

Ukraine should raise its domestic energy prices to help maintain its infrastructures says the IEA

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Kyiv. 15 March. UNIAN. Ukraine should raise its domestic energy prices to help maintain its infrastructure, primarily the crucial pipeline that links Russia with western Europe, the International Energy Agency (IEA) said today, according to AFX Europe.

"The leverage Ukraine has on transit is weakening," the IEA's executive director Claude Mandil told delegates at a 'Ukrainian Energy Summit' conference in London.

Ukraine plays a major role in securing Europe's energy needs, taking more than 80 pct of cheap Russian gas supplies to Europe via pipeline. It also hosts major oil transit routes.

Mandil suggested Ukraine, which he noted was the "most energy intensive country in the world," should raise internal prices in order to improve transit infrastructure.

Prices are so low in the gas, coal, electricity and heating sectors that maintenance costs are not even covered. "The only sector where prices cover costs is in oil and oil products," he explained.

Despite some rises, low tariffs are also plaguing the industry as they lead to a shortage of investment, said the official. Further, low tariffs run the risk of re-nationalisation, as the government would be able to buy back companies it sold off, which could hinder competition.

Mandil also urged Ukraine to focus on transparency issues, as data from the Eastern European country is questionable.

He said some of Ukraine's energy data is "extremely poor," and there is "huge scope for improvement," in setting market regulations.

However, a Ukrainian consultancy -- Troika -- said domestic utility tariffs surged 87 pct year-on-year in 2006, as the government adjusted them to higher gas prices.