

Russia loses bulk of WTO challenge to EU gas pipeline rules



GENEVA (Reuters) – Russia largely failed in its bid to overturn the European Union’s gas market rules in a World Trade Organization ruling published on Friday.

A World Trade Organization (WTO) logo is pictured on their headquarters in Geneva, Switzerland, June 3, 2016. REUTERS/Denis Balibouse

Russia launched the dispute in 2014, claiming that the EU’s “Third Energy Package” and the EU’s energy policy overall unfairly restricted and discriminated against Russia’s gas export monopoly Gazprom (GAZP.MM).

Russia argued that the EU broke WTO rules by requiring the “unbundling” of gas transmission assets and production and supply assets, which effectively stopped Gazprom – long the

major supplier of gas to Europe – from owning the pipelines through which it sent gas to the European market.

Russia said the EU had unfairly discriminated in favor of liquefied natural gas and upstream pipeline operators by exempting them from those unbundling requirements.

The panel of three WTO adjudicators ruled against Russia on those points.

However, they upheld Russia's complaint about an unbundling exemption for Germany's OPAL pipeline, granted on condition that Gazprom supplied no more than 50 percent of the gas in the pipeline.

The 50 percent cap could only be exceeded if 3 billion cubic meters of gas was released annually at a fixed price to competing suppliers on the Czech market.

The WTO panel also agreed that Croatia, Hungary and Lithuania had discriminated against Russia by requiring a security of energy supply assessment for foreign, but not domestic, pipeline operators.

The European Commission called the ruling an important positive outcome that secured the core elements of the Third Energy Package, a 2009 reform that sought to integrate the EU's energy market while increasing competition.

"The Commission will now analyze the ruling in detail, in particular as regards a limited number of issues on which the WTO-compatibility of EU energy policy has still not been recognized," it said in a statement.

Russia's Economy Ministry said the parts of the ruling that went in its favor would help to improve access for Russian gas on the European market, and to level the playing field for pipeline service providers.

"This is a positive precedent that makes it possible to change

the norms that created obstacles for Russian suppliers in the EU market, both in EU legislation and in the legislation of its individual member countries," it said in a statement.

Gazprom said it had always said that European energy policy should take gas suppliers' interests into account, and therefore it was satisfied with the points where Russia had won.

Either side can appeal within 60 days.

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