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CONTENTS

SOURCE: KREMLIN.RU

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PUTIN AMONG HIS FELLOWS

At the very end of the campaign preceding the presidential elections on March 18, Vladimir Putin toughens his rhetoric by acting as the supreme leader of the nation threatened by the internal and external enemies. After his proclamation to the Federal Assembly devoted mainly to external dangers, Putin participated in the expanded FSB meeting. There, he focused on the enemies inside Russia, but he also related to the proclamation from March 1. Several days before the elections, it is clearly visible that Putin wants to reach the biggest outcome with the highest turnout possible by his aggressive rhetoric, relying on the siloviki's environment.

On March 5 took place an annual expanded Federal Security Service meeting (with the participation of representatives of other state institutions and the president), on which Vladimir Putin delivered a speech. Addressing the officials of the biggest secret service, he said that he expected an effective prevention from attempts of getting an access to information of political, economic and defensive nature by the foreign intelligences. He said, that the activity of foreign services in Russia is growing up in last years. According to him, in 2017 alone counterintelligence dealt with the activity of 72 staff members of foreign intelligences and 397 agents of foreign services. He appealed to FSB for increased struggle with "the radicals", meaning the opposition such as Alexei Navalny.

Putin referred also to his proclamation delivered on March 1 to the Federal Assembly, in which he presented new types of Russian armament, on which the West allegedly has no sufficient response. On the meeting with FSB, the president commended the FSB members for efficient protection of works on new types of armament. He pointed out, that works on new devices had lasted for many years with "thousands of people" engaged in it, and yet it was successively kept in secret. This strand of the performance shows that Putin treats the meeting with FSB as another element in the series of his performances and decisions included in the aggressive, almost warlike, electoral rhetoric.

The list of the most important guests of the meeting also attracts the attention. Except for Putin of course, there was a FSB Director Alexander Bortnikov, Secretary of the Security Council of Russia Nikolai Patrushev, Chief Justice of Supreme Court Vyacheslav Lebedev and Prosecutor General Yury Chaika. The most meaningful is the presence of the latest one, with the absence of the Head of The Investigative Committee Alexander Bastrykin. It is another signal indicating a close Bastrykin's demission and a reform, or even dismantling of the institution which he presides over.

9 March 2018

GAZPROM THREATENED BY DOMESTIC COMPETITORS

A major defeat of Russian state-controlled gas monopoly Gazprom in a conflict with Ukraine's Naftogaz as well as some problems with obtaining financing for such projects as Nord Stream 2 and the Turkish Stream pipeline may eventually weaken the company's position also against its domestic competitors. Among them, there are independent Novatek and state-owned Rosneft. The former is pushing Gazprom out of the LNG market while the latter seeks to abolish Gazprom's monopoly on gas exports via pipelines. The situation is additionally fuelled by political factors; Novatek stakeholder Gennady Timchenko belongs to the so-called Putin's inner circle. As for Rosneft, it is represented by its powerful CEO Igor Sechin who has recently been very successful both in business and politics. Gazprom, traditionally associated with the "liberal" wing of the ruling party, will benefit neither from such a general tightening of the Kremlin's political course nor a clear strengthening of the so-called siloviki camp, with which Sechin may be associated.

It seems that for Gazprom the pressure from domestic rivals will be a greater threat than foreign competition from such countries as the United States or Qatar. Rosneft and Novatek have long aimed to weaken Gazprom's monopoly on gas exports. The enterprise currently accounts for some 90 percent of gas production in Russia. However, its shares in gas extraction have been steadily declining (95% in 1989 to 66% in 2016). Interestingly, other producers, including independent Novatek and state-owned Rosneft, have increased their own stakes. Nevertheless, extracted gas is sold primarily on the domestic market, as Gazprom has a statutorily guaranteed monopoly on transporting gas through pipelines on the national grid as well as on export lines.

Both rivals, Novatek and Rosneft, have completely distinct goals. The former focuses on the LNG sector and liquefied gas exports to foreign markets whereas the latter strives to gain access to gas exports by pipelines as well as it solicits domestic customers. However in 2013, thanks to Sechin's lobbying, the authorities agreed to allow other companies than Gazprom to export LNG. As a result, the Yamal Arctic LNG project was launched in December 2017; it was the first liquefied gas terminal to be controlled by Novatek and not by Gazprom (as it had been the case so far). The project was supported by the government with tax reliefs and state investments

SOURCE: GAZPROM.COM

in infrastructure in the region. Its main shareholders are French energy major Total and Chinese energy group CNPC. A day after the company announced the first commercial shipment of the gas from its new terminal, Novatek said it planned to build a second production facility nearby; Arctic LNG 2023 will be operational in 2023.

Also Rosneft seems to understand that the development of LNG sector may be somehow profitable. The company is fighting for access to the Sakhalin-2 gas pipeline to enable it to transport gas from the north of Sakhalin to the south, where the company plans to build the Far East LNG terminal. But Sechin's priority was completely something else. In 2015, Rosneft asked the government to liquidate Gazprom's monopoly for gas exports and to create a market system that would allow Russia to increase its global market share. Rosneft would like to export its gas to China via the Power of Siberia pipeline that is currently constructed by Gazprom. Rosneft disposes of large oil deposits in this part of the country; moreover, it extracts gas there. The company is not able to transport gas via pipelines so it is forced to burn it on the spot. Rosneft maintains very good relations with China. The same can be said about Novatek; moreover, the Chinese are shareholders of the Yamal LNG project. Novatek's main advantage is the fact that it is able to invest large financial resources in one strategic project, namely the LNG export from the Yamal Peninsula (supported by foreign investors). Gazprom is not able to focus on the development of its LNG project because such pipelines as Nord Stream 2, Power of Siberia and Turkish Stream seem to be much more important. Novatek operates entirely in business terms, while Gazprom is focused on implementing state policy. However, Rosneft is a much more dangerous rival for Gazprom as the dispute concerns the overall development strategy of the entire Russian gas sector. For many years, Sechin has been combating Gazprom's privileges; not only has he suggested liquidating the monopoly for export but he also came up with an idea to divide Gazprom. Rosneft is also focused on gaining domestic consumers. It has an advantage over Gazprom that it can operate commercially, while Gazprom is forced to subsidize gas prices for poorer regions.

