

## **Gas Furore in Armenia**

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Government accused of covering up price hikes for Russian fuel.

In a political row over the cost of natural gas, Armenia's prime minister has been forced to deny figures published by his government's revenue service showing that Russia had hiked its prices by a third.

Although Armenia is heavily reliant on gas – 95 per cent of households use it for cooking and heating – it has no reserves of its own, and relies on supplies from Russia and Iran. The prices these suppliers charge are thus crucial to its economy.

In 2005, Armenia was paying as little as 56 US dollars per 1,000 cubic metres, and economists say the dramatic rise since then is one of the reasons why the country's economy is in such poor shape.

Figures released by the Committee for State Revenues show that in July, Russian gas cost 245 US dollars per 1,000 cubic metres, up from 180 dollars at the same point in 2011. Iranian gas remained unchanged at 180 per 1,000 cu m.

When journalists and members of parliament quizzed Prime Minister Tigran Sargsyan over the figure, he denied there had been a price rise. He insisted that price talks were continuing but no final deal had been reached.

Energy and Natural Resources Minister Armen Movsisyan took the same line, telling parliament on October 24, "I want to reassure you that nothing has changed with gas shipment prices. We are holding talks with the Russians, and when something happens, we will inform the public,"

The revenues agency, however, stood by its data.

"The committee's figures on state revenues are based on reported prices from companies and on reports from the tax authorities. Customs [payment] demands are based on these statistics," Armen Alaverdyan, the body's deputy head, told a press conference on October 25. "The published figures cannot be wrong."

As well as being a major supplier, Russia controls Armenia's pipelines, gas purchases and domestic sales through the ArmRosgazprom company. Eighty per cent of the firm belongs to Russian gas company Gazprom, while the Armenian state owns the rest.

Hrant Bagratyan, a former prime minister who is now member of parliament deputy for the opposition Armenian National Congress, said ArmRosgazprom's monopoly position raised many questions.

"How did it come to be that 80 per cent of shares in the monopoly controller of the Armenian market ended up in the hands of Gazprom? So what role does the Armenian government play?" he asked. "The Iranian gas is used in our power stations to generate electricity which is then sold back to Iran. Armenian consumers can only buy gas from Russia.... All the pipelines coming into Armenia from abroad belong to ArmRusgazprom, and hence to Gazprom. That means the Russians decide where we import our gas from, and what price we pay. And now that the Russians have again decided to raise gas prices, we can't do anything about it."

Armenak Chatinyan, economic columnist for the Orakarg newspaper, said the current set-up was bad for consumers.

"People have to buy [Russian gas] as they have no other option," he said. "And it isn't just about the price of gas; it also affect public transport fares, since gas is used as fuel. It can affect the price of food as well."

Chatinyan accused the government of trying to hide the real price by holding it down through subsidies until the February 2013 presidential election, when the incumbent Serzh Sargsyan is almost certain to seek re-election.

"How come the price rise hasn't reached consumers? Why aren't we paying more to ArmRusGazprom? Because the government is subsidising the company so as to conceal this from the public," he said.

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