

Ukraine: natural gas export restriction lifted

Law-Now Ukraine
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On 17 June 2011, the Ukrainian Parliament adopted amendments to the Law of Ukraine "On Principles of Natural Gas Market Functioning" No. 2467-IV, dated 8 July 2010 ("**Gas Market Law**"). The decision was made swiftly (in just three days after the draft law had been registered in the Parliament) and the amendments are now awaiting the President's signature.

The Gas Market Law will now allow the Ukrainian oil and gas monopoly - the National Joint-Stock Company "Naftogaz of Ukraine" ("**Naftogaz**") and its subsidiaries, to export natural gas out of Ukraine. The export shall be carried out in accordance with (i) the annual prognostic balance of the natural gas intake and distribution in Ukraine and (ii) the procedure envisaged by the Ministry of Energy and Coal Industry of Ukraine.

The prognostic balance is approved annually by the Cabinet of Ministers of Ukraine and sets forth the total volumes of the natural gas to be distributed to all the categories of the natural gas consumers in the country (including the general population, budget-financed entities, heating companies and industrial/commercial consumers) and volumes of the natural gas to be exported. Nevertheless, the prognostic balance for 2011 has not been adopted yet.

Supposedly, the green light for gas export is aimed at helping Naftogaz to fulfil its obligations to the national Polish oil and gas company Polskie Gornictwo Naftowe i Gazownictwo SA, under a gas supply agreement which has been in place since 2004, however, as of 2011, the gas supplies of Naftogaz to Poland were halted. Naftogaz's excuse for such interruption was new legislation, which imposed a mandatory obligation on state-owned oil and gas companies to sell all natural gas produced domestically, to the Ukrainian population. At the same time, Naftogaz was and is still prohibited from re-exporting the natural gas it receives under the import contracts with Gazprom.

Law: The Law of Ukraine "On Introducing Amendments to the Law of Ukraine "On Principles of Natural Gas Market Functioning".

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