

**Oil & Gas industry****Ukraine ready to take action against Gazprom over central Asian gas**

Naftogaz head says Kyiv is seeking ways to unblock supplies to mitigate loss from Nord Stream 2



A gas well near to the Gazprom PJSC gas drilling rig © Bloomberg

**Roman Olearchyk** in Kyiv 2 HOURS AGO

Ukraine is prepared to take legal action against Gazprom to unblock natural gas supplies from central Asia, a move that could ensure it has sufficient domestic supply and transit revenues even if Russia's nearly completed Nord Stream 2 pipeline comes on stream this year.

Gazprom controls the flow of gas through its pipelines into Ukraine from central Asia. It has blocked these flows for 15 years and if it does not approve them, the head of Ukraine's state gas company says he is ready to appeal to the EU's competition authorities and take the Russian energy giant to international arbitration.

"It will be a game changer because as we all understand there is a huge potential basically to transport central Asian gas through Ukraine to Europe," Yuriy Vitrenko, chief executive of Naftogaz Ukraine, told the Financial Times.

“We are talking about tens of billions of cubic metres . . . central Asian gas alone can fill the whole Ukrainian gas transit system,” he added.

Naftogaz is preparing formal requests to secure gas from the region and obtain permission to transport it through Gazprom’s pipelines, a process that Vitrenko said could take months.



Yuriy Vitrenko said there was ‘huge potential basically to transport central Asian gas through Ukraine to Europe’ © Stefan Franko/EPA-EFE

“If they [Gazprom] say no, then the next step would be a complaint [to the European Commission] and arbitration,” added Vitrenko, pointing to a process that could take years.

Kyiv could appeal to Brussels to apply EU competition law because it affects supply of gas to EU markets.

As a senior executive at Naftogaz, Vitrenko led efforts that secured two multi-billion-dollar [international arbitration awards](#) against Gazprom in 2017 and 2018 over prices and transit agreements. Vitrenko was last year pushed out of the company by then chief executive Andriy Kobolyev, an erstwhile ally.

In a controversial decision this April, Ukraine's government — citing the company's unexpected financial losses and falling gas production — [bypassed Naftogaz's supervisory board](#) in replacing Kobolyev with Vitrenko. The move was sharply criticised by the US and other western backers as a violation of corporate governance.

Vitrenko spoke by telephone from Washington, where he led a Ukrainian delegation in [last-ditch effort](#) to convince the Biden administration to cancel its recent [waiver](#) on some US sanctions against Nord Stream 2.

“It's our view that the game is far from being over,” he said. “We are telling [US officials] that it's a national security issue for Ukraine, for Europe, and for the US,” he added.

Stretching from Russia across the Baltic Sea to Germany, the pipeline bypasses Ukraine, which stands to lose some \$2bn in annual transit revenues. That is about half Ukraine's annual defence spending at a time when it is still at war with Russian-backed separatists and Russian forces in the Donbas region, in the country's far-east.

Officials from [Germany and the US have urged Russia](#) to maintain enough gas transit through Ukraine to keep the country's pipeline profitable and operational. A 2019 transit agreement with Gazprom lasts until 2024.

Vitrenko stressed that even if Nord Stream 2 were stopped, Kyiv would still push Gazprom to carry less expensive central Asian gas — mostly from Turkmenistan — for Ukraine's domestic needs and transit to Europe.

Gazprom declined to comment.



The Gazprom PJSC Slavyanskaya compressor station, the starting point of the Nord Stream 2 gas pipeline © Bloomberg

Ukraine halted direct gas purchases from Gazprom after Russia's annexation of the Crimea peninsula in 2014, importing fuel instead from European markets, much of which is of Russian origin.

Vitrenko said he would also seek to work out an agreement with Gazprom that would allow European buyers to acquire their gas on the Ukrainian-Russian border instead of taking over the shipments after it is transported across Ukrainian territory. Such a move could entice traders to stockpile gas purchased at lower summer prices in the country's vast underground storage facilities for export during peak winter demand.

"We will have a vibrant hub inside Ukraine, because we would have central Asian gas, we would have gas from other producers in Russia other than Gazprom," Vitrenko added.

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