It is likely that Sechin and Gazprom's opponents will use the company's defeat in the aforementioned clash with Ukraine. For a long time, Russian authorities have not been satisfied with the economic results of the group. Such an example may be the refusal of tax vacancies for Gazprom's LNG projects even though Novatek had been granted such a privilege. It is likely that Gazprom will have to completely recognize the superiority of its rivals in the LNG sector; nonetheless, when it comes to gas pipeline exports, it will probably maintain a monopoly in Europe and, at the same time, the company will allow Rosneft to operate in China.

SOURCE: SYRIA.MIL.RU

9 March 2018

A CONFLICT IN SYRIA. A MYSTERY OF THE AN-26 CATASTROPHE

This is another bad information for Kremlin coming from Syria. The closer the presidential elections, the more Russian victims of the war, which was officially declared by Vladimir Putin as completed victory in December last year. A catastrophe of the transport aircraft in Khmeimim Air Base in Latakia Governorate means the heaviest one-time loss among Russian servicemen since the beginning of the operation in Syria: 39 killed, including a general, who also served a high office in the Ministry of Defence. The investigation was launched, but from the start the authorities lead it towards the malfunction or mistake of the crew – even though the accident's circumstances raise many questions.

The aircraft An-26 with 6 staff members and 33 servicemen on board took off on March 6 from the airport in Aleppo suburbs. On the way to Khmeimim it made two stopovers. While approaching to landing it unexpectedly hooked a building with its wing. It crashed in about half kilometre from the runway of the Khmeimim Air Base airport.

Although the Ministry of Defence tries to keep the passengers list in secret, some names leaked to the media. Among 39 dead Russian servicemen there are 32 officers, including Major-General Vladimir Yeremeyev. 53-year-old Yeremeyev served as the Head of the Russian Ministry of Defence Main Directorate of Control Action for 4 years. He was flying from Aleppo to Khmeimim where a plain to Moscow was waiting for him. Yeremeyev stationed in Syria since December 2017 – the reason is unknown. But such a long visit of a high official of the ministry in the warfare area suggests, that it was about crucial control actions in the contingent in Syria. Additionally, unconfirmed information occurred that at the same time Valery Gerasimov, the Chief of the General Staff of the Armed Forces of Russia, himself was staying in Khmeimim. If this is true, it suggests that something very important was happening in the military grouping in Syria during last days. It is unknown whether it had something in common with the massacre of Russian mercenaries in the Euphrates Valley.

The Ministry of Defence claims, that the catastrophe was probably caused by a technical failure or the pilot's mistake. But a hostile attack was not ascertained. One of the regional media published, admittedly, a proclamation of the organisation Jaysh al-Islam, which took the responsibility for the catastrophe, but it is probably fake. The organisation practically does not operate in the neighbourhood of Khmeimim base. It is focused on the fight with Assad in Eastern Ghuta enclave. In any case, it is a Russian military adviser of forces fighting in Eastern Ghuta who died a couple of days before the catastrophe. Officially, a total of over 80 Russian servicemen died in Syria. But recently it is a fatal series. In February rebels shot down the Su-25 fighter in Idlib province. The pilot died. On December 31 the base in Khmeimim was attacked with mortars – at least two people died. At the beginning of January enemy UAVs attacked Khmeimim and Tartus base. On February 7 during the attack of the American forces in the Euphrates Valley at least 100 Russian mercenaries died. Every subsequent bad information from Syria damages Putin's image on his way to the March 18 elections.

9 March 2018

GAZPROM'S WAR: CHALLENGE FOR GERMANY

For many years, Gazprom has been implementing the strategy of avoiding Ukraine in gas exports to Europe. Such a purpose could be achieved thanks to the Nord Stream pipeline while the Nord Stream 2 and the Turkish Stream projects will allow the Russians to almost completely resign from transit through Ukraine. As a result, not only will the country be deprived of its important source of income but it will also be politically weaker.

One of the reasons behind Gazprom's failure in an international arbitration court in Stockholm was the increase of gas exports through the Nord Stream pipeline at the expense of Ukrainian transit. Such a state of matters shows that Russians cannot withdraw from the project and it will be determined to build the second part of the gas transmission line to Germany. At the same time, Gazprom is able to indirectly block the market reform of the gas sector in Ukraine that is in accordance with EU rules.

SOURCE: NORD-STREAM2.COM

The situation seems to be clear. Berlin can no longer pretend that Nord Stream 2 is only a business project; it could not be possible after Gazprom's reaction to the end result of the arbitration. Today German authorities have to decide whether they support political and gangster behaviour of Gazprom or they are in favour of energy security and market rules in Europe and Ukraine.

The international arbitration court in Stockholm made a decision in the dispute between Ukraine's Naftogaz and Russia's Gazprom regarding two gas agreements concluded in 2009 that were supposed to remain in force until the end of 2019. It is about a contract on the supply of Russian gas to Ukraine and another one, on the transit of Russian gas through Ukraine to the EU. Both rulings are beneficial to Naftogaz, although not all claims were recognized. Gazprom has already criticised the rulings and announced that it would appeal against the court's decision; formally, there are no chances for it since the appeal may concern only procedural objections and none of the sides in the conflict has filed such objections during four-year-long proceedings. In addition, the Russians refused to perform a gas supply contract for Ukraine as the above-mentioned arbitration had modified the terms of the agreement. Initially, they were extremely unfavourable for Kiev so Ukrainian authorities gradually limited imports from Russia. In November 2015, Ukraine ceased importations awaiting the court's final decision. Russia unilaterally strives to break the contract (its conditions are no longer as beneficial as they used to be), which shows that the country is not a reliable business partner. Such a situation should constitute a warning for European companies and politicians; interestingly, Gazprom has already used its position for some political purposes. In particular, some Germans are in favour of increasing gas imports from Russia through the Baltic Sea.

