

Russia–Ukraine gas disputes

The **Russia–Ukraine gas disputes** refer to a number of disputes between Ukrainian oil and gas company Naftogaz Ukrainy and Russian gas supplier Gazprom over natural gas supplies, prices, and debts. These disputes have grown beyond simple business disputes into transnational political issues—involving political leaders from several countries—that threaten natural gas supplies in numerous European countries dependent on natural gas imports from Russian suppliers, which are transported through Ukraine. Russia provides approximately a quarter of the natural gas consumed in the European Union; approximately 80% of those exports travel through pipelines across Ukrainian soil prior to arriving in the EU.^[1]



A serious dispute began in March 2005 over the price of natural gas supplied and the cost of transit. During this conflict, Russia claimed Ukraine was not paying for gas, but diverting it intended to be exported to the EU from the pipelines. Ukrainian officials at first denied the accusation,^{[1][1]} but later Naftogaz admitted that natural gas intended for other European countries was retained and used for domestic needs. The dispute reached a crescendo on 1 January 2006, when Russia cut off all gas supplies passing through Ukrainian territory.^[2] On 4 January 2006, a preliminary agreement between Russia and Ukraine was achieved, and the supply was restored. The situation calmed until October 2007 when new disputes began over Ukrainian gas debts. This led to reduction of gas supplies in March 2008. During the last months of 2008, relations once again became tense when Ukraine and Russia could not agree on the debts owed by Ukraine.^[1]

In January 2009, this disagreement resulted in supply disruptions in many European nations, with eighteen European countries reporting major drops in or complete cut-offs of their gas supplies transported through Ukraine from Russia.^{[1][3]} In September 2009 officials from both countries stated they felt the situation was under control and that there would be no more conflicts over the topic,^{[1][4]} at least until the Ukrainian 2010 presidential elections.^[5] However, in October 2009, another disagreement arose about the amount of gas Ukraine would import from Russia in 2010. Ukraine intended to import less gas in 2010 as a result of reduced industry needs because of its economic recession; however, Gazprom insisted that Ukraine fulfill its contractual obligations and purchase the previously agreed upon quantities of gas.^[1]

On June 8, 2010, a Stockholm court of arbitration ruled Naftogaz of Ukraine must return 12.1 billion cubic metres (430 billion cubic feet) of gas to RosUkrEnergo, a Swiss-based company in which Gazprom controls a 50% stake. Russia accused Ukrainian side of siphoning gas from pipelines passing through Ukraine in 2009.^{[6][7]} Several high-ranking Ukrainian officials stated the return "would not be quick".^[8]

Historical background

After the dissolution of the Soviet Union, oil import prices to Ukraine reached world market levels in 1993. However, gas import prices and transit fees remained below European levels for Russian exports to Europe through pipelines in Ukraine; these were set in bilateral negotiations.^[9] At the same time Ukraine remained the main transit corridor for Russia's gas export. In 2004–2005, 80% of Russian gas exports to the European Union were made through Ukraine.^[1] Two-thirds of Gazprom's revenue comes from the sale of gas that crosses Ukraine.^[1]

Ukraine's own annual gas consumption in 2004–2005 was around 80 billion cubic metres (2.8 trillion cubic feet), of which around 20 billion cubic metres (710 billion cubic feet) were produced domestically, 36 billion cubic metres (1.3 trillion cubic feet) were bought from Turkmenistan, and 17 billion cubic metres (600 billion cubic feet) were received from Russia in exchange for transport of Russian natural gas. The remaining 8 billion cubic metres (280 billion cubic feet) were purchased from Russia.^[1] The gas trading system differed substantially from the gas sale to the European Union and caused problems in the form of large-scale deliveries of relatively cheap Russian gas causing an increase of energy-intensive industries and supporting Ukraine's status as one of the world's least energy-efficient countries and largest gas importers, the accumulation of Ukrainian debts and non-payment of same, unsanctioned diversion of gas and alleged theft from the transit system, and Russian pressure on Ukraine to hand over infrastructure in return for relief of debts accumulated over natural gas transactions.^[9]

