

# Europe decries 'blackmail' as Russia cuts gas to Poland, Bulgaria

 [reuters.com/business/energy/gazprom-says-it-halts-gas-supplies-poland-bulgaria-payments-row-2022-04-27](https://www.reuters.com/business/energy/gazprom-says-it-halts-gas-supplies-poland-bulgaria-payments-row-2022-04-27)

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- Russian gas meets 40% of Europe's gas needs
- Moscow casts sanctions as act of 'economic war'
- Poland and Bulgaria say Gazprom breached contracts
- EU says companies can pay without breaking EU sanctions
- Gas crisis fuels concerns about broad economic impact

SOFIA/WARSAW, April 27 (Reuters) - Russia's Gazprom ([GAZP.MM](#)) cut Poland and Bulgaria off from its gas on Wednesday for refusing to pay in roubles, and threatened to do the same to others, cranking up retaliation for Western sanctions imposed for Moscow's invasion of Ukraine.

Gas prices soared on fears that more states could be hit, notably Germany, Europe's biggest economy, which last year bought more than half its gas from Russia.

President Vladimir Putin's demand for payment in roubles is designed to soften the effect of Western sanctions that include freezing hundreds of billions of dollars of Russian assets. Russia's top lawmaker said other "unfriendly" countries might also be cut off.

European Union energy ministers will hold an emergency meeting on Monday to discuss the situation, France said. [read more](#)

The European Commission has accused Moscow of blackmail - but issued an advisory document to EU countries last week outlining options that might allow EU buyers to continue paying for Russian gas without breaching sanctions. Uniper ([UNO1.DE](#)), Germany's main importer, said it could pay without violations. [read more](#)

However, EU Energy Commissioner Kadri Simson said on Wednesday that Brussels was still advising companies to stick to the terms of their contracts, which usually specify payment in euros or dollars, and avoid paying in roubles.

At a meeting on Wednesday, member state ambassadors asked the Commission for clearer guidance, four EU diplomats said.

Gazprom, the state-controlled energy giant that supplies Europe with about 40% of its gas needs, said transit via Poland and Bulgaria - whose pipelines supply Germany, Hungary and Serbia - would be cut if fuel was siphoned off illegally.

With global supply extremely tight, Europe is unlikely to be able to replace its Russian gas fully in the short term.

The Kremlin, which casts sanctions by the United States and Europe as acts of economic war, said on Tuesday that Gazprom was implementing Putin's decree and halting supplies to Bulgaria's Bulgargaz and Poland's PGNiG ([PGN.WA](#)). "due to absence of payments in roubles". [read more](#)

Poland, at the forefront of efforts to supply Ukraine's military with equipment to fight invading Russian forces, and Bulgaria both said Gazprom was in breach of contract.

"We will not succumb to such blackmail," Bulgarian Prime Minister Kiril Petkov said.

