

## Putin warns of higher gas prices

24-December-08 by AAP

Russian Prime Minister Vladimir Putin has warned that consumer countries face higher gas prices, as a fledgling forum that has raised fears of an OPEC-style gas cartel met to coordinate policy.

The Gas Exporting Countries Forum (GECF) groups Russia, the world's biggest gas producer, with other gas-rich states such as Iran and Qatar and 11 other gas-exporting countries.

In a keynote address at the forum's meeting in Moscow, Putin said on Tuesday that higher costs of exploration, production and transport meant that the era of cheap gas prices was ending.

"The expenses necessary for developing fields are rising sharply, and this means that despite the current problems in finances the era of cheap energy resources, of cheap gas, is of course coming to an end," Putin said.

Putin's comments come amid a weeks-long standoff between Ukraine and Russia over Kiev's debts to Russian energy giant Gazprom and the price it should pay after the New Year.

Gazprom supplies a quarter of the European Union's gas, mostly via Ukraine.

Forum officials were at pains to emphasise that the purpose of the annual meeting was to finalise and approve a charter for the body rather than create an OPEC-style cartel to fix prices.

"This is a gas 'non-OPEC'," said the deputy chairman of Gazprom, Alexander Medvedev.

"There are no mechanisms which the oil OPEC uses which could be applied to the gas market. Quota arrangement is impossible in the gas market in principle," he said.

Referring to the indexing of gas prices to oil prices, Qatar Energy Minister Abdullah Bin Hamad Al Attiyah added: "The gas price is still related to the oil price, we are not discussing how to create a price formula."

But Venezuelan Energy Minister Rafael Ramirez said the group was drawing inspiration from OPEC.

"We see in this forum an opportunity to build a solid organisation, which has in its foundation the same principles that gave birth to OPEC."

Iranian Oil Minister Gholam Hossein Nozari said that the group would "prevent unnecessary harmful competition on the market, which may damage exports".

Members of the Organisation of Petroleum Exporting Countries (OPEC) meet regularly to agree their production quotas in order to influence the price of crude oil on global markets.

But analysts say that a cartel for natural gas makes far less sense, since gas exports generally require the construction of capital-intensive pipelines and contracts are signed over long-term periods.

Oil exports, on the other hand, are generally based on a spot market price to the barrel for delivery within relatively short timeframes.

The forum, whose creation dates back to 2001, groups Algeria, Bolivia, Brunei, Egypt, Indonesia, Iran, Libya, Malaysia, Nigeria, Qatar, Russia, Trinidad and Tobago, the United Arab Emirates and Venezuela.

Equatorial Guinea and Norway are attending the Moscow meeting as observers.

Five of these countries between them control nearly two-thirds of the world's gas reserves and account for 42 per cent of its production - Russia, Iran, Qatar, Venezuela and Algeria.

The GECF headquarters will be in Qatar.