Gas trading was conducted under a framework of bilateral intergovernmental agreements which provided for sales, transit volumes, gas prices, gas storage, and other issues such as the establishment of production joint ventures.^[citation needed] Commercial agreements were negotiated between the relevant companies within the guidelines and dictates of that framework and supplemented by annual agreements specifying exact prices and volumes for the following year.^[citation needed] Gas sales prices and transit tariffs were determined in relationship to each other.^[9] Commercial agreements and trade relations have been non-transparent and trade has been conducted via intermediaries such as Itera, EuralTransGaz, and RosUkrEnergo. RosUkrEnergo's involvement in the Russian-Ukrainian gas trade has been controversial. There are allegations that the company is controlled by Semion Mogilevich and its beneficiaries include strategically placed officials in the Russian and Ukrainian gas industries and governmental structures related to the energy sector.^[10] Russian Prime Minister Vladimir Putin has made accusations that RosUkrEnergo is owned by a business ally of Ukraine's ex-president, Viktor Yushchenko.^[1] The Ukrainian investigation into RosUkrEnergo, during Yulia Tymoshenko's first term as Prime Minister, was closed after she was fired by Yushchenko in September 2005.^[1]

According to a contract between Gazprom and Naftogaz signed on 21 June 2002, payment for the transfer of Russian natural gas through the Ukrainian pipeline system had been made in exchange for no more than 15% of the gas pumped through Ukrainian territory to be taken in lieu of cash.^[citation needed] This contract was supposed to be valid until the end of 2013.^[citation needed] On 9 August 2004, the two companies signed an addendum to the contract, according to which the amount of gas given as a payment was calculated based on a tariff of US\$1.09 for the transportation of 1,000 cubic meters of natural gas over a distance of 100 kilometres (62 mi); the addendum further stated the price of the natural gas supplied to Ukraine was to be \$50 per 1,000 cubic meters (approximately \$1.40 per million Btu).^[1] This price was constant notwithstanding the gas prices in the European markets.^[1] According to the addendum the price was not subject to change until the end of 2009.^[1] Gazprom argued that this addendum was only applicable provided that the two countries sign an annual intergovernmental protocol that has higher legal status for specifying the terms of gas transit.^[1] According to Gazprom, the addendum becomes void as the annual protocol had not been signed for 2006 under the required terms.^[1] Russia claimed that Gazprom's subsidies to the Ukrainian economy amounted to billions of dollars.^[1]

According to the agreement of 2006, RosUkrEnergo was to receive no more than 20 percent of the total delivered gas, which in 2007 was 15 billion cubic metres (530 billion cubic feet) of 73 billion cubic metres (2.6 trillion cubic feet).^[citation needed]

Disputes of 1990s

Initial disputes concerning gas debts and non-payment appeared immediately after the collapse of the Soviet Union.^[citation needed] As a result of disputes over non-payments by Ukraine, Russia suspended natural gas exports several times between 1992 and 1994. This led to the illicit diversion of Russian natural gas exports from transit pipelines by Ukrainian companies and institutions in September 1993 and November 1994.^[citation needed] The siphoning of gas was acknowledged by Ukraine, while accusations of other diversions were disputed.^[9] In September 1993, at a summit conference in Massandra, Crimea, Russian President Boris Yeltsin offered to Ukrainian President Leonid Kravchuk to forgive Ukrainian debts in return for control of the Black Sea Fleet and Ukraine's nuclear arsenal.^[citation needed] After a strong negative reaction from politicians in Kiev, the idea was abandoned.^[9] An intergovernmental agreement was drafted on gas issues, including a clause stating Ukraine would permit Gazprom to participate in the privatization of Ukrainian enterprises in gas and other sectors.^[citation needed] In March 1994, a Ukrainian deputy prime minister agreed with Russia that Gazprom could acquire a 51% stake in the pipeline system. In early 1995, Russia and Ukraine agreed to create a joint company —Gaztransit— to operate Ukraine's natural gas transit infrastructure in exchange for the cancellation of a substantial portion of Ukraine's debts to Russia. These agreements were never implemented, and in November 1995, the Verkhovna Rada, Ukraine's parliament, adopted a law prohibiting the privatization of oil and gas assets.^[9]