But there is also another reason why the West should critically evaluate Gazprom's activity and reduce their cooperation. The ruling makes it possible for the Russians to sabotage Ukraine's gas reform. How? Ukraine is seeking to introduce rules of the so-called third energy package, which has already come into force in the European Union. It means the separation of energy supply and generation from the operation of transmission networks (also referred as unbundling). In autumn 2016, an independent joint-stock company Magistral Pipelines of Ukraine was established; its aim was to take over the management of the gas pipeline network, including the transit ones.

That is why Naftogaz sought to set over the 2009 transit contract unto Magistral Pipelines of Ukraine. However, according to the court, the issue should be regulated between Naftogaz and Gazprom. Nonetheless, the Russians do not want to talk about similar changes in the contract at all. It means that, until the end or the agreement in 2019, the transit fee will be paid directly to the Naftogaz subsidiary and not to a new independent entity. It would be tantamount to stopping the unbundling process and thus the entire free market reform of the gas sector, which would consequently block Ukraine's energy integration with EU countries.

SOURCE: KREMLIN.RU

10 March 2018

A POISON PLOT AGAINST SERGEI SKRIPAL."WETWORK" WITH NO RULES

Regardless of whether the perpetrators can be determined, a poison plot against Sergei Skripal seems to affect the image of the Russian state. It seems that a highly poisonous substance the man was exposed may indicate that Moscow had been involved in the attack on the former GRU officer. Too many people considered by the Kremlin as its enemies died in Britain in somewhat mysterious circumstances. In this way, the former GRU colonel joined the list of victims as well as those who managed to survive. However, it is most worrying that the attack was aimed at him personally; it means that previous unofficial rules will be not only modified but they will equally be completely abandoned by Putin's services.

The Russians broke a few key rules that have so far been applied in the dark world of assassins-agents. First, Skripal has already been caught and found guilty of state treason. Moreover, he was exchanged for Russian spies caught by the FBI. In addition, Skripal was pardoned by then-President Dmitry Medvedev. Thus it could be said that the Russian state had finally settled his case. No exchanged spy has been killed so far. Since the Cold War, it has been known that a spy exchanged in a swap could count on a safe retirement. He is not pursued in the same way as other fugitives. Such a person is no longer dangerous for the Kremlin. Besides, if Skripal had still posed a real threat, Moscow would have not released him and let him live peacefully for eight years.

Skripal is somewhat an accidental victim. He was selected from among many other former officers or Soviet agents and Russian services who joined the other side. The attack on Skripal is supposed to constitute an obvious signal for all officers who work or have worked for Western services; no rules are in force anymore, no one can feel safe. All traitors may be subject to possible death penalties. Even more, they should also be worried about their loved ones. Such a state of matters may mean that Lubyanka has introduced a completely new "culture". Nowadays, its officers do not respect any rules. In this respect, they have become worse than the "old" KGB. During Putin's regime, security services have become even more powerful than during the Soviet era. Then the party controlled the KGB, whereas today no one is able to control the services. At most, they control each other, at least partially. Such a system could be efficient if both sides acted on equal terms. Meanwhile, it looks like the FSB offensive turned out to be so effective that people from Lubyanka feel impunity, as evidenced by the events occurring outside Russia.

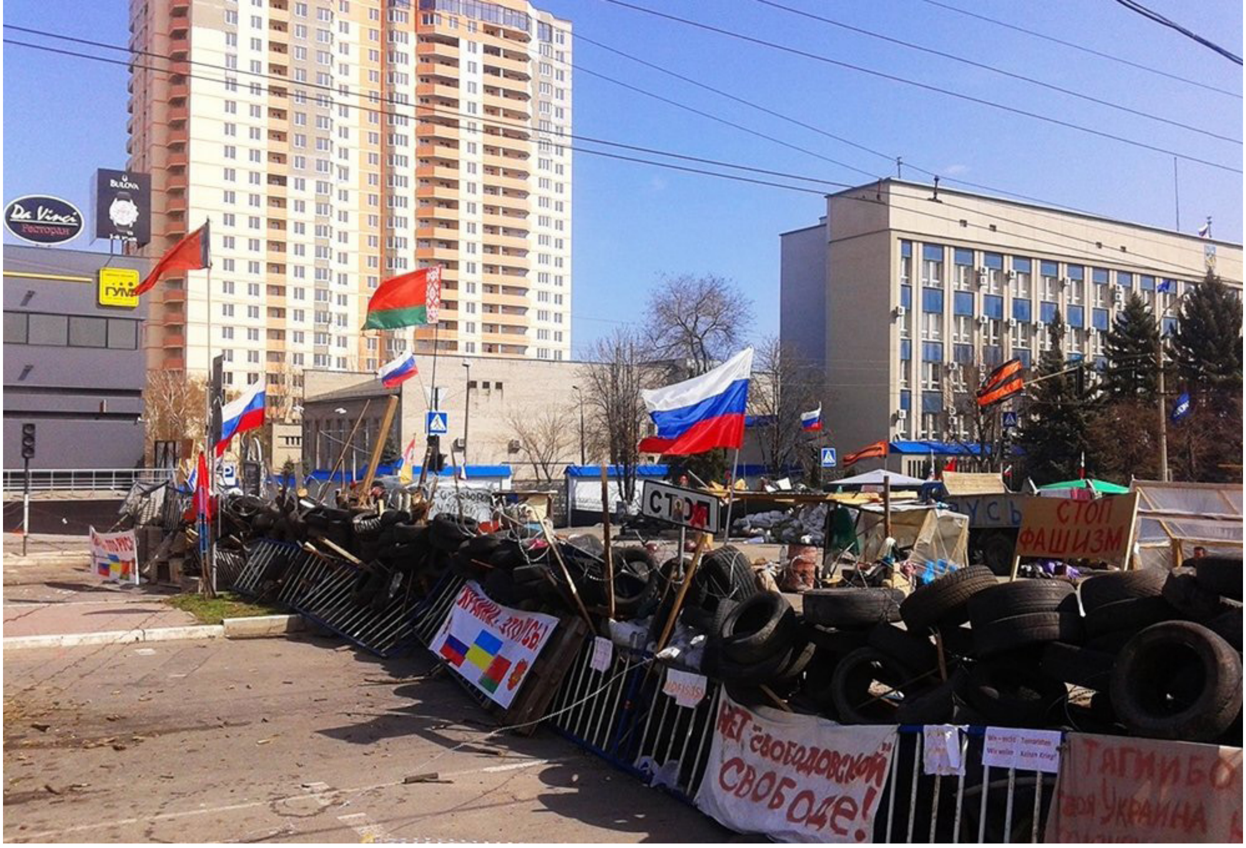
Of course, the Kremlin will ensure that it has nothing to do with the entire situation. The problem is that the incident occurred three days after Putin's war speech, in which he threatened the USA with a new generation of nuclear weapons, and on the eve of president's aggressive speech delivered during the most important meeting of the Federal Security Service's board. In this context, as well as in the light of all crimes committed in Syria, the attack on a GRU traitor looks like a part of a wider pre-election campaign; the campaign full of aggression, war and acts of terror.

