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## Russia raises gas prices for Ukraine by 80 percent

By Svetlana Burmistrova and Natalia Zinets

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- Russia raised the gas price for Ukraine on Thursday for the second time this week, almost doubling it in three days and piling pressure on a neighbor on the brink of bankruptcy in the crisis over Crimea.

The increase, announced in Moscow by Russian natural gas producer Gazprom, means Ukraine will pay 80 percent more for its gas than before the initial increase on Monday.

Prime Minister Arseny Yatseniuk said the latest move, two weeks after Moscow annexed Ukraine's Crimea region, was unacceptable and warned that he expected Russia to increase pressure on Kiev by limiting supply to his country.

"There is no reason why Russia would raise the gas price for Ukraine ... other than one - politics," Yatseniuk told Reuters in an interview in the Ukrainian capital Kiev.

"We expect Russia to go further in terms of pressure on the gas front, including limiting gas supplies to Ukraine."

Moscow has frequently used energy as a political weapon in dealing with its neighbors, and European customers are concerned Russia might again cut off deliveries in the worst East-West crisis since the Cold War.

"That kind of action taken coercively against Ukraine is something we oppose," White House spokesman Jay Carney told reporters in Washington. "We believe that markets should determine energy prices."

The head of Russia's top natural gas producer, Gazprom, Alexei Miller told Prime Minister Dmitry Medvedev the price increase was due to the introduction of an export duty on gas.

"The gas price is increasing automatically from April," Miller said.

The latest rise will be to \$485 per 1,000 cubic meters - two days after Gazprom announced a 44 percent increase in the gas price to \$385.5 per 1,000 cubic meters from \$268.5 due to unpaid bills. This is much more than the average price paid by consumers in the European Union.

Ukraine covers 50 percent of its gas needs with Russian supplies. It will soon get money from the International Monetary Fund under a new loan package but faces large debts and its economy is in chaos.

Valery Nesterov, an analyst with Sberbank CIB, said Ukraine could apply to an international court for a settlement.

Gazprom has had to agree to cut gas prices and improve contractual terms for its European clients, including those who successfully challenged the Russian company in courts.

The EU receives around half of its Russian gas supplies via Ukraine.

"It would be extremely difficult for Ukraine to pay such a price. I think this is just an instrument for further negotiations used by Gazprom," Nesterov said.

#### ECONOMIC SQUEEZE

Russia has moved to squeeze Ukraine's faltering economy after protesters toppled pro-Moscow President Viktor Yanukovich, installing new leaders bent on pursuing closer ties with the EU.

Russia's annexation of Crimea last month deepened tensions and Ukraine has vowed to take Russia to court over the seizure of Ukrainian assets there.

In raising the price, Russia has scrapped two discounts simultaneously.

One was introduced in 2010 when Ukraine agreed to extend terms for Russia's Black Sea Fleet in Crimea until 2042, and the second was agreed in December after Yanukovich scrapped a trade deal with the EU in favor of closer ties to Russia.

As part of that deal, the Russian government agreed to scrap gas export duties for Ukraine-bound gas.

Earlier this week, the Russian Federation Council, the upper house of the parliament, voted to annul the agreement on the Black Sea Fleet after Crimea was annexed by Russia.

On Thursday, Gazprom also said Ukraine had to increase the level of gas in storage to ensure its stable transit to Europe.

According to Ukraine's Energy Ministry the country holds 7.2 billion cubic meters in gas storage. It needs 12-14 billion cubic meters to ensure a stable flow of gas to Europe in winter.