In 1998, Gazprom and Naftogaz made a contract under which Gazprom would pay for the transit of volumes of gas, which established a link between gas prices and transit tariffs,^[citation needed] but this contract did not resolve the issue of already incurred gas debts.^[9] In 1998, Gazprom alleged that Ukraine had illegally diverted gas meant for export to other European countries and suspended exports of oil and electricity to Ukraine in 1999.^[citation needed] Gazprom also claimed that Ukraine's gas debt had reached \$2.8 billion.^[1] In 2001, Deputy Prime Minister Oleh Dubyna acknowledged that in 2000 alone 8.7 billion cubic metres (35 billion cubic feet) of Russian natural gas had been siphoned off from export pipelines.^[9] The debt issue was settled on 4 October 2001, by the signing of an intergovernmental agreement on Additional Measures Regarding the Provision of Transit of Russian Natural Gas on the Territory of Ukraine (the 2001 Transit Agreement).^[1]

Dispute of 2005–2006

In 2005, negotiations over gas prices for 2006 started. Gazprom insisted on a new price of \$160 per 1,000 cubic meters.^[citation needed] The Government of Ukraine agreed, with the stipulation that price increases were to be gradual, in return for increased gas transit fees and changing the method of payment for transit from payment in kind to cash.^[11]Wikipedia:Verifiability In May 2005, it was revealed that 7.8 billion cubic metres (280 billion cubic feet) of gas which Gazprom had deposited in Ukrainian storage reservoirs during the previous winter had not been made available to the company.^[citation needed] It remained unclear if the gas was missing, had disappeared due to technical problems, or had been stolen.^[1] This issue was resolved in July 2005 by agreement between Gazprom, Naftogaz and RosUkrEnergo, according to which Naftogaz received 2.55 billion cubic metres (90 billion cubic feet) of gas as partial settlement of the Russian gas transit over 2005 services and 5.25 billion cubic metres (185 billion cubic feet) was sold by Gazprom to RosUkrEnergo who has to receive it from Naftogaz.^[1] However, the negotiations between Gazprom and Naftogaz over gas prices and a



Then President of Russia Vladimir Putin at a meeting on 29 December 2005, with Alexei Kudrin (Russian Finance Minister), Viktor Khristenko (Russian Energy Minister), Alexander Medvedev (Deputy Chairman of the Gazprom board), Ivan Plachkov (Ukrainian Energy Minister) and Alexey Ivchenko (CEO of Naftogaz), in which the dispute was discussed.

new gas supply agreement failed.^[1] On 1 January 2006, Gazprom started reducing the pressure in the pipelines from Russia to Ukraine.^[1]

Although Russia cut off supplies only to Ukraine, a number of European countries saw a drop in their supplies as well.^[1] The European Commissioner for Energy Andris Piebalgs and several affected member states warned that blocking of gas deliveries was unacceptable.^[citation needed] Pascal Lamy, director general of the World Trade Organisation, expressed the opinion that all Post-Soviet states should pay market prices for their energy needs in order to improve the efficiency of their economies.^[12]