10 March 2018

"PEOPLE'S REPUBLICS". THE END OF THE EXPERIMENT?

Everybody in Moscow realises that a maintenance of the Russian occupation in the part of Donbass in a current shape does not bring political dividends and is expensive, instead. Therefore, one should expect that after the presidential elections in Russia, as a result of personal, institutional and political changes, the status of so-called Donetsk People's Republic and so-called Luhansk People's Republic will be thoroughly changed. It is possible that they would merge into one administrative body, and their administration would be reshuffled.

The Kremlin for some time struggles to realise its scenario of deploying ONZ's peacekeeping forces in Donbass, and then to meet the political points of Minsk agreements. Of course, the whole process would take place on Russia's terms, and as a final result the now occupied one third of the Luhansk and Donetsk Oblasts' territories would return



SOURCE: WIKIPEDIA

under the formal Kiev's control, but on special terms, de facto meaning maintaining Russian domination there, and consequently gaining the influence on politics of the entire Ukraine. The realisation of this scenario entails liquidation of "peoples republics" as being illegal formations in the eyes of the Ukrainian law. It seems that this topic was already touched during the conversation of special USA envoy on Ukrainian affairs Kurt Volker with the Kremlin's Donbass curator Vladislav Surkov. Recently, Volker has for the first time openly stated that DPR and LPR should be liquidated, because there is no room for them in the Ukrainian constitutional order. According to Volker, they were constituted only to hide the real Russian role in Donbass. But the liquidation of the "republics" solely will not solve the problem of the Russian control over the part of the Ukrainian territory.

Within the framework of Minsk agreements, Ukraine's authorities are to conduct local elections in Donbass to regulate the conflict there. But first, Kiev wants to regain the control over the border – which Moscow will not allow for. In turn, Volker says, that the elections will be possible six months after the deployment of international peacekeeping forces in Donbas. But the Kremlin is unlikely to agree on such a composition and status of the contingent, which would deprive Russia of the influence in the region. Putin can propose a kind of transaction: ONZ peacemaking forces would comply with Moscow's interests, in exchange for "people's republics" liquidation. Arrangements has started in autumn, with the putsch in Luhansk. Today, under the pretext of combat with the Ukrainian agentry, people of the "republic's chief", Pasechnik, are arresting the competitors previously connected with Plotnitsky. Among others, a former Minister of Communications and Mass Media Mikhail Sergeenko was arrested for "terrorism". FSB has a more difficult task in neighbouring Donetsk. Alexander Zakharchenko is a result of the old compromise between Lubyanka, GRU and Surkov. But his position is weakening, and FSB's favourite is Khodakovsky, an old enemy of Zakharchenko. So far, Zakharchenko defends himself, by e.g. exposing to siloviki the Minister of Coal and Energy Eduard Golenko, who was related to Akhmetov and Yanukovych Junior before 2014.

But if the decision on liquidation of the "republics" is made on the higher level, Zakharchenko will share the fate of Plotnitsky, and both entities will merge with the dominating position of current Luhanks's authorities: Pasechnik and Igor Kornet, the real lieutenant of FSB. Further turn of events will depend not only on international discussions and the initiative of ONZ peacekeeping missions in Donbass, but on the political situation in Moscow after the elections. To be precise, on the relations between secret services and Surkov's status. It is being said, that he can lose his position and influences in the Kremlin.

SOURCE: KREMLIN.RU

12 March 2018

A TEMPORARY DECLINE IN THE PUTIN'S SUPPORT

A decline in Vladimir Putin's ratings in the biggest cities – where every fourth Russian voter lives in – was connected with the official beginning of the campaign and the occurrence of rivals, but also with a series of bad information for Kremlin, i.a. from Syria. But it should not be treated as a stable tendency. On the contrary, a radicalisation of Putin's rhetoric will increase his support. Both the real (mobilisation of the electorate caused by the confrontation with the West) and the official one, which will be manifested in the announced voting results (the regional authorities will chase one another in providing the best result for the president with all means available).

According to data from WCIOM centre, Putin's ratings in Moscow and Saint Petersburg has fallen in a month for about 12 %. In two biggest cities of Russia on January 10, Putin had almost 70% of support. A research from February 18 showed that it fell to 57,1%. The level of support is stable in other cities with at least a million of citizens. There, a small decline was recorded at the end of last year, and since then the support is on a constant level. The number of swing voters and followers of Pavel Grudinin has risen. Results of the pole indicate that the communists' candidate will be the number two in the elections, despite the problems that he faces in his own electorate.

Putin, still, has a high and stable support in cities with less than a million of citizens and in villages. He always had his most faithful electorate there, the less liberal, the less critical, closed to different media and information sources, the most conservative and social. Moreover, in smaller areas the impact of so called adminresurs, which is a pressure from local authorities, business leadership, schools and universities administration, is stronger.

Before the aggravation of political rhetoric, Putin's environment expected a turnout of 55-60%, and the Putin's result around 60%. But if the regime decides on a full implementation of administrative apparatus, manipulations and forgeries, the results will be considerably higher. Taking into consideration the Putin's aggressive campaign, Kremlin can choose a manual control of the elections to reach the formerly assumed result: 70% for Putin with the turnout of 70%. A Putin's "warlike" proclamation from March 1 and abrupt aggravation of already bad relations with the West (e.g. after the assassination on Sergey Skripal) can mobilise part of the electorate. Temporariness of the president's fallen support in the biggest cities is already being confirmed by the unofficial information that in last days of February the ratings started increasing. After the events from the beginning of March this trend should even intensify.

