

What will happen to the Ukrainian gas transportation system

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Nord Stream 2 is almost completed and it looks like it will soon be put into operation.

In Kiev, they hoped that during the meeting between President Zelensky and German Chancellor Angela Merkel, Ukraine will receive hope that the project will be stopped.

Then there was a little hope for the Americans. But after Joe Biden's meeting with Angela Merkel, these hopes were also dashed. It became clear that the Russian gas pipeline would definitely be completed.

Now many are worried about the prospects of the Ukrainian gas transportation system after 2024, when the current transit contract with Gazprom expires.

They will definitely not be able to close the pipe. To realise this, it is enough to calculate the volumes of gas supplied to Europe and the capacity of existing pipelines.

After the collapse of the USSR, Ukraine inherited a well-developed gas pipeline system. It was based on the Brotherhood gas pipeline built in 1967. In 1978, the Soyuz gas pipeline was commissioned (from Orenburg to the western border of the former USSR). Then, in 1983 and 1988, two more gas pipelines were built. These are "Urengoy-Pomary-Uzhgorod" and "Progress" (Yamburg-western border of the USSR).

And until recently, Russia had no alternative routes to supply gas to Europe. The Ukrainian gas transportation system is capable of delivering 146 billion cubic meters of fuel per

year to the European direction.

At the same time, according to Naftogaz, in 1998, almost maximum loading was reached – just over 141 billion cubic meters of gas. Gradually, the volume of Russian gas pumped decreased.

In 1999, the first pipeline bypassing Ukraine appeared. This is the Yamal-Europe gas pipeline. In 2010, Nord Stream 1 was built. In 2020, Turkish Stream appeared, and now Nord Stream 2 is being completed.

As a result, in 2020, 55.8 billion cubic meters were pumped through Ukraine, and in 2021-24 this figure is expected to reach 40 billion cubic meters.

Now about the capacities of Russian gas pipelines. Nord Stream 1 and Nord Stream 2 are designed for 55 billion cubic meters each. The capacity of Yamal – Europe is up to 34 billion cubic meters. Turkish Stream and its European continuation Balkan Stream make it possible to pump 15.75 billion cubic meters annually. In total, this is about 160 billion cubic meters.

Before the start of the coronavirus pandemic, about 200 billion cubic meters of Russian gas were supplied to Europe, last year – about 177 billion cubic meters.

Thus, in case of maintaining the current volumes, Ukraine will get about 17 billion cubic meters, which will be lower than the payback level of the gas transportation system. If the indicators return to the pre-crisis level, Kyiv will be able to count on volumes of about 40 billion cubic meters.

At current tariffs for pumping gas (\$ 31.72 per 1,000 cubic meters), Kyiv receives a little less than \$ 1.3 billion in annual revenue. The cost of maintaining gas pipelines, according to rampant estimates, ranges from \$ 0.5 billion to \$ 1 billion per year. At the same time, it turns out that the lower limit of the self-sufficiency of the pipeline is at the

level of 31.5 billion cubic meters per year.

The gas transportation system of Ukraine needs not only current maintenance, but also global modernization. There are no funds for which in the country's budget.

So what is the future of the Ukrainian pipe after the completion of the current contract with Gazprom? Ukraine can hope for the growth of European industry. This will increase the demand for the Ukrainian transit route. But it will also require the modernization of the gas transport system.

Ukraine may try to become Europe's gas hub. Such proposals have already been made. But here the interests will clash with Germany, where NS-2 comes and Poland, which has built LNG terminals. And again the question of modernizing the gas transportation system will arise.

It is hoped that the Europeans will invest in the modernization of the country's gas transportation system. But there are also questions here. In 2009, Kyiv had already shown itself to be an unreliable transit partner. The recent words of David Arakhamia about the possibility of nuclear blackmail on Europe are also not good for the reputation.

Finally, you can simply use the pipes until they are completely worn out. Or try to sell the gas transportation system to European or American partners. While it is in good condition.

Author: Timoschuk

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