The supply was restored on 4 January 2006, after the preliminary agreement between Ukraine and Gazprom was settled.^[1] The five-year contract was signed, although with prices set for only six months. According to the contract, the gas was sold not directly to Naftogaz, but to the intermediary Russian-Swiss company RosUkrEnergo. The price of natural gas sold by Gazprom to RosUkrEnergo rose to \$230 per 1,000 cubic metres, which, after mixing it in a proportion of one-third Russian gas to two-thirds cheaper supplies from Central Asia, was resold to Ukraine at a price of \$95 per 1,000 cubic metres.^[11] The parties also agreed to raise the tariff for transit from US\$1.09 to US\$1.60 per 1,000 cubic meters per 100 km; this applied not only to the transit of Russian gas to Europe, but also Turkmen gas through Russia to Ukraine.^[citation needed] On 11 January 2006, Presidents Vladimir Putin and Viktor Yushchenko confirmed that the conflict had been concluded.^[citation needed]

One possible reason for this conflict is the more pro-NATO and European Union-style approach of the new 'orange' Government of Ukraine.^[citation needed] Russia disagreed with this assertion, stating they did not want to subsidize former Soviet republics.^[1]

Dispute of 2007–2008

On 2 October 2007, Gazprom threatened to cut off gas supplies to Ukraine because of unpaid debt of \$1.3 billion.^[1] This dispute appeared to be settled on 8 October 2007.^[1] On 5 January 2008, Gazprom warned Ukraine that it would reduce its gas supplies on 11 January if \$1.5 billion in gas debts were not paid.^[1] Presidents Putin and Yushchenko announced on 12 February 2008, an agreement on the gas issue.^[1] Ukraine would begin paying off its debts for natural gas consumed in November–December 2007 and the price of \$179.5 would be preserved in 2008.^[11] The presidents also decided to replace RosUkrEnergo and UkrGazEnergo with two new intermediaries, creating them as joint ventures of Gazprom and Naftogaz.^[1]

At the end of February 2008, Gazprom threatened to reduce the supply of natural gas to Ukraine beginning on 3 March 2008, unless the pre-payment for 2008 was paid.^[11] The Ukrainian government said it paid for the natural gas which was consumed in 2007, but refused to pay the bill for 2008.^[1] A Gazprom spokesman claimed that the bill for 1.9 billion cubic metres (67 billion cubic feet) of gas deliveries to Ukraine valued around \$600 million remained unpaid. Ukraine disagreed as that debt accumulated in recent months when Russia used its own gas to make up for a shortfall in less expensive Central Asian gas.^[1] On 3 March, Gazprom cut its shipments to Ukraine by 25% and an additional 25% the next day, claiming that the \$1.5 billion debt still was not paid, although Ukrainian officials stated it had indeed been paid.^[1] Gas supplies were restored on 5 March after Gazprom CEO Alexei Miller and Naftogaz CEO Oleh Dubyna agreed during negotiations by phone on a settlement. On 6 March, the Ukrainian cabinet refused to execute the gas agreements made by presidents Yushchenko and Putin. The Ukrainian cabinet did not want to pay in advance for 2008, and it opposed the creation of a Naftogaz–Gazprom venture that would sell gas in Ukraine.^[1] Prime Minister Yulia Tymoshenko stated that Ukraine did not need any additional joint ventures, and as of 1 March 2008,



Then President of Russia Vladimir Putin and President of Ukraine Viktor Yushchenko at a meeting of the Russian–Ukrainian Intergovernmental Commission at the Kremlin on 12 February 2008, at which the gas dispute was discussed.

UkrGazEnergo is no longer operating in Ukraine's domestic gas market.^[1]

Dispute of 2008–2009

The gas crisis of 2009 began with a failure to reach an agreement on gas prices and supplies for 2009. Ukraine owed a debt of \$2.4 billion to Gazprom for gas already consumed, and Gazprom requested payment before the commencement of a new supply contract.^[2] In December 2008, despite Ukraine's repayment of more than \$1 billion of its debt, Gazprom maintained its position, intending to cut the supply of natural gas to Ukraine on 1 January 2009, if Ukraine did not fully repay the remainder of \$1.67 billion debt in natural gas supplies and an additional \$450 million in fines levied by Gazprom.^{[3][4]} On 30 December, Naftogaz paid \$1.522 billion,^[5] of the outstanding debt, but the two parties were not able to agree on the price for 2009. Ukraine proposed a price of \$201, and later increased their proposed price to \$235, while Gazprom demanded \$250 per 1,000 cubic meters.^[13] Negotiations between Gazprom and Naftogaz were interrupted on 31 December.^[6]

