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# Ukraine fires a warning shot in Russia gas dispute

It's becoming impossible to separate gas deliveries from politics thanks to the Russian invasion.



A compressor station of Ukraine's Naftogaz national oil and gas company near the northeastern Ukrainian city of Kharkiv | Sergey Bobok/AFP via Getty Images

BY AMERICA HERNANDEZ

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The flow of Russian gas across Ukraine to the EU fell by a quarter on Wednesday after Ukraine's pipeline operator refused to continue taking gas from areas of the country under the control of Russian troops.

"Ukraine no longer bears responsibility for the transmission of Russian gas through Ukrainian territories under Russian military occupation," said Ukraine's state-owned gas company Naftogaz.

It's the first time since Russia attacked Ukraine on February 24 that Kyiv has threatened Russian gas exports; despite the destruction and bloodshed of the invasion, gas has continued to flow smoothly across Ukraine to customers in Germany, Italy, Austria and other European countries.

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Ukraine is pressing the EU to stop buying Russian gas — which earns the Kremlin billions — but EU countries have only promised to wean themselves off Russian gas supplies "before 2030." Ukraine also earns about €2 billion a year from Russia's Gazprom in gas transit fees — crucial cash for a country devastated by war.

That patience came to an end Tuesday evening, when Ukrainian gas grid operator GTSOU said it was no longer able to control and monitor parts of its pipeline system in the eastern Luhansk territory occupied by Russian troops. The operator also accused occupying forces of interfering with the operations of the pipelines, "including unauthorized gas offtakes from the gas transit flows, endanger[ing] the stability and safety of the entire Ukrainian gas transportation system."

"Russian propaganda lied for years that Ukraine was stealing gas. In arbitration they could not provide a single proof," said Naftogaz CEO Yuriy Vitrenko on Wednesday. "As Russia occupied new territories 'pro Russian separatists,' backed by [the] Russian army, are stealing gas that Ukraine was supposed to be responsible for. Ironic."

GTSOU demanded that Gazprom shift its gas flows from the interconnector known as Sokhranivka to a cross-border point farther northwest, known as Sudzha — an area still under Ukrainian control.

This "is about the theft of gas and the inability of GTSOU to be responsible for maintaining transit volumes," the operator added in an statement.

## Supply shift

Although Gazprom first said such a change was technologically impossible, it complied and said it was supplying 72 million cubic meters (mcm) to European customers on Wednesday, down from 95.8 mcm a day earlier, according to Russia's TASS news agency. [Privacy](#)

Gazprom and Gazprom Export did not respond to a request for comment.

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Gazprom's halt in flows to eastern Ukraine also stopped gas deliveries to the Russian-backed separatist regions of Luhansk and Donetsk.

"The representatives of the aggressor deprived Ukraine of the opportunity to transport gas to consumers of Luhansk and Donetsk regions. The Russian authorities bear full responsibility for the humanitarian consequences of such actions," said GTSOU CEO Sergiy Makogon in a Facebook post.

All of Russia's pipelines in total supply about 300 mcm a day to Europe, said Tom Marzec-Manser, head of gas analytics at ICIS; less than a third of that goes across Ukraine. The EU gets about 40 percent of its gas from Russia.

"Yesterday Sokhranivka was set to carry 24 million cubic meters," said Marzec-Manser. "Based on the change in [transit] requests for today it appears some shifting of volumes has happened upstream in Russia — not to the fullest extent, but there has been some compromise, might be a way of putting it."

Gas prices jumped slightly Wednesday morning but quickly settled back to earlier levels.

"It looks like things are not as quite as bad as it first seemed," Marzec-Manser added.

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Makogon said it is "more than technically feasible to move all the volumes" currently under contract with Gazprom through Sudzha.

