

# A few more words about Ukrainian transit

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At the end of December, Ukraine and Russia, through EU mediation, were still able to reach an agreement and signed a five-year contract for the transit of Russian gas through Ukraine.

The document provides for the pumping of 65 billion cubic meters in 2020 and 40 billion in the next four years. In addition, Gazprom paid a debt of \$ 2.9 billion in accordance with the decision of the Stockholm arbitration.

It seems that all parties should be satisfied. Ukraine receives transit revenues and, in the coming years, has ensured the functioning of its gas transportation system. Russia insured itself during the completion of the Nord Stream-2 construction and in case of unforeseen circumstances when the transit contract with Poland through the Yamal-Europe gas pipeline completes in May.

It seems that the United States remained unsatisfied in this situation. And no wonder. Washington has repeatedly stated support for Ukraine and transit through its territory. Immediately imposed sanctions on Nord Stream 2. The result – the construction of the gas pipeline is suspended, but it is a matter of time. And much worse – a transit contract has been signed.

But this is just disadvantageous to America. It seems that overseas politicians made a strategic miscalculation. The US is actively promoting its LNG in European energy markets. For this, it is necessary to reduce the supply of pipeline gas as much as possible, which will lead to an increase in spot prices and give additional chances to American raw materials.

But. Nord Stream 2 is not stopped, but suspended. Plus, the Ukrainian corridor did not cease to exist. Thus, after the commissioning of the Russian pipeline, Europe will be over saturated with gas and this does not contribute to an increase in the supply of American LNG.

And about the prices of blue fuel. They fell immediately after the conclusion of the preliminary Ukrainian-Russian agreements and kept at the level of 140-150 dollars per ton. And all the stores in Europe are filled to capacity in case of a negative result of negotiations.

And in the USA, gas processing plants have already been built, ships are ready for LNG supplies to Europe. It turns out that the export of liquefied gas will occur even at prices below the full cost. In Russia, the situation is similar, Gazprom is also supplying on the verge of profitability. But the main costs associated with transporting gas to consumers have already been paid.

It turns out that the United States needed to maintain tension in the gas market and prevent the conclusion of an agreement between Ukraine and Russia. Against the backdrop of the unfinished Nord Stream-2 and the stopped transit through Ukraine, gas prices would rise, which would create an optimal situation for increasing LNG imports.

Thus, the current situation not only strengthened the Ukrainian gas transportation system and Russia's position as a supplier of gas to Europe, but also negatively affected the LNG sector. Overcrowding of stores and oversupply led to lower raw material prices in Europe. This is unlikely to lead to the cessation of LNG production in the United States, as plants have already been built. But a reduction in investment in this area in the short term should be expected.

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