On 1 January 2009, exports to Ukraine of 90 million cubic meters of natural gas per day were halted completely at 10:00 MSK. Exports intended for transshipment to the EU continued at a volume of 300 million cubic meters per day.^[7] President Yushchenko requested that the European Union become involved in the settlement of this dispute in a letter to the President of the European Commission Jose Manuel Barroso.^[8] A Ukrainian delegation including Fuel and Energy Minister Yuriy Prodan, Deputy Foreign Minister Konstantin Yeliseyev, the President's Representative for Energy Issues Bohdan Sokolovsky, and Deputy Head of Naftogaz Vadym Chuprun visited the Czech Republic as the first stop on a tour of a number EU member states to hold consultations on the gas crisis.^[14]

On 2 January 2009, Hungary, Romania, and Poland reported that pressure in their pipelines had dropped. Bulgaria also reported that their natural gas supply was dropping, affecting the shipment of natural gas to Turkey, Greece, and Macedonia. Furthermore, the United Kingdom Government announced that it was preparing to enter its gas reserves after gas pressure had dropped from the continent.^{[15][16]} On 4 January 2009, both RosUkrEnergo and Gazprom filed lawsuits against Ukraine and Naftogaz respectively with the Stockholm Tribunal of the Arbitration Institute.^{[17][18]} Ukraine also filed lawsuits with the tribunal.^[19] According to Naftogaz, RosUkrEnergo owes the company \$40 million for services in transportation of natural gas.^[19] On 5 January 2009, Kiev's economic court banned Naftogaz from transshipping Russian natural gas in 2009 at the price of \$1.60 per 1,600 cubic meters per 100 kilometers. The court declared contracts made by Naftogaz for the transit of natural gas through Ukraine void because the contracts were signed by Naftogaz without authorization from the Cabinet of Ministers of Ukraine.^[20] On 30 March 2010, the Stockholm tribunal ordered Naftogaz to pay RosUkrEnergo around \$200 million as a penalty for various breaches of supply, transit, and storage contracts.^[21] On 8 June 2010, the tribunal ordered Naftogaz to return 11 billion cubic metres (390 billion cubic feet) of natural gas to RosUkrEnergo. The tribunal further ordered that RosUkrEnergo would receive from Naftogaz a further 1.1 billion cubic metres (39 billion cubic feet) of natural gas in lieu of RosUkrEnergo's damages for breach of contract.^{[21][22]}

On 5 January 2009 Prime Minister Putin instructed the head of Gazprom Alexei Miller to reduce natural gas exports to Europe via transshipment through Ukraine by quantities equivalent to the amounts of gas which Ukraine had allegedly siphoned from the pipelines since deliveries ended on 1 January 2009.^[23] On 7 January, all Russian natural



Vladimir Putin and Viktor Yushchenko (12 February 2008)

gas exports via Ukraine were halted amid accusations between the two parties.^[24] Several countries reported a major fall in supplies of Russian gas starting on 7 January; Bulgaria, Moldova, and Slovakia were among the most affected by these supply drops.^[25]

Talks between Naftogaz and Gazprom resumed overnight on 8 January 2009.^{[26][27]} Ukraine agreed to guarantee the unfettered transport of natural gas on the condition that Gazprom would guarantee and supply technical gas for Ukraine's gas transit system to function; this was denied by Russia.^[28] The supplies to Europe were not restored although the European Union, Ukraine, and Russia agreed to the deployment of an international monitoring group to the gas metering stations between Russia and Ukraine.^{[29][30]} Naftogaz blocked the transit of gas, blaming a lack of pressure in the pipeline system and saying the design of the Soviet-built pipeline meant it could not ship gas entering through the Sudzha metering station governing gas leaving through the Orlivka metering station without cutting off the Donetsk region, Luhansk region, and portions of the Dnipropetrovsk region of Ukraine.^[31] Naftogaz suggested a technically more feasible alternative through the Valuyki and Pisarevka metering stations but was refused.^[32]

