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CORRECTION: Ukraine's Naftogaz does not seek Russian gas transit renewal, expects storage injection increase, CEO

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The article published on 20 September 2023 included an incorrect conversion rate in the final paragraph. The correct conversion for \$300.00/1000m3 is €26.50/MWh.

LONDON (ICIS)—Ukraine's Naftogaz does not intend to renew its transit contract with Russia once it expires at the end of 2024 but Europe's supply needs may also have to be considered, the incumbent's CEO told ICIS in an exclusive interview on 20 September.

Oleksiy Chernyshov said Naftogaz as the organiser of transit was not profiting from current arrangements since Russia ships much less than what it should do under its contractual obligations.

"We are not seeking the renewal of this contract and that's a clear statement [just] as we are not seeking to continue it right now, [while Ukraine is at war with Russia]," he said.

"We service this transit only as a favour to our EU partners not to deprive them of basic needs of gas during winter." However, he added that if European partners ask for transit to continue, even as the EU set a 2027 phase-out date for Russian gas, Naftogaz would ask for a solution to be found, including to Gazprom's current refusal to pay in line with existing contractual terms.

ARBITRATION

Last year, Naftogaz initiated arbitration against Russia's Gazprom in response to non-payment.

It had been involved in a spate of arbitrations with Gazprom over the years, including a recent case, where a tribunal in The Hague awarded \$5bn to the Naftogaz Group for losses incurred following Russia's annexation of Crimea in 2014.

Earlier this month, the Ukrainian military said it had recaptured some of the oil and gas rigs that had been seized. Chernyshov said Naftogaz has not been able to inspect them yet and added that even though some of the rigs had been recaptured, the company would continue to push for the recovery of the \$5bn in compensation for lost opportunities, profit and assets.

STORAGE

Chernyshov insisted that Naftogaz' main concerns as of now relate to increasing internal onshore gas production and attracting a large number of non-resident companies to use Ukraine's storage capacity.

He said he expected more than 16 billion cubic meters (bcm) to be injected in storage by 1 November, of which 3bcm would be held by non-resident companies.

As of 19 September, there were 14.7bcm in stock, of which 2bcm had been injected by foreign companies. To compare, 0.31bcm were injected by non-resident companies at the same time last year.

"These volumes [stored by international companies] have not been guaranteed by additional business insurance. It's great that Naftogaz has a reputation that can inspire trust to these major traders," he added.

Last month, Naftogaz along with the gas grid operator, GTSOU and backed by EU and US partners issued a report confirming that

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