

Poland Gets Russian Gas Price Reduction

WARSAW, Poland (AP) — Poland has obtained a significant price reduction on the gas it imports from Russia, ending a legal dispute that had escalated to international arbitration, officials said Tuesday.

The head of Poland's PGNiG gas and oil monopoly, Grazyna Piotrowska-Oliwa, said her company and Russian supplier Gazprom signed a deal in Warsaw on Monday that "changed the pricing formula" of their 2010 agreement by linking the cost of the gas to market prices.

As a result, the price was reduced by more than 10 percent, effective immediately, she told reporters. The change "brings Poland in line with other major gas-importers in Europe," she added.

According to business reports, PGNiG had been paying Russian supplier Gazprom some \$500 per 1,000 cubic meters of gas, while the average price in Europe is \$380. The deputy head of PGNiG, Radoslaw Dudzinski, estimates that overpricing has cost Poland about \$1 billion.

Poland imports about 70 percent of its gas and most of its crude oil from Russia, and is seeking to diversify its energy sources to cut that dependence.

Piotrowska-Oliwa said gas prices for Polish consumers, including households, will be reduced as of Jan. 1, but declined to say by how much.

As a result of Tuesday's deal, Piotrowska-Oliwa said Poland is withdrawing a complaint against Gazprom it had lodged with the Stockholm Arbitration Tribunal. Gazprom said in Moscow it was also withdrawing its part of the case from the tribunal.

Gazprom's deputy head, Alexander Medvedev, who signed the agreement, said that the two sides have "found a mutually acceptable mechanism of correcting prices for Russian gas that would give us flexibility in reacting to the recent changes in the gas markets in Poland and Europe."

The agreement takes some of the strain off Poland, as it invests in exploration for shale gas and pursues plans for nuclear energy. Poland is also building a liquid gas port in Swinoujsce, on the Baltic Sea, and is in the early stages of developing renewable energy sources.

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