On 17 January 2009, Russia held an international gas conference in Moscow. The EU was represented by the Presidency, the Czech Minister of Industry and Trade Martin Říman, and the EU Energy Commissioner Andris Piebalgs, so that the European Union could speak with one voice.^[33] Ukraine was represented by the Prime Minister Yulia Tymoshenko.^[34] The conference did not achieve any solution to the crisis, and the negotiations continued bilaterally between Prime Ministers Putin and Tymoshenko. Early on 18 January 2009, after five hours of talks, Putin and Tymoshenko reached a deal to restore gas supplies to Europe and Ukraine.^[35] Both parties agreed that Ukraine would start paying European prices for its natural gas, less a 20% discount for 2009, and that Ukraine would pay the full European market price starting in 2010. In return for the discounts for 2009, Ukraine agreed to keep its transit fee for Russian gas unchanged in 2009. The two sides also agreed not to use intermediaries.^[36] On 19 January 2009, Gazprom CEO Alexei Miller and the head of Naftogaz Oleh Dubyna signed an agreement on natural gas supply to Ukraine for the period of 2009-2019.^[37] Gas supplies restarted on 20 January 2009, and were fully restored on 21 January.^[38]

According to the EU Commission and Presidency, the Russia-Ukraine gas disputes caused irreparable and irreversible damage to customers' confidence in Russia and Ukraine, causing Russia and Ukraine to no longer be regarded as reliable partners.^[39] According to reports, due to the gas crisis Gazprom lost more than \$1.1 billion in revenue for the unsupplied gas.^[40] Ukraine also incurred losses as a result of the temporary closure of its steel and chemical industries due to the lack of gas. Ukraine also lost \$100 million of potential revenue in transit fees from natural gas.^[41]

There were also accusations of illegal siphoning of natural gas by Ukraine; however, these accusations were not confirmed.^[42] The issue of technical gas used to fuel compressor stations and to maintain gas pressure in the pipeline network remained unclear.^[43] Some sources asserted that the responsibility for providing the technical gas falls to Ukraine,^[44] while others say that this is the responsibility of Gazprom.^[45]

There were several theories as to alleged political motives behind the gas disputes, including Russia exerting pressure on Ukrainian politicians or attempting to subvert EU and NATO expansions to include Ukraine.^{[30][31][32]} Others suggested that Ukraine's actions were being orchestrated by the United States.^[46] Both sides tried to win sympathy for their arguments fighting a PR war.^[47]

In August 2009, it was agreed that loans worth \$1.7bn would be given to Ukraine to help it provide stable supplies of Russian gas to Europe by the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development, in return for reforms in Ukraine's gas sector.^[48]

On 28 December 2009, the Slovakian government announced that Russia warned it would stop oil supplies to Slovakia, Hungary, and the Czech Republic over a transit price dispute with Ukraine.^[33] However, the next day, Ukraine's Naftogas issued a statement confirming that Russia agreed to a 30% increase in the transit fees through Ukraine. The alleged rise in the tariff would be from \$7.8 to \$9.50 (or €6.6) per tonne of oil going through Ukraine in 2010. Additionally, unlike previous payments, new payments would be made in Euros as this was one of Ukraine's

demands. Russia and Ukraine also agreed on the volume of oil to be transported through Ukraine. The overall amount of oil to be transported to Slovakia, Czech Republic, and Hungary through Ukraine in 2010 will be 15 million tonnes - a decrease from 17.1 million tonnes in 2008.^[34]