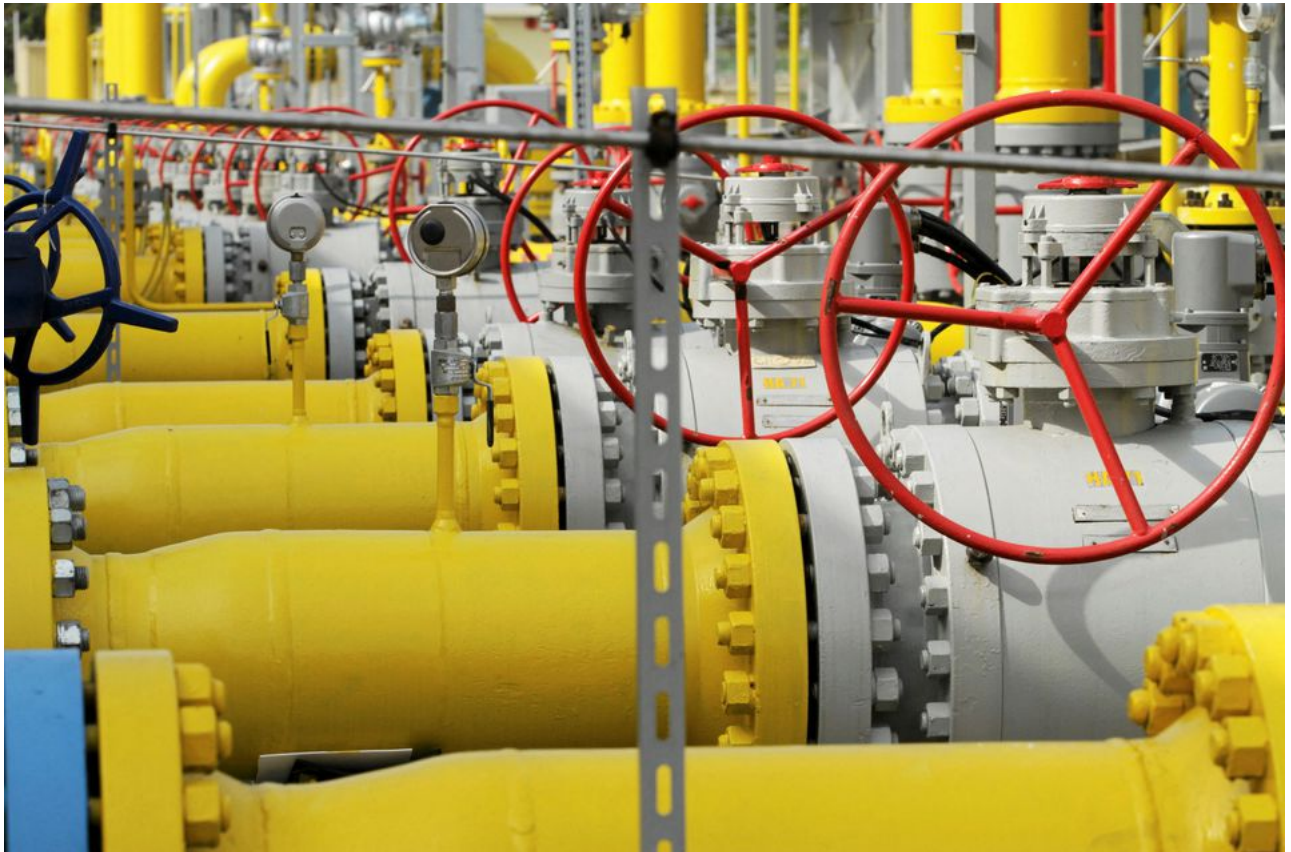
Russia's gas payments system, involving opening accounts at Gazprombank, where payments in euros or dollars will be converted to roubles, does offer some wiggle room that might allow gas purchases to continue.

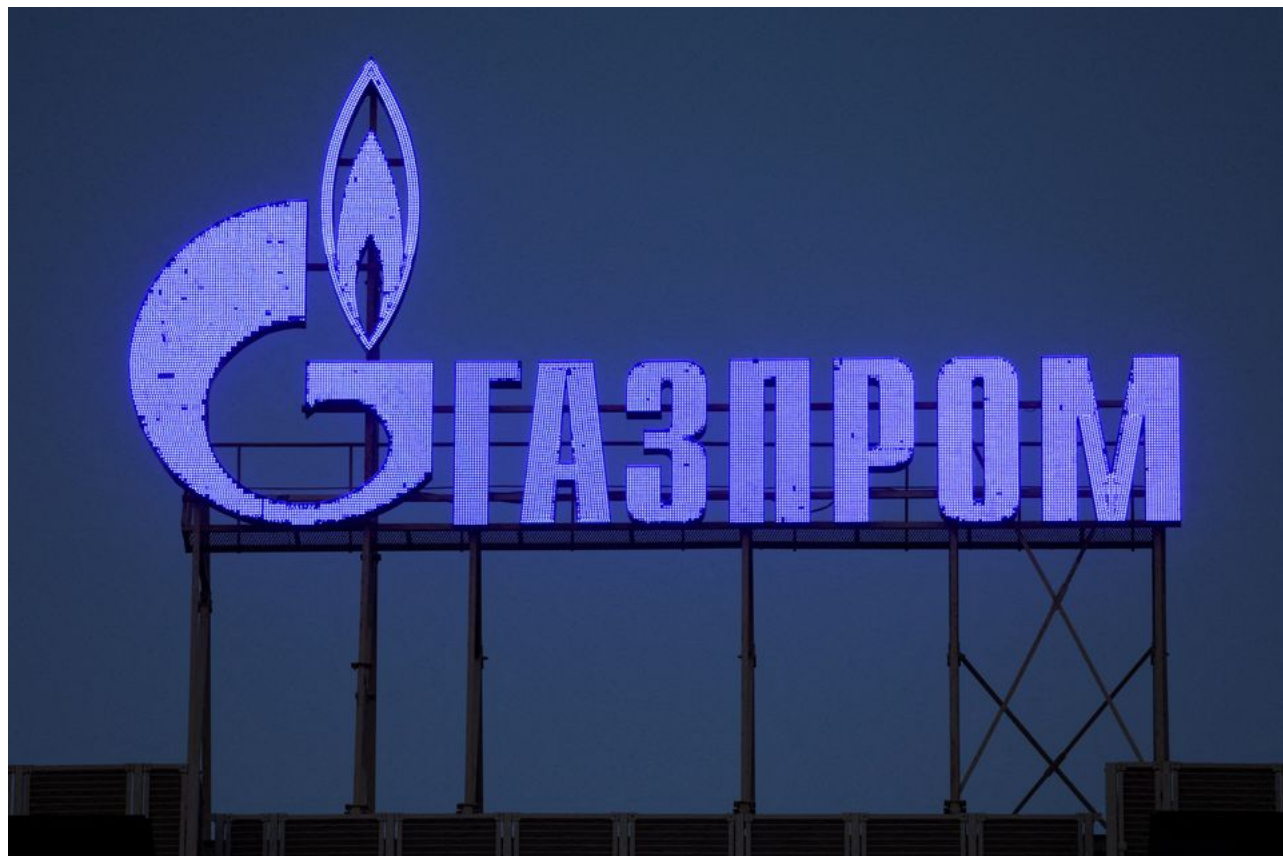
In its advisory note, the Commission said that if buyers of Russian gas confirmed payment was complete once they had deposited euros, as opposed to later when the euros were converted to roubles, that would not breach sanctions.

