



Rubles in exchange of gas

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Last 23 March 2022 at a meeting with members of the Government of the Russian Federation, the Russian President Vladimir Putin requested to change from dollars/euro to rubles the currency used for payments of gas by the so-called 'unfriendly countries'¹.

Gazprom was therefore instructed to arrange for appropriate amendments to its contracts so as to change the currency as indicated. The Russian Central Bank, together with the Government, were requested to draft the order for payments of gas in rubles.

From the statements made by the President, it follows that foreign buyers are invited to sell their currency on the Russian domestic market in exchange of rubles and then use these rubles to pay for gas. However, the order for exchange of foreign currencies in rubles has not been issued yet and it cannot be excluded that the exchange rate established therein might not be in line with the relevant market level.

The decision to convert payments into rubles was explained by the fact that the use of foreign currencies that demonstrated to be unreliable does not make any sense, which apparently refers to the blocking ('freezing') of the FX reserves of the Russian Central Bank.

It was clarified that the changes should only concern the currency of payment, while the procedure for determining the price of gas in foreign currency will remain unchanged.

At present, it is also not clear what will happen in case the foreign counterparties of Gazprom refuse to amend the terms of their contracts and the currency of payment.

Most experts believe that, in the short run, this measure may help strengthen the ruble exchange rate, because this would significantly increase the demand of rubles coming from abroad and economically the payment in rubles would be equal to obliging Gazprom to sell 100% of its revenues in foreign currency on the Russian currency market

¹ The list of 'unfriendly countries' was approved by Decree of the Government of the Russian Federation No. 430-r dated 5.03.2022. It includes EU Member States and 21 other countries.



(while currently, following the recent measures enacted by the Russian Government, exporters are only obliged to sell a percentage of 80% of their revenues in foreign currency).

Last but not least, this measure may also make it difficult for the so called 'unfriendly countries' to disconnect Russia from the SWIFT system.



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