13 March 2018

"I WILL BUY A PASSPORT." THEY FLEE FROM RUSSIA

The information that a billionaire Oleg Deripaska was granted a Cypriot citizenship reminded of the intensifying practice of buying EU countries' passports by the Russian regime beneficiaries. It concerns not only Cyprus, but also e.g. Malta. A passport of a EU country is a potential escape route from Russia in case of possible money loss or even freedom deprivation. This procedure also weakens the effectiveness of sanctions imposed on Russia by the West.

The European Commission has already launched an investigation into programmes of granting citizenships in return for investments in EU. Among examined countries are i.a. Cyprus and Malta. Cyprus enabled the foreigners to acquire a citizenship in September 2016, and since 2008, over 1.6 thousand of "foreign investors" were granted a Cypriot passport (plus twice as many for their family members). There are many Russians among them. The controversial "golden visa" program, which enables wealthy investors to obtain a citizenship and visa-free access to the EU, remains a lucrative source of income for Cyprus and brought profits of at least 4.8 bln euro.

Cypriot passports were granted to i.a. such Russian businessmen as Dmitry Rybolovlev or Alexander Abramov. But it is Oleg Deripaska who is the richest and the most known Russian, who gained the second citizenship in such a way. However, he underlines that he still has the Russian passport, that he pays taxes in Russia and his family lives there. He claims, that he needs

SOURCE: WIKIPEDIA.ORG

a Cypriot citizenship only to simplify his businesses. In reality, he got a potential way of escape. The position of Deripaska, who belongs to the oligarchs of Yeltsin's era, who later came to terms with Putin and were able to continue their businesses, weaken drastically. The businessman can be afraid of bankruptcy or even arrestment in Russia. Deripaska in not yet on the USA sanction list, but his name appeared in the published at the end of January by the American administration, so called, Kremlin report. It is known for a long time, that the businessman is not a person welcomed in the United States.

Russians can also very easily buy the citizenship of another EU country: Malta. It costs over 900 thousand euro plus additional 50 thousand euro for a family member. Everything lasts for 12-14 months. In January, authorities of this country revealed, that a Maltese passport was granted to 730 Russian businessmen and politicians with their families. Many of them, as in the case of Deripaska, have problems in their homelands. The list contains such names as e.g. Boris Minc, a businessman on the verge of bankruptcy and the former governor of Amur Oblast, Leonid Korotkov, who is under investigation for corruption.

SOURCE: WIKIPEDIA.ORG

13 March 2018

ROSNEFT'S PROBLEM WITH CHINA. COOPERATION IN QUESTION

Almost at the same time, the largest Russian oil company lost two important foreign partners. U.S. oil company ExxonMobil is pulling out of a joint venture with Rosneft because of U.S. sanctions against Russia. It is not known whether the Russian enterprise will still cooperate with CEFC China Energy, especially after the company's CEO had been arrested under suspicion of fraud.

CEFC China Energy Company is among the 10 largest private companies in China. Thanks to the protection at the highest level as well as to his kinship with one of well-known marshals of the Chinese army, Ye Jianming, its CEO and founder, managed to receive money from state-owned banks in order to finance his projects. However, he lost his influence as a result of another anti-corruption purge. The arrest of the oil baron was personally approved by Xi Jinping. Jianming had been detained on suspicion of economic crime on a large-scale. Such a situation may have a negative impact on one of Rosneft's important transactions.

In September, CEFC Energy announced plans to acquire 14.16 percent of Rosneft shares from Glencore and the Qatar Investment Authority (QIA). Igor Sechin said then that the transaction, estimated at 9.1 billion dollars, would be concluded by the end of the year. Nonetheless, it turned out that there had appeared some financing problems. The company was supposed to obtain a 5 billion dollar loan against a pledge of shares from Russia's government-run VTB Bank whereas China Development Bank (CDB) agreed to provide the remaining amount. But CEFC has not reached an agreement with CDB so the deal will not have been finalised until the end of the first half of 2018. Due to Jianming's detainment, the transaction may be delayed and its risk of the failure has already increased. CEFC is a private company whose founder has recently been arrested. It is difficult to expect that Chinese banks will be eager to grant credit to such an entity.

Either Ye's protectors appeared to be too weak to defend him against the purge or they also had become victims to repressive measures. Both versions seem to be bad news for those Russian companies that are looking for money in China, as they face Western sanctions. Beijing has just begun a purge in the sector of private companies, whose international expansion was only possible thanks to loans from state-owned banks.

On the other hand, China will not want to consider Sechin to be its enemy. China expects Gazprom and Rosneft to provide the country with hydrocarbons. Even now, after Ye's detainment, cooperation between CEFC and Rosneft will be continued; however, its current form may change. The Chinese are likely to take over some of Rosneft's shares but in a slightly different way. There can be different dates as well as new participants take emerge. In this context, Russian banks may even subsidize CEFC; such a solution could be advocated by Sechin who enjoys influence in Russia's state apparatus.

