



Press Release

3rd January 2006

Energy crisis jeopardises Europe's gas supply during coldest weeks of the year

STEPHEN TWIGG, Director of the Foreign Policy Centre today said:

"The energy showdown between Russia and the Ukraine not only jeopardises Europe's gas supply during the coldest weeks of the year but also shows that Russia, the new president of the G8 group of industrialised nations, may not yet be ready to become a leader in the global market."

Its vast reserves of oil and gas are the main reason why Russia is G8 president in 2006. In other respects - democracy, rule of law, open society, free media - Russia is still only a junior partner yet to achieve full G8 membership. Indeed Russia owes its place at the top table of developed nations not to the strength of its economy, which ranks well below that of other member nations, but to doubtful credentials as a responsible energy supplier.

Mr Twigg continued:

"President Vladimir Putin has often told Western governments that, unlike OPEC, Russia is not going to use energy for political reasons. He claims Russia is a stable country and politics won't disrupt energy flows. And yet the day Russia takes over as head of the G8, the state-controlled gas monopoly Gazprom cuts supplies to its most independent neighbour and threatens the bigger market in Europe. It is hard to avoid the conclusion that the Kremlin is punishing Ukraine for the Orange Revolution which saw a pro-Western opposition oust Putin's favoured candidate in presidential elections a year ago."

The Foreign Policy Centre urged Russia to settle its dispute with Ukraine ahead of Wednesday's emergency meeting of European Union ministers.

"Putin has made energy security one of the key note themes of Russia's G8 presidency, and hopes to use its year in the spotlight to show that Russia can deliver oil and gas more reliably than the countries of the war-torn Middle East. However legitimate Moscow's reasons may be for seeking higher gas prices from Ukraine, it was wrong to impose them suddenly without thinking of the potential for economic trauma and human suffering at a time of freakishly cold weather in eastern Europe." Mr Twigg said.

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Editor's Notes

For more information or a copy of the report, please contact Alex Bigham on
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The Foreign Policy Centre

Progressive Thinking for a Global Age



1. Ukraine has so far been paying \$50 per 1,000 cubic metres of natural gas from Russia. Gazprom, which controls a third of the world's natural gas reserves, wants \$230 for the gas, arguing that Soviet-era tariffs no longer apply and the price needs to be aligned with market rates.
2. Europe obtains a quarter of its gas from Russia, and around 90 per cent of its supply crosses Ukraine by pipeline.

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