Gazprom faces growing competition from domestic rivals

According to experts, Russia’s Gazprom faces difficulties due to increased competition in domestic and international gas markets.

Gazprom is facing difficulties in the Russian and European natural gas market, due to increased competition from Russian rivals who are targeting Europe as their market, according to experts on Monday.

Gareth Jenkins, a senior fellow with the Central Asia-Caucasus Institute and Silk Road Studies Program said that over the last few years there has been a shift in the balance of power between Gazprom and Rosneft, both in terms of their size and the prospects in their respective main markets.

“Gazprom is still bigger, of course, but the gap has narrowed considerably and Rosneft has even felt strong enough to occasionally challenge Gazprom and attempt to move into areas which were previously regarded as Gazprom’s sole prerogatives,” Jenkins said.

Jenkins noted that there have been times when the two companies have behaved more like rivals than allies.

According to Jenkins, Russian Novatek has also been trying to strengthen its position, sometimes seemingly at Gazprom’s expense.

“What we have seen in recent months appears to be more the acceleration of an existing trend rather than anything radically new. But it is still not clear how far the process will go,” Jenkins said.

Kirill Molodtsov, Russia’s deputy energy minister said at the end of March that Russia’s Rosneft and Novatek want to gain access to gas exports via a single export channel. However, Gazprom controls this gas supply system in Russia.

Mikhail Leontyev, vice president of Rosneft told Russia’s TASS news agency at the end of March that, “we want to be allowed to sell gas to our consumers, which are not identical to Gazprom customers. They are ready to buy our gas, which is not in contradiction with Gazprom’s position.”

Afterwards, Kremlin Spokesman Peskov confirmed that no decision was made to grant Rosneft and Novatek the right to export gas from Russia.

- “Gazprom should be concerned”

“It is certainly difficult to see why the Kremlin would wish to see Gazprom, Rosneft and Novatek stepping on each other’s toes to the extent that, for example, they start competing for the same contracts as this would risk driving down prices,” Jenkins said.

Richard Kauzlarich, the co-director at the Center for Energy Science and Policy at George Mason University also said Gazprom is under pressure to lower its gas prices in Europe.

“It is facing potential competition from Novatek and Rosneft for domestic and external markets,” Kauzlarich said and added that Gazprom should be worried about preserving their market share under such difficult circumstances.
Last week, Russian oil company Rosneft became the most valuable Russian company, surpassing Gazprom for the first time since its shares became public in 2006.

Rosneft’s stocks rose by 3.3 percent on April 11, which saw its value rise to $52 billion while Gazprom gained 0.1 percent and is now worth $51.7 billion.

Gazprom remains under pressure due to European and U.S. sanctions in conjunction with demands from gas buyers to reduce prices.

Lately, in April, Armenia received a 9 percent discount from Gazprom.

Russia will decrease gas prices by around 9 percent for Armenia from $165 to $150 per thousand cubic meters.

Gazprom also agreed with six Turkish private companies on April 13, for a 10.25 percent discount on gas prices for the first three months of 2016 and one more discount, which will be less than 10.25 percent for the rest of 2016.

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