

Honorable ALI EHSASSI
Chairman of the committee
Standing Committee on Foreign Affairs
and International Development
131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

19 July 2022

Dear Chairman EHSASSI,

It is a great pleasure to express my highest appreciation to the Members of the Parliament of Canada for your unwavering support to the people of Ukraine and for Canada's global leadership in sanctions against Russia for their unprovoked aggression and numerous violations of international law, human rights, and the UN Charter. It would be fundamentally wrong to let Russia ruin the rule-based order we have been carefully maintaining since World War II and to have access to all the benefits of a democratic world and global economy without any consequences. Canada's position is of immense importance.

On behalf of LLC "Gas Transmission System Operator of Ukraine" (hereinafter – Gas TSO of Ukraine) and in the light of upcoming Parliamentary hearings in the House of Commons on the issue of Canada's decision to import and repair Russian government-owned pipeline turbines for up to two years in circumvention of sanctions against Moscow, this letter is to provide information that can help Members of Canadian Parliament to better understand the situation and consequences of the decision for Ukraine.

Gas TSO of Ukraine is a strategic enterprise of critical infrastructure with approximately 11 thousand employees who ensure the security of gas supply to EU member states, Moldova, and throughout Ukraine. The company is responsible for the transportation of natural gas across Ukraine for both the domestic consumption and for the purpose of transit of gas to EU. Despite the extremely difficult conditions created by Russia's war against Ukraine, Gas TSO of Ukraine remains a reliable transit partner by fulfilling all its gas transit obligations to European customers. The Nord Stream 1 is a direct alternative to our route.

The transit capacity through Ukraine at the Sudzha Interconnection Point, is the key point that Gazprom has been using for many years before the war. This capacity is available and operational now. Currently, Gazprom uses less than 40% of the contracted capacity in Ukraine. Within the current contract, Gazprom can supply an additional 67 mcm of natural gas per day via Ukraine but chooses not to do so. In addition, up to 135 mcm per day of additional capacity to meet the gas needs of the European market are available technically in Ukraine. Thus, GTSOU can provide volumes of gas to the EU that exceed the capacity of Nord Stream 1. This fact was reflected in the official statement by the MFA of Ukraine. Just in July, the EU could have gotten an additional 2.1 to 6.3 bcm of natural gas via Ukraine by using our capacities.

GTSOU would also like to stress the extreme importance of the gas transmission infrastructure for the humanitarian needs of the Ukrainian people. Currently, 12 million Ukrainian household gas consumers receive gas thanks to the

operation of the GTS, pipelines of which are used for both transit and domestic consumption. In Ukraine, gas is the primary fuel for heating in winter. Until introducing a complete embargo on Russian gas, it is critically important for Ukraine to keep its transit status and, in such a way, secure its gas infrastructure from more destruction by the aggressor. It prevents humanitarian catastrophe for millions of Ukrainians, who otherwise are at risk of being deprived of heating and gas in their homes.

Earlier in May this year, GTSOU and Naftogaz submitted requests to the Federal Ministry for Economic Affairs and Climate Action of Germany and the German Energy regulator ("BNetzA"), asking that BNetzA reconsiders its decision of 20 May 2020, according to which the gas interconnector Nord Stream 1 was granted a derogation from the application of German (and EU) energy regulation requiring unbundling, transparent tariffs, and third-party access for 20 years with effect from 12 December 2019. In our submission, we provided facts about the alternatives to Nord Stream 1 and warnings of potential additional pressure by Russia on the German Government to weaken Ukraine.

The Ukrainian route is the most evident technical alternative to Gazprom should they have any troubles with Nord Stream 1 to fulfill their obligations to the European customers. GTSOU backed up Nord Stream 1 every year when Nord Stream 1 was on maintenance before the war. There is also Yamal pipeline, which is currently idle and sanctioned by Russia itself. We believe that the parties involved have not considered appropriately using these vast capacities available to compensate and replace Nord Stream 1 and succumb harshly to the pressure by Russia. From our side, we confirm that GTSOU can offer the EU the necessary transit capacity.

Gas TSO of Ukraine supports Government of Ukraine in its calls to the Government of Canada to reconsider the decision to exempt Nord Stream 1 turbines from sanctions and to return the Siemens turbine to Gazprom. We suggest that using the existing idle transit capacities, which are not controlled by Russia (via Ukraine and/or Poland), is the proper approach to increase gas transit flows to Europe and Germany without violating the sanctions regime against Russia.

We expect the Government of Germany to review the facts about available capacities for gas transportation to Germany as they are working on the case of derogation review. We understand the significance of continued gas supplies for all parties involved ahead of the next heating period. However, the assumption that Germany's energy security depends on a single gas turbine is simply not justifiable. Russia's decision to curb supplies has nothing to do with technical problems. It was entirely based on political reasoning. It is worth mentioning that Russia has already shut down the Polish Yamal pipeline and sharply decreased transmissions via Ukraine even though both infrastructures are operational.

There should be no exceptions made by our partners when it comes to holding Russia accountable for tens of thousands of murdered Ukrainians, hundreds of thousands of destroyed infrastructure objects, millions of internally displaced civilians, refugees, and an undisguised attack on democracy and the rule of law around the world.

Please accept our sincere gratitude for the letter's consideration. Taking this opportunity, let me renew the assurances of my highest consideration and express hope for joined constructive work further.

Sincerely,
Sergiy MAKOGON
General Director
LLC "Gas TSO of Ukraine"



CC: Members of the Committee