



Our first problem of the year is an energy one

Posted by [Heading Out](#) on January 1, 2006 - 1:58pm

Topic: [Supply/Production](#)

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[Reuters](#) is carrying the story of the cut-off of gas that Russia is supplying to the Ukraine.

However, since the gas is a part of that being shipped to Europe it appears that the Russians dropped the supply to Ukraine by 120 million cubic meters a day (the Ukrainian use) but that when the gas leaves Ukraine for Europe it is being reduced by 67 million cubic meters. In other words the Ukrainians are still drawing out some of the gas for their needs.

Since the Russian government is likely to expand this policy to other countries that have left their sphere of influence, this could be the beginning of a whole new set of political realities. And it is a set where Western Europe and the United States, since we do not have the reserves, will be unable to help much.

UPDATE The [New York Times](#) points out that it is not only Ukraine that is involved.

Effects were starting to be felt in Europe tonight. The Hungarian natural gas wholesaler MOL said that deliveries from the affected pipeline were down more than 25 percent, according to Reuters. The news agency added that in Poland, supplies dwindled 14 percent.

Polish officials said reserves were adequate for now, and the Hungarian company asked big gas consumers to switch to oil where possible.

The dispute comes a year after the Orange Revolution brought a pro-Western government to power in Ukraine, and ends a decade of post-Soviet subsidies in the form of cheap energy that allowed Moscow to retain some influence over the former Soviet republics. At the heart of the conflict is a jump in Moscow's utility bill for Ukraine: Russia is now asking for \$220 to \$230 per 1,000 cubic meters of natural gas, up from \$50 now. Ukraine's economy has depended on buying cheap energy from Russia.

Because the amount of gas that flows through a pipe is controlled by the driving pressure that is used to push the gas along, the Russians have reduced the pressure in the pipeline. This, in turn, lowers the volume that the pipe will deliver over its length. In note that in the stories there is apparently some evidence that the Russians have that the Ukrainians are tapping the pipe as it carries the gas through their country. This was [expected](#), according to a Russian spokesman

From the very beginning the Ukrainian authorities had plans to begin to use gas without permission from January 1," said Kupriyanov. "To be more precise, they planned to start to steal gas -- steal it from European consumers." Ukrainian officials have sent

mixed messages about their intentions. Yushchenko has said that supplies to other European countries would not be affected by the dispute, but Ukrainian Prime Minister Yuri Yekhanurov said his country was entitled to 15 percent of the gas crossing Ukraine as a transit fee.



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