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European leaders again reject Russia's demand that gas deliveries be paid in rubles.

Existing contracts that allow for payments in Western currencies must be upheld, European leaders insist, while economists contemplate Vladimir Putin's motives.


By Melissa Eddy and Patricia Cohen

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European leaders on Thursday pushed back against President Vladimir V. Putin's latest threat that all natural gas imported from Russia must be paid for in rubles starting Friday — or risk having the supplies shut off. Mr. Putin said in a TV address that companies purchasing gas from Russia would need to open ruble accounts in Russian banks, effective Friday, and pay for the gas through those accounts.

"If such payments are not made, we will consider this a default on the part of buyers — with all the ensuing consequences," Mr. Putin said. "Nobody sells us anything for free, and we are not going to do charity, either. That is, existing contracts will be stopped."

At the same time, Mr. Putin said, Russia will comply with its "obligations" in its contracts with energy buyers and "continue to supply gas in the established volumes."

It was unclear how the standoff would be resolved. At stake for European nations are vital supplies of natural gas that drives their economies. For Mr. Putin, it is the hundreds of millions of dollars that Russia pulls in every day in energy payments by Europe.

Mr. Putin's insistence on being paid in rubles — instead of taking dollars or euros and converting them to rubles on his end — has been rejected by European leaders. It has also raised questions about his real motives. The Russian government and central bank have already taken several measures to increase the demand for rubles and prop up the currency, which plunged in value after sanctions froze the Russian central bank's foreign assets.

The heads of state of two of Russia's largest gas customers in Europe — Chancellor Olaf Scholz of Germany and Prime Minister Mario Draghi of Italy — refused the call for payments in rubles, saying it was not part of the terms of existing contracts.

"It remains the case that companies want, can and will pay in euros," Mr. Scholz told reporters in Berlin on Thursday, a day after he spoke with Mr. Putin by telephone about the impending decree.

"It is absolutely not easy to change the currency for payments without breaching the contracts," Mr. Draghi told reporters in Italy. A former president of the European Central Bank, he drew a parallel to a previous attempt by the European Union to impose its currency in a series of global transactions, with little success, given the challenges of altering existing contracts.

He added that he did not believe that Europe was "in danger" of having its gas deliveries shut off, citing his own phone call with Mr. Putin on Wednesday, in which he said he understood that the Russian president had granted a "concession" to European countries. The conversion of payments from dollars or euros into rubles was "an internal matter of the Russian Federation," Mr. Draghi said.

"Contracts are contracts," said Bruno Le Maire, the economy minister of France, after meetings in Berlin.

Robert Habeck, Mr. Scholz's minister for the economy and energy, repeated the insistence of the Group of 7 industrial countries that existing contracts for Russian gas must be respected. "It is important for us not to give a signal that we will be blackmailed by Putin," he said.

On Wednesday, Mr. Habeck activated the first step of a national gas emergency plan — that could lead to the rationing of gas — to prepare Germany's citizens and its powerful industrial base for the possibility that gas deliveries could be stopped.

Both Germany and Italy have been scrambling over the past month to diversify their natural gas resources, after years of depending heavily on imports from Russia. Last year, Russian imports accounted for 55 percent of Germany's gas needs, while roughly 40 percent of gas burned in Italy came from Russia.

With his demand, Mr. Putin seems to be seeking to force Europe and other buyers to violate their own sanctions by making them purchase rubles, which would also prop up the Russian currency, said Eswar Prasad, an economist at Cornell University.

"Putin seems determined to show that he can dictate terms and force countries that are dependent on his country's natural gas exports to sing to his tune," he said.

Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics, said that "it seems Putin's motivation is to prevent hard currency payments from being frozen," so he is requiring the money to be delivered directly to Russian banks.

Anton Troianovski and Gaia Pianigiani contributed reporting.