13 March 2018

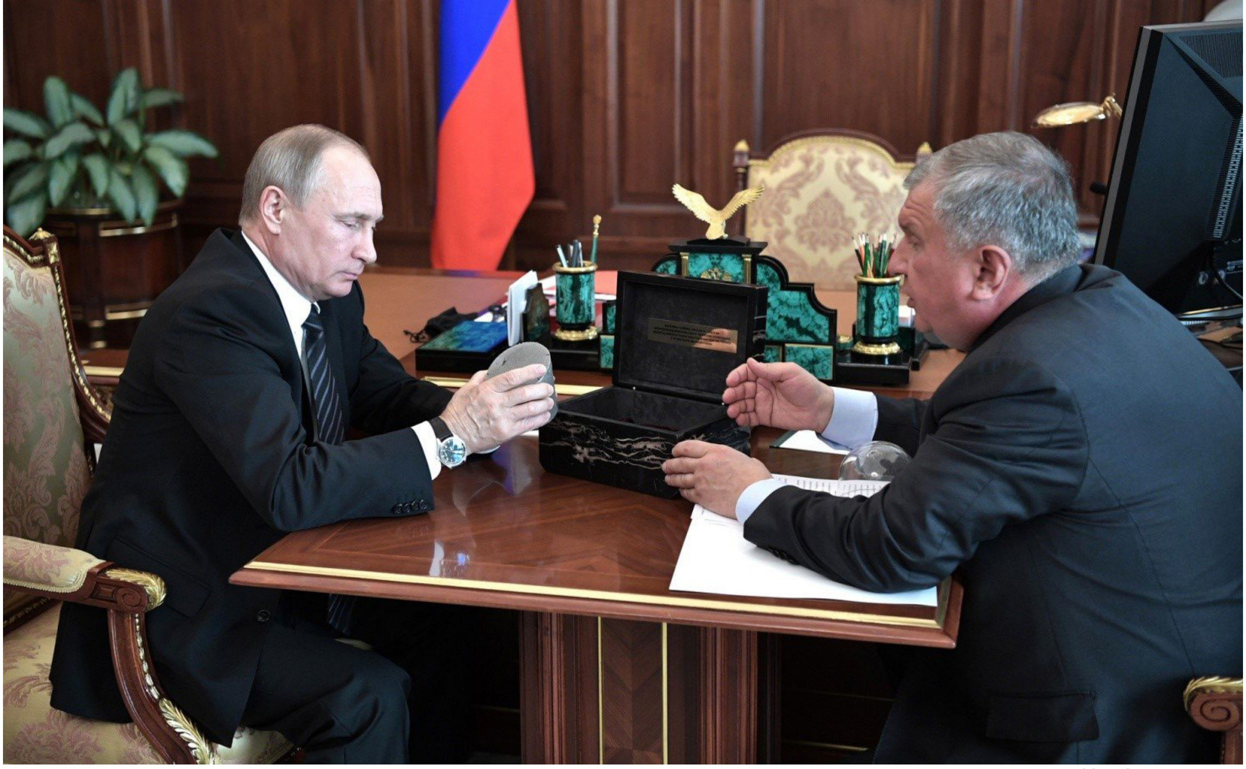
SECHIN WANTS ANOTHER „GIFT"

An increase in fiscal burden, a fall of world oil prices and effects of sanctions from the West have a negative influence of the Russian oil sector. The situation has became so severe that the discussions about changes, which will invigorate the production and processing of oil in Russia, have started. The necessity of finding means to stimulate the oil sector, is agreed by everybody, namely co-partnerships and officials. But serious differences in opinions on specific solutions have occurred. Igor Sechin tries to take advantage of the situation, at the expense of the national budget, and wants to obtain financial resources for the dramatically indebted Rosneft. The fact if and to what extent he will manage to push through his idea, will answer the question whether Sechin still has special consideration in Kremlin.

Russia changes the taxation system of oil companies. Current tax on oil and gas exploration (NDPI) is to be replaced by NDD, which is a tax on additional income whose quantity will not be dependent on the amount of produced oil, but on the incomes from material sale, minus the marginal costs of exploration and transport. The discussions on various methods of invigorating the sector are in progress. But the proposals of such concerns as Lukoil or Surgutneftegaz are not as far-reaching as Sechin's idea.

Indebted Rosneft (the debt exceeded 3.8 bln roubles) has just fallen in the rating of Standard & Poor's agency, reaching the "speculative" BB+. S&P explains it with the dependence of the cut off from international capital market Rosnieft on refinancing by Russian banks. Sechin, looking for money in every possible place, submitted a plan of invigorating the oil sector, in which Rosneft would gain the most. He asked President Vladimir Putin for tax relieves for the company in a total amount of 145 bln roubles (2.6 bln USD). Sechin additionally proposes a partial transition from NDPI to NDD in 35 pilot projects of various oil co-partnerships starting in 2019.

Such a request was submitted to Kremlin at the beginning of February. Putin ordered the



SOURCE: KREMLIN.RU

government to familiarize and respond to Sechin's idea. Three weeks later, on February 27 Deputy PM, Arkady Dvorkovich hosted a meeting with representatives of oil companies and government officials, which ended up in a fiasco. A couple of problems stored out. Different proposals are submitted by oil companies, which is not accepted by the government. But in the government itself there is a dispute between Ministry of Finance and Ministry of Energy. Ministry of Finance is against the idea of big tax relieves. Instead of a state's support for the most significant refineries (such as tax relieves), the ministry proposes an abolishment of the duty on exportation. However, the Ministry of Energy opposes to that proposal. It points that it is necessary to help the refineries because they bear the costs of restricted duty regime and unplanned increase in excise caused by a crisis. Since 2010, tax burden of the sector has risen by 1.4 bln roubles. Instead of the abolishment of duty on exportation the Ministry of Energy proposes a deliberate stimulation: a support of designated refineries providing fuels to the home market. But at the same time, Ministry of Energy, basically agreeing on the importance of the support for oil co-partnerships, in response to the Putin's writing on Sechin's plan, replied that connecting the sector stimulation with the introduction of NDD is pointless. Ministry of Energy for a long time is not an advocate of favouring Rosneft, which may be caused by the influences in the ministry of Sechin's company rivals, with Gazprom ahead. The continuation of the plan concerning big tax relieves for Rosneft will give an answer to a question if the chief of Rosneft is still as powerful as he was during last half-year.

SOURCE: TATNEFT.RU

16 March 2018

RUSSIA'S MINISTRY OF FINANCE ATTACKS: TAXES FOR OIL COMPANIES

Shortly after an unsuccessful meeting between representatives of oil companies and the government, Russia's Ministry of Finance calls again for launching tax reform in the country's oil sector. The message is additionally intensified by a gigantic loss, which has been suffered by the state budget as a result of a delay in introducing changes. Nevertheless, any decisions will be taken by a new government only after the election and the inauguration of Vladimir Putin as the President of Russia.

