

# The Russian-Ukrainian Gas War

Anders Åslund, Senior Fellow  
Peterson Institute for International  
Economics

AEI, February 3, 2009

# ISSUES

1. Domestic politics
2. Foreign policy
3. Energy policy
4. Corruption
5. Commerce

# Prices

- Russian proposal: \$450 mcm, but really \$250
- Ukrainian proposal: \$235
- Outcome: \$230 mcm

Not much to argue about

# Transit Tariffs

- Russian proposal: \$1.7 per 100 km per mcm
  - Ukrainian proposal: \$2
  - Outcome: \$1.7 this year, probably double next year
- Not much to argue about

# Real Issue: RUE

- Would RosUkrEnergo (RUE) stay?
- Founded in Yalta July 2004 by Putin and Kuchma
- Expanded role in January 2006

# RUE: Ownership

- Private trading company in Zug, Switzerland
- Half owned by Gazprombank/Gazprom
- Other half owned by Dmitri Firtash/Ivan Fursin (private Ukrainians)

# RUE: Activity

1. Monopoly on gas exports from Central Asia and Russia to Ukraine
2. Dominant in domestic Ukrainian gas sales to industry
3. Re-exports of gas to Europe from Ukraine – main profits

# RUE: Politics

## 1. Ukraine:

- Main operators MPs in Yanukovych's Regions Party
- Also connected with Yushchenko's circle

## 2. Russia: Top Kremlin and Gazprom officials

# Nature of Agreement

1. No intermediary
2. Long-term agreement
3. Normal prices and tariffs set by formula

Complete victory for  
Tymoshenko

# RUE Lost out

1. No role in Russian-Ukrainian gas trade
2. No longer domestic Ukrainian distributor
3. Gazprom sold RUE's debt of \$1.7 billion to Naftogaz (11 bn cm), allowing Tymoshenko to squeeze Firtash out

# Implications for Ukraine

1. Preconditions for predictable gas deliveries and prices
2. Ukraine's gas import bill \$9.3 billion in 2009 (only 8 percent more than last year)
3. Large source of corruption & political finance eliminated
4. Greater independence from Russia

# Implications for Gazprom

1. Direct losses of \$2 billion
2. Irreparably damaged reputation as unreliable: less demand for long
3. Putin proved himself real CEO = Gazprom is political
4. Failed to seize Ukrainian pipelines
5. No need for alternative pipelines when Gazprom is the problem
6. Stock prices fell

# Implications for Russia

1. Aggravated reputation as unreliable and reckless
2. Lost leverage over Ukraine
3. Uniting the EU against itself?

# Final Questions

- Why did Russia and Gazprom launch a gas war they lost?
- How could Tymoshenko win?



# Before Negotiations







# After Midnight...







© Reuters/Anadolu Agency

© Reuters





