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Will gas tariff become the dealbreaker for the Eurasian Economic Union?

The Eurasian Economic Union (EAEU) is a Russia-led economic union of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation that represents, from an energy perspective, one-fifth of the world's gas reserves and more than 50% of world gas exports.

The siren call for the EAEU, particularly for Armenia, Belarus and Kyrgyzstan, is the heavily discounted gas price from Russia.

There is no surprise, therefore, that the most controversial issue and potential dealbreaker for the EAEU's proposed common gas market or may even be for the whole union, remains the matter of gas pricing and the tariff for gas transportation services in the common natural gas market of the EAEU.

Armenia, Belarus, and Kyrgyzstan, as gas-consuming countries, insist on equal treatment of all gas consumers in the EAEU's common gas market, irrespective of the country of origin.

The expected launch of the EAEU's common gas market is in 2025; however, it provides almost no economic benefit for Russia and Kazakhstan as gas exporting countries that use gas export revenues for cross-subsidization of their population and industries.

The lack of interest from Russia and Kazakhstan to hasten the process of formation of the EAEU's common gas market, unsurprisingly, has caused sterile debates on different approaches to gas pricing in the EAEU's common gas market without much success for more than four years now.

The latest push to agree on the aforementioned matters was made on the 19th May 2020, when the heads of the EAEU member states were supposed to come to some consensus on the issue of tariff -setting for gas transportation services in the union's common gas market.

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