009

### **RESUMPTION OF RUSSIAN GAS DELIVERIES TO CENTRAL AND EAST EUROPEAN COUNTRIES ON HUMANITARIAN GROUNDS: A PROPOSAL**

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The dispute between Russia and Ukraine is causing substantial suffering in central and east European countries which have few, if any, other sources of gas, and very limited opportunity to switch to other fuels. This dispute has now lasted for 2 weeks and hope is fading for a swift resumption of supplies. Failure to resume gas flows could cause breakdowns in power supply that, in turn, could affect district heating systems. Gas supplies must be resumed to prevent widespread humanitarian consequences. In these circumstances, it is appropriate for independent observers to propose an interim solution.

Naftogaz Ukraine has said that it requires gas to re-pressure the pipeline network, plus the fuel (technical) gas to run the compressor stations; Gazprom is unwilling to provide this gas without immediate payment and assurances that deliveries will not be used by Ukrainian consumers. The dispute is deadlocked and no resolution appears imminent.

On humanitarian grounds, Gazprom and Naftogaz Ukraine – with the support of their governments – should restart deliveries to the affected countries through at least one pipeline. The European Union should provide payments to Gazprom for the supply of however much gas is required to re-pressure the minimum necessary part of the network, plus fuel gas, in order for gas to begin flowing as soon as possible. The European Union should provide payments to Ukraine for the transit of gas. Under this arrangement, the European Union should continue to provide funds to Gazprom for fuel gas, and payments to Naftogaz for transit, for as long as is necessary.<sup>1</sup>

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<sup>1</sup> The European Union would subsequently recoup all of these costs either from relevant receiving gas companies, or as part of the legal process which will follow the resolution of this dispute. If necessary, Eurogas and the Energy Charter Secretariat could be called upon to advise on appropriate interim prices and transit tariffs.

None of the gas from this humanitarian arrangement should be used within Ukraine aside from fuel gas necessary to operate this emergency solution. The EU monitors already in place should oversee the flow of this gas. Gas should flow to the countries and regions most affected. Agreement as to the distribution of available volumes should be reached between governments (and their companies), and overseen by the European Commission. Receiving companies will pay Gazprom for gas at prices in their commercial contracts. This proposal would not affect future commercial negotiations between the parties to, or the legal outcome of, this dispute. It would be a separate humanitarian arrangement to alleviate suffering until normal commercial flows are resumed.

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