The Ministry of Finance has calculated the budget losses that had occurred as a result of the delay in introducing of the so-called tax maneuver in Russia's oil sector in 2017. They are estimated at 1 trillion rubles (17.5 billion dollars), the ministry has informed. What was the amount comprised of? Refineries were subsidised with 600 billion rubles that had been transferred due to the fact that export duties on petroleum products were lower than tariffs on raw material. According to the latest report of Vygon Consulting, refineries' budget losses on the account of subsidies will be even higher and may reach even 700 billion rubles. The budget lost another 140 billion rubles on the supply of Russian oil to Belarus, which is sold at Russian domestic prices and without any fees (raw material is processed in relatively modern refineries in Novopolotsk and Mazyr whereas fuels exported to Europe at market prices are the main source of income for Belarus). Finally, 300 billion rubles did not enter the budget because prices of petroleum products had lowered in the internal market.

In addition, domestic prices will still be regulated as the population needs cheap fuel. Losses that occurred at the "Belarusian direction" also seem to be inevitable; such is the price that Russia is supposed to pay Lukashenko for his alliance. Therefore, the Russians can save a lot only the first one. In 2017, the Ministry of Finance has prepared proposals on liquidation of subsidies. It was about introducing the so-called a tax maneuver that accounted for a zero duty rate on crude oil and petroleum products. Moreover, the state budget would have been compensated with the increase in the mineral extraction tax (MET, or NDPI in Russian). Such a strategy has been in place since 2015 when oil tariffs were reduced by up to 30% per barrel, which decreased the refinery's margin in a significant way. In 2017, oil companies protested against the complete elimination of duty. They were supported by Russia's Ministry of Energy whose representatives argued that such a decision ought to have been delayed by seven years. However, the Ministry of Finance wants to introduce the above-mentioned regulation within next two years.

Moreover, the conflict within the government is fuelled by the aggressive lobbying of oil workers, headed by Rosneft. As we have already reported, Igor Sechin reportedly asked President Putin for roughly 145 billion rubles in annual tax breaks for his company. It is difficult to say when any binding decisions will be made. A lot will depend on a composition of a new government and the importance of people who are in favour of Kudrin's reforms. The final shape of the state policy in the oil sector will derive from the broader economic policies introduced by the new government and renewed presidential administration.

16 March 2018

"RUSSIAN FBI" AND A TURN OF EVENTS IN BASTRYKIN'S CASE

According to unofficial sources, the recent speculations about the changes in investigative structures in Russia might turn out to be true. There is every indication that a new government agency will be established, in which the structures and the investigative powers of the Investigative Committee (SKR), the Ministry of Internal Affairs (MVD) and the Federal Security Service (FSB) will be merged into one. What is even more surprising is the fact that the current Head of the Investigative Committee, Aleksandr Bastrykin, might become the Head of the "Russian FBI".

In the past few months, all indications suggested that Bastrykin would lose the position of the Head of the SKR and the Committee itself might be dissolved. In December, at one of the Committee's meetings, Bastrykin himself said that his institution would be liquidated. The main reason for such decision would be the so-called case of Shakro the Young, which involved the detention of a group of high-ranking officials working with Bastrykin who were accused of corruption. The whole case is still under investigation, especially after one of the arrested, Denis Nikandrov, has recently testified that the Head of the Moscow Department of the SKR, Aleksandr Drymanov, was also involved in the bribery scandal. The detention of Drymanov would be a final blow for Bastrykin. However, the FSB has not detained him so far and the decision might be politically motivated. In a situation in which Putin is preparing a new, even more important position for Bastrykin, it is difficult to expect such action.

In the last few days, Bastrykin was supposed

SOURCE: KREMLIN.RU

to show up at the Kremlin and hand in his resignation. However, according to unofficial reports, Putin did not accept it. On the contrary, the current Head of the SKR was reportedly offered the position of the head of a new, even more powerful than the Committee, investigative institution. It is not yet known whether he will eventually take up the post. He has two strong opponents: the current Prosecutor General of Russia, Yury Chaika, and the FSB, which does not want to lose sole control over its own Investigative Board. It seems that the opponents of the SKR will actually live to see the liquidation of the Committee – but the further scenario might not go their way. Last year in November, it was announced that the Head of the Investigation Department of the MVD, Aleksandr Romanov, submitted some draft resolutions, including the one about the liquidation of the Investigative Committee, to the Chief of Staff of the Presidential Administration, Anton Vaino. The resolutions assume that the most important matters would go straight to the Prosecutor General's Office, while the remaining ones would go to the MVD. Meanwhile, there is every indication that the reverse situation will happen. One of the options taken into consideration is the establishment of the "Russian FBI", that is, the Federal Investigation Service. It would consist of the SKR and all investigative bodies of other power organs, with the Investigation Board of the FSB and the Investigation Department of the MVD on the very top of it. What is more, it would be the SKR that would dominate this new institution.

This variant is not approved by Lubyanka, which would prefer a completely different scenario: the establishment of the so-called MGB (the Ministry of State Security), which would be comprised of the current FSB, the SVR (the Foreign Intelligence Service) and the FSO (the Federal Protective Service), with the dominating role of counter-intelligence, namely the FSB. Of course, all investigative powers would also be focused here. But then again, the MVD does not want to give away its Investigation Department to anyone, neither to the potential MGB nor to the potential Federal Investigation Service. However, the Prosecutor General's Office might have the casting vote here. There have been quite a few times when Yury Chaika has criticised the past activities of the investigative bodies of he SKR, the MVD and the FSB. Yet, instead of taking some cases away from the SKR and handing the others over to the MVD and the FSB, Chaika might have to accept the establishment of a new institution in exchange for the increase of the authority of the Prosecutor General's Office over investigations in Russia.

SOURCE: KREMLIN.RU

19 March 2018

TSAR VLADIMIR AND OMINOUS PERSPECTIVES

Long before the presidential elections in Russia, the Kremlin assumed that it would be preferable for Putin to win 70% of the vote with 70% turnout. And such a plan has actually been put into practice. Even if voter turnout leaves much to be desired, it was possible to award Putin with more than 75% of the vote. Thus the state apparatus appeared to work efficiently. Incumbent head of state has been granted the most powerful legitimacy so far. With such support, Putin could be ready for the greatest challenges. However, he will probably purse a policy of stagnation.