Ukraine's measures are part of a broader disarray in European gas markets caused by the war. In addition to EU determination to end its long-term reliance on Russian gas, key customers like Germany are planning to move even faster. Economy and Climate Minister Robert Habeck estimated it would take his country to the middle of 2024 to end its reliance on Russian gas. A new study says that an immediate halt to Russian gas could lead to a 12 percent fall in Germany's GDP.

Gazprom also halted deliveries to Poland and Bulgaria last month after they balked at Kremlin demands to modify gas contracts and pay in rubles. When Gazprom ended deliveries to Poland, it warned that it reserved the right to continue sending gas to ot Privacy

customers through Polish pipelines.

For now, Ukraine isn't closing the taps to its allies in the EU.

A lack of public live gas flow data makes it impossible to track the situation on the ground in real time, and a GTSOU spokesperson said on Wednesday there would be further details after a crisis meeting.

Caroline Bain, chief commodities economist with Capital Economics, said: "Perhaps the key takeaway from today's news is that natural gas is not off limits as far as the war in Ukraine is concerned, which creates considerable uncertainty about supply over the coming months."

*This article has been updated with additional comment from GTSOU CEO Sergiy Makogon.*

*This article is part of POLITICO Pro*

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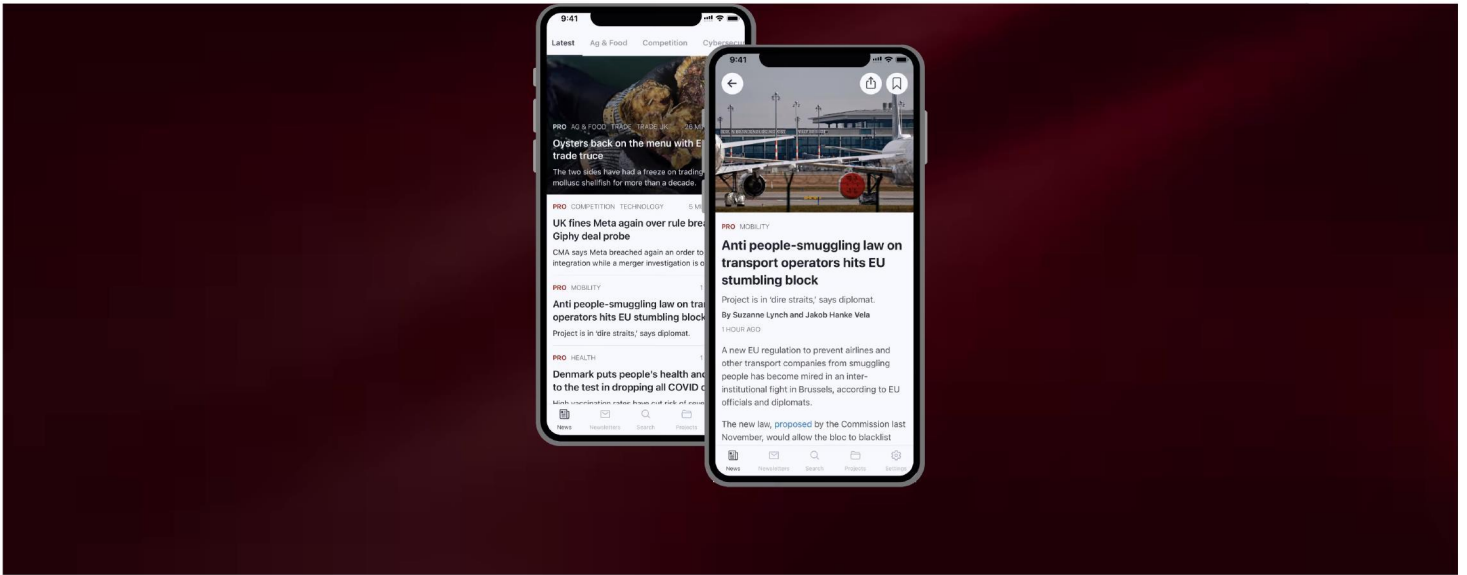
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