Germany said companies could pay in euros under the system, warning that it could go into recession if it were cut off from all Russian energy. [read more](#)

Hungary, which has taken a similar line to Berlin, said this month that EU authorities had "no role" to play in its gas deal. [read more](#)

"Today's events can work as an added incentive for the EU, especially Germany, to find a way to work out a rouble payment mechanism given the significant economic toll a halt in gas flows would have in the region," said analysts at Goldman Sachs.





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Valves and pipelines are pictured at the Gaz-System gas distribution station in Gustorzyn, central Poland, September 12, 2014. REUTERS/Wojciech Kardas/Agencja Gazeta

Ten European companies have already opened the accounts at Gazprombank needed to meet Russia's payment demands, according to Bloomberg, and four European buyers have already paid for gas in roubles. [read more](#)

Sources told Reuters many companies were waiting for clearer guidance from the European Commission before opening accounts at Gazprombank, but that time was running out.

Helima Croft, head of global commodity strategy at RBC Capital Markets, said the affair could "quickly become a stark test of European resolve to support Ukraine in the face of surging energy prices and rising recession risks".

Europe relies on pipelines for most of its gas, and European or North African suppliers cannot add much more output.

The United States, which long criticised Europe for relying on Russia, has offered to provide more liquefied natural gas (LNG) but cannot make up the shortfall - and Europe does not have enough plants to regasify the super-cooled liquid.

One of the Kremlin's most loyal lawmakers suggested Moscow could extend its cut-off.

"The same should be done with regard to other countries that are unfriendly to us," said Vyacheslav Volodin, speaker of Russia's lower house of parliament, the Duma. [read more](#)

Some countries, such as Greece, said their next payments to Gazprom were due in late May.

Bulgaria and Poland are the only two European countries with Gazprom contracts due to expire at the end of this year, which meant their search for alternative supplies was already advanced.

"They were therefore less likely to compromise on Russia's rouble payment request than others in Europe," said James Waddell, head of European gas at consultancy Energy Aspects.

Germany has already activated the first stage of an emergency plan that could eventually lead to gas rationing for industry, which accounts for a quarter of demand. [read more](#)

Carmaker Mercedes-Benz ([MBGn.DE](#)) said an abrupt halt in gas deliveries would hit production in Germany. [read more](#)

Poland, whose contract with Gazprom covers about 50% of its needs, has been boosting its capacity to receive LNG and has long lobbied the bloc to end its reliance on Russian gas, which has been pumped to Europe since the 1970s during the Soviet era.

It said it planned to impose contractual fines on Russia.

Bulgaria, which relies on Russia for about 90% of its gas imports, said it would not hold talks to renew its Gazprom deal.

Europe's benchmark front-month gas contract jumped by as much as 20% to 118 euros (\$125.14) per megawatt hour (MWh); it was about 108 euros/MWh by 1830 GMT.

(\$1 = 0.9430 euros)

Reporting by Reuters bureaux, Tsvetelia Tsoleva in Sofia, Marek Strzelecki and Anna Koper in Warsaw, Nora Buli in Oslo, Krisztina Than in Budapest; Kate Abnett in Brussels, Angeliki Koutantou in Athens and Stine Jacobsen in Copenhagen; Writing by Nina Chestney; Editing by Edmund Blair and Barbara Lewis

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