

## Mixed Energy Assurances to Europe of a New Kiev/Moscow Gas Dispute in 2010

### A Breakthrough!

On the 25<sup>th</sup> November, Russia's Vesti News Channel announced that there will be no new gas war between Moscow and Kiev.<sup>1</sup> This most recent reassurance emerges in light of an agreement having been reached for a reduced gas contract and waiving of Gazprom's fines. However, the breakthrough also stands against a background of rising concerns in Eastern and South Eastern Europe of a new Ukraine/Russia energy debacle.

The last such dispute, as we well know, resulted in widespread gas shortages across Europe. The event was a PR defeat for Russia, but was a shocking reminder of the realities of European dependence on Russian energy exports. As such, these concerns for a recurrence of such an event are vented amidst frantic efforts to 'shore-up' domestic energy reserves across those countries within the Kiev/Moscow dispute fallout zone. Thus, in light of the most recent breakthrough, fears for a new dispute should be allayed; but Europe remains ready for one if it should happen.

### Panic Storing

Bulgaria is one country that has made considerable political-noise regarding its efforts to ensure sufficient energy reserves. Bulgaria has gone further to suggest this danger is inevitable when supply "*is unpredictable and caused by relations between partners beyond our control.*"<sup>2</sup> Hungary is equally well prepared and able, its energy company E.ON claims, to supply the entire

country for a month. Slovakia, another country impacted by the last dispute, has shored up its own reserves as the PM states that a new disruption is likely.

Critically, Ukraine itself is also making its own reassurances, to its own people and no doubt to the rest of Europe. Signs that a positive compromise between Moscow and Kiev would be reached have been visible for some time. Several countries clearly thought and indeed still think a new dispute is a strong possibility; we must therefore ask from where such smoke is rising.

### Ukraine's Bills and 2010 Elections

Russia has made considerable statements from the beginning of this month to suggest Kiev does not have the means to pay what it owes; indeed, Kiev has made little if in fact any refute of this. Putin has even called upon other European states to give Ukraine help in meeting these bills. These moves might in part be attributed to a stronger effort by Russia to 'prepare-the-ground' on the PR-front. However, they have fanned the flames of fears in the likelihood of a new energy dispute with Russia leading to energy shortages across Europe in winter.

Ukraine has made numerous statements that it wants its gas contract with Russia to be amended. Until now allowance of supply reductions were contingent with absurd Gazprom fines; it is this deadlock that the recent agreement breaks. This year, Ukraine has already bought 12 billion cu. m

less of Russian gas than was stipulated in January agreements. Much concern lies over Ukraine's upcoming elections in January as a further opportunity for conflict with Russia. Similarly, Russia has voiced its own concerns for the new Ukrainian leadership not to break this recent breakthrough agreement. The elections are pinned by many as an event whose outcome it is Russia's strong desire to influence; no doubt this agreement will be continue to be viewed in this context.

### A Russian Bluff?

The recent agreement rests upon a chain of contradictory Russian messages that Kiev cannot pay its bills while also assuring Europe that energy shortages are very unlikely. Communiqués from Russia of this sort thus need careful analysis. Russia needs to assure Europe of its reliability as an energy provider as Europe remains Russia's prime energy customer. However, Russian insinuations up until now have amounted to 'character-assassination' against Ukraine. If a dispute does arise, perhaps due to elections or otherwise, then cynically Russia might well claim Europe was well warned as to 'unreliable elements' in its energy chain. However, until then, we may dare to place our trust within this recent breakthrough agreement as a significant and positive step in the right direction.

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<sup>1</sup> BBCM, Vesti News Agency, Moscow, in Russian, 0534gmt, 25/11/09

<sup>2</sup> BBCM, BTA News Agency, Sofia, in English, 1155 gmt, 03/11/09