

# Five years and five key dates of Gazprom vs Brussels

Years of confrontation could end in a settlement.

By

NICHOLAS HIRST AND KALINA OROSKAKOFF

9/27/16, 6:40 PM CET

Updated 9/27/16, 7:03 PM CET

Exactly five years ago, officials from the European Commission raided the offices of Russian gas giant Gazprom, setting off a [dispute](#) that now may be [nearing a settlement](#).

Sources close to the company say the firm's top managers are searching for a date when they can sit down with [Margrethe Vestager](#), the competition commissioner, and an envoy from Moscow with an eye to hashing out the final details. Any deal would likely be put to a public consultation.

That marks a reversal from 18 months ago when Europe's powerful regulator went public with concerns that Gazprom, which is the only supplier of natural gas into some European countries, used its [market power](#) to bully and overcharge European governments and companies

Not everyone would be pleased if the result of half a decade of investigation is a compromise, especially the countries of Central and Eastern Europe which have borne the brunt of Gazprom's pricing policies and which are most fearful of the Kremlin using gas as a political weapon.

Jacek Saryusz-Wolski, a senior Polish MEP, has accused Vestager of being "weak" in tackling Gazprom's "gangster conduct."

Andriy Kobolev, the CEO of Ukraine's energy giant Naftogaz, told POLITICO, "From our perspective, Europe has much more leverage than is being used at this point. Everyone, including even Gazprom — no matter how big and important they are — should play by the rules."

Since 2011, there have been a lot of twists and turns in the Gazprom story; POLITICO looks at five of the biggest dates.

## 1. Dawn raids

September 27, 2011: European competition officials conducted dawn raids in Central and Eastern Europe, searching the offices of Gazprom and its customers. Lying behind the raids were complaints from governments in Central and Eastern Europe that Gazprom was using its dominant position to do Moscow's bidding, giving cheap gas to friendly countries and cranking up prices for ones viewed as hostile.

Contractual restrictions allegedly prevented customers from re-selling Gazprom gas, giving the Russian giant maximum control over prices. Only Lithuania went public with its complaint. Back then, Gazprom, which was the dominant supplier across Central and Eastern Europe, was ranked by Forbes as the world's 15th largest company with a market capitalization of €173 billion.

## 2. Putin's decree

September 11, 2012: Russian President Vladimir Putin signed into law a decree banning "strategic companies" from dealing with foreign regulators without the Kremlin's go-ahead. Observers saw this as a provocation, directly challenging the Commission's jurisdiction to probe Gazprom. That was in keeping with the firm's defense in Brussels, where lawyers insisted the Commission had no right to regulate what was effectively an arm of the sovereign Russian state. That status meant any eventual deal needs sign-off from Moscow — a further complicating factor.

## 3. Ukraine war

March 2014: Russian soldiers entered Ukraine's Crimea region, eventually annexing the Black Sea territory and later supporting an armed uprising in eastern Ukraine that has taken thousands of lives. Joaquín Almunia, Europe's competition commissioner from 2010 to 2014, was poised to issue formal charges against the gas giant but decided with Commission President José Manuel Barroso to put them back in the drawer given the already high political tensions between Russia and the West. Europe adopted sweeping sanctions targeting Putin's inner circle and the Russian economy, with Gazprom's banking and oil businesses on the black list.

## 4. Vestager vs Putin

April 22, 2015: Vestager, Europe's new competition commissioner, cemented her reputation as a take-no-prisoners enforcer by issuing Almunia's [charges](#) within months of taking office and just a week after hitting Google with a set of antitrust charges. The Commission accused Gazprom of preventing customers from reselling to other member states in breach of single market rules and of leveraging its market power to advance other business interests in Europe. Yet the most controversial charge was that Gazprom had used its market position to overcharge customers in

several EU states. The catch: Regulators' complex theory was taking them into uncharted legal waters. What is more, relations with Moscow were terrible, meaning the case against a company enjoying a monopoly over Russian gas exports and a major contributor to the Russian state budget risked triggering a geopolitical incident.

## **5. Price shock**

February 11, 2016: The price of crude oil hit a 13-year low of \$27 a barrel, down 71 percent on the price when the Commission launched its dawn raids. That fed into the price of gas, with the result that Gazprom's once-angry customers were now paying record-low prices. That took the [wind out of the Commission's sails](#) and made some national capitals jittery that the case could perversely result in price increases. In parallel, Europe has taken steps to diversify its gas supply, reducing dependence on Gazprom.

Vestager's foe was a shadow of its former self: The Russian gas exporter, once predicted to be the world's first trillion dollar company, saw its market value shrivel to only €57 billion according to Forbes, a third less than five years earlier.

"The possibility to blackmail just doesn't work anymore, in particular in the larger markets," said Severin Fischer, a senior researcher at the Center for Security Studies in Zurich.

A settlement would allow both sides to emerge from the battle with a degree of dignity. "The Commission wants to make very clear that on European territory, European law applies just as Russian law applies in Russia," said Fischer.