Vladimir Putin has garnered 76.67% of the vote in the March 18 election. He claimed support from officials and journalists who had made every effort to provide incumbent president with the best result in history. Such a result seems to be impressive, especially due to the fact that the favorite had no election program. But Putin, while talking about the last eighteen years of Russia's history, boasts almost exclusively of his successes so it should not come as a surprise that he will improve his election result. This time, it is higher by more than ten percentage points as compared to 2012. Results of other candidates seem to be irrelevant; nevertheless, it is noteworthy that an experiment with a new Communist Party candidate could be considered as a successful one. Pavel Grudinin attained a two-digit result, which seems to be quite satisfactory, especially in the face of unfavourable political climate in Russia.

Thanks to the election, Russia joined the group of authoritarian states ruled by dictators who can boast about their record-breaking election results. According to this logic, in six years' time, Putin would get over 80% of the vote provided that he ran for office. It is difficult to predict whether Russia will reach such a state; nevertheless, it seems that a systemic change would be the best solution and Putin will be given another position that will permit him to rule the country. It is still a long way from achieving such a state of matters and challenges faced by the Kremlin seem to be the greatest since the beginning of Putin's regime. Economic stagnation and avoiding reforms, additionally fuelled by the Russian dependence on world oil prices, will surely lead to a social crisis. Moreover, Russian population is in steep decline and, more importantly, the crisis in relations between Russia and the West will probably last for at least two or three more years. Month by month, Putin will be inching closer to taking the final decision: he may either seek to improve Russia's relations with the West ("liberal turn") or he could be in favour of further escalation. In addition, in the case of a drastic deepening of the internal crisis, Russia could even make an attempt to start an armed conflict of a small or large scale. Otherwise, the regime may fall before the end of President Putin's new term of office.

19 March 2018

NORD STREAM 2 MORE OPPONENTS

When PM Theresa May talked about possible sanctions against Russia for poisoning Sergei Skripal, she mentioned minimising the British dependence on the Russian gas supply. Not less important is the outright objection of the government in London to the Nord Stream 2 project – which is appealed for by a group of British MPs. It is another strong political occurring against plans of Gazprom and its European, especially German partners in a few days. Berlin, however, does not yield and uses major influences in Brussels for its aims.

Poland and other countries of Central and Eastern Europe warning about terrible results of the possible Nord Stream 2 construction has gained a new ally. It is Great Britain, whose relations with Russia have rapidly worsened after the assassination of Sergei Skripal. When Theresa May said that Great Britain would be looking for gas suppliers other than Russia, a nonpartisan group of politicians in London appeals for going further and actively act against Nord Stream 2. On March 18, "The Sunday Telegraph" published a letter by 17 British politicians, including a former leader of the Conservative Party Iain Duncan Smith addressed to the Foreign Secretary Boris Johnson, in which they appeal for the objection to Nord Stream 2 gas pipeline's construction. The explanation is necessary to be stressed. It is not only the willingness to take revenge on Moscow for Skripal's case, but also "the necessity of British involvement into ensuring a guarantee of safety and sovereignty to our partners from eastern NATO flank". The consequences of London's policy on Nord Stream 2 are unknown yet. It can possibly lead to the unofficial attempts of exerting pressure on Shell, who in one of the financial partners of the project. It is almost certain that the pipeline will not be extended to the Great Britain – which was taken into consideration before.

The British politicians' letter is not the only such an attempt in recent days. Its authors stress themselves, that their stance is consistent with the USA's opinion, which claim that Nord Stream 2 will weaken the European energetic security. On March 15, 39 American senators, both Republicans and Democrats, declared their objection to the gas pipeline construction in the letter to the United States Secretary of the Treasury Steven Mnuchin. "Nord Stream 2 would make American allies

SOURCE: WIKIPEDIA.ORG

and partners in Europe more susceptible to pressures and damaging Moscow's operations" –the politicians write. The day before, a nonpartisan group of 13 MEPs appealed in the "Frankfurter Allgemeine Zeitung" for not allowing the Nord Stream 2 construction, calling it a "political instrument in the hands of the Russian President Vladimir Putin, who considers EU as an enemy and aims at its division". In turn, on March 11 in Vilnius chiefs of the Polish, Lithuanian and Latvian parliaments signed a declaration proclaiming that Nord Stream 2 is focused on the development of the energetic dependence of EU countries, especially Central and Eastern Europe, on Russia. Earlier, it had been signed by the chiefs of the Ukrainian and Moldovan parliaments. In any case, Ukraine appeals also for sanctions against Gerhard Schröder, meritorious for the Nord Stream construction. Berlin rejects such a possibility and calls Nord Stream 2 a purely economic project, being careless with the Gazprom's behaviour after the unfavourable arbitration. Germans maintain their position – which was confirmed by the visits of the Minister of Foreign Affairs Heiko Maas and the Chancellor Angela Merkel in Warsaw. The increasing pressure and the broadening coalition against Nord Stream 2 do not impress Berlin. Germans are confident because they have enormous influences in Brussels and claim that they can force EU authorities' decisions profitable for them.

SOURCE: LUKOIL.COM

26 March 2018

LUKOIL TEASES INVESTORS

Very good financial results in 2017, further foreign investments, development vision and high dividends – this is what Lukoil boasts about encouraging foreign investors. It became symbolic that this private concern managed to overtake Gazprom in terms of capitalization. Vagit Alekperov's offensive may be connected with the presidential election in Russia, more specifically – with the informal division of oil-gas cake in Putin's country. And suggests that Lukoil has quite a good position.

On March 23, private oil concern overtook Gazprom in terms of capitalization, becoming the third, in this criteria, company in Russia. On this day, Lukoil's shares on the Moscow Stock Exchange increased by 0.2%, and company's capitalization reached 3.2939 bln RUB (more than 5.7 bln USD). For comparison, Gazprom's capitalization on this day, amounted to 3.2901 bln RUB (-0.1%), Rosneft 3.319 bln RUB (-1%), Sberbank 5.866 bln RUB. Also on this day, it was announced that Mexican authorities has let Lukoil and DEA Deutsche Erdoel AG, which belongs to Russian oligarch Mikhail Fridman to take part in the tender to the right to exploit hydrocarbons in the coastal waters of the Gulf of Mexico. This is another Lukoil's approach to the Mexican deposits. In June 2017, the concern won the tender to exploit the oil deposits in the Gulf of Mexico.

On the same day, March 