Gazprom's Medvedev urges swift OPAL deal to reduce gas disruption risk

Yuzhno-Sakhalinsk (Platts)--23Sep2014/513 am EDT/913 GMT

A decision on the utilization of the OPAL gas pipeline carrying Russian gas through the German market should be taken "now," to ensure Europe has sufficient resources in place to face a possible disruption in gas transits through Ukraine this winter, the deputy chairman of Russia's Gazprom, Alexander Medvedev, said.

In an interview with Platts Tuesday on the sidelines of the 18th Sakhalin oil and gas conference, on the Russian Far East island of Sakhalin, Medvedev said "it's necessary" that the scheme which would allow OPAL Gastransport -- a joint venture between Gazprom and German oil and gas producer Wintershall -- to keep half of the OPAL capacity for its sole use "starts functioning not in February or January when there would be a [gas] crisis, but now."

He said this would allow Russia to transit less gas through Ukraine and increase security of supply against the risk of a gas crisis.

Medvedev added that the European Commission delaying its ruling on what access Gazprom can have to the pipeline, to end-October, was making Europe's winter gas supply situation more difficult.

The 36 billion cubic meter/year OPAL pipeline transports Russian gas from the Nord Stream pipeline through Germany to the Czech-German border.

The EC said September 15 that "the deadline for issuing a decision on a revised OPAL exemption is end of October, subject to prolongation under the provisions of the [EU] gas directive."

The EC was originally due to decide in March on German energy regulator

BNetzA's November proposal for updating a 2009 exemption agreement for the OPAL pipeline, which is jointly owned and operated by Gazprom and Wintershall through their OPAL Gastransport JV. The EC since then has extended the deadline several times, in agreement with BNetzA.

The Russian-Ukrainian gas price and debt dispute led Russia to stop deliveries to Ukraine in mid-June until Ukraine paid at least part of its estimated outstanding $5 billion gas bill, prompting fears that this might disrupt Russian gas deliveries to the EU through Ukraine this winter, as happened in previous Russian-Ukrainian gas disputes.

OPAL would allow increasing Russian gas volumes to bypass Ukraine.

The updated BNetzA exemption would allow OPAL Gastransport to keep half of the capacity for its sole use until 2031, as agreed in the original 2009 exemption decision. The other half would have to be sold through European gas capacity auction platform PRISMA, which launched last April.

Gazprom would have the right to bid for the capacity sold through PRISMA, so it could actually end up with all the capacity in the short and medium term.

Under the EU's third-party access rules set out in its 2009 gas directive, pipeline operators must offer 100% of the capacity to the market unless they have agreed on an exemption with the relevant national regulator and the EC. !

UKRAINE RISK GROWING

Medvedev added that Ukraine has so far failed to inject into storage sufficient resources for winter, and its debt with Gazprom was "not even partially" repaid, therefore "there is a risk that Ukraine will unilaterally take gas" from the transit pipeline that carries Russian gas to European

customers, replicating a similar situation in 2006 and 2009. When asked whether Gazprom's storage resources in Europe could be utilized to supply European customers in case of disruptions, he said the

company would be able to supply some 65-70 million cubic meters per day from the storage.

Regarding Gazprom's stand-off with Ukraine over outstanding debt, Medvedev said there was no progress, but "talks on the issue will continue on Friday."

He was dismissive when asked about possible plans for a consortium, including Western companies, to manage gas transit via Ukraine.

"Before switching partners it is important to remember the old partners, we have a contract for transit of Russian gas via Ukraine, which is valid up to 2019," he said.

CHINA PROSPECTS

Separately, Medvedev discussed the prospect of gas supplies to China, which the company is planning to carry out by two routes, with supplies set to start by the end of the decade.

"Supplies can begin four years after signing the intergovernmental agreement, but a lot depends on whether the infrastructure in China is ready," he said, adding that an intergovernmental agreement covering supplies via the Eastern route is due to be signed by the end of this year.

"In terms of the Western route, the first step is to prepare an intergovernmental agreement, but we will move substantially quicker with this agreement, than with the Eastern route," he said.

Gazprom has said that when negotiations are completed, it may supply up to 100 billion cubic meters/year of gas to China via the two routes.

"We have already agreed to supply 38 Bcm/year via the Eastern route and initial plans for the Western route are 30 Bcm/year. The Western route -- which has as its resource base existing fields in West Siberia -- could see supply volumes doubled," he said.