2010 natural gas agreement

Prologue

After meeting her Russian counterpart Putin, Ukrainian Prime Minister Tymoshenko declared on 3 September 2009, "Both sides, Russia and Ukraine, have agreed that at Christmas, there won't be [any halt in gas supplies], as usually happens when there are crises in the gas sector. Everything will be quite calm on the basis of the current agreements."^[1] Tymoshenko also said that the Ukrainian and Russian premiers had agreed that sanctions would not be imposed on Ukraine for the country buying less gas than expected and that the price of Russian gas transit across Ukraine may grow 65% till 70% in 2010.^[1] A week before Gazprom had said it expected gas transit fees via Ukraine to rise by up to 59 percent in 2010.^[1]

On 8 October 2009 Tymoshenko announced that Ukrainian 2010 natural gas imports will be significantly less than in previous years "because we have less need for natural gas". Because of its economic recession the industries require far less gas. In response to Tymoshenko Gazprom Chief Executive Alexey Miller stated that Ukraine should stick to the January (2009) contract for 2010.^[1]

On 16 November 2009 Commissioner for Energy at the European Commission Andris Piebalgs stated that Russia and the European Union do not expect another gas conflict with Ukraine. According to him there were no gas price negotiations or questions other than that of gas payments.^[35]

On 20 November 2009, the gas deal of 18 January 2009, was altered after a meeting between Tymoshenko and Putin in Yalta; meaning Ukraine would not be fined for buying less gas than the old contract stipulated, this was done in view of the 2008–2009 Ukrainian financial crisis.^[36] On 24 November 2009 Gazprom and Naftogaz signed these supplements to the contract of 19 January 2009 on the purchase and sale of natural gas; according to the supplements, the annual contracted amount of gas to be supplied to Ukraine in 2010 has been set at 33.75 billion cubic metres (1.192 trillion cubic feet), instead of the 52 billion cubic metres (1.8 trillion cubic feet) contracted earlier. The documents signed by the sides also stipulated that there will be no fines related to the amount of gas consumed by Naftogaz in 2009.^[37] Over the first ten months of 2009 Naftogaz has purchased 18.85 billion cubic metres (666 billion cubic feet) of gas with the contracted volume being 31.7 billion cubic metres (1.12 trillion cubic feet).^[38]

On 15 December 2009, Russian Energy Minister Sergei Shmatko stated he expects no problems with Ukraine over gas supplies at New Year.^[39]

Agreement

Ukrainian Prime Minister Mykola Azarov and Energy Minister Yuriy Boyko were in Moscow late March 2010 to negotiate lower gas prices; neither clearly explained what Ukraine was prepared to offer in return.^[40] Following these talks Russian Prime Minister Vladimir Putin stated that Russia was prepared to discuss the revision of the price for natural gas it sells to Ukraine.^[41]

On 21 April 2010, Russian President Dmitry Medvedev and Ukrainian President Viktor Yanukovich signed an agreement^[42] in which Russia agreed to a 30 percent drop in the price of natural gas sold to Ukraine. Russia agreed to this in exchange for permission to extend Russia's lease of a major naval base in the Ukrainian Black Sea port of Sevastopol for an additional 25 years with an additional five-year renewal option (to 2042-47).^[43] As of June 2010 Ukraine pays Gazprom around \$234/mcm (thousand cubic meter).^[44]

This agreement was subject to approval by both the Russian and Ukrainian parliaments.^[43] They did ratify the agreement on 27 April 2010.^[45] The Ukrainian parliament ratified it after several eggs were thrown towards the speaker, Volodymyr Lytvyn, by deputies and other incidents.^{[46][47][48]} Opposition members in Ukraine and Russia expressed doubts the agreement would be fulfilled by the Ukrainian side.^{[45][49]}

Yanukovich has defended the agreement as a tool to help stabilise the state budget.^[50] Opposition members in Ukraine described the agreement as a sell out of national interests.^[50]



Signing of the deal reached at the Kharkiv summit on 21 April 2010
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- Timeline of events in Ukraine's gas dealings July 2004-February 2011 (<http://www.kyivpost.com/news/nation/detail/96310/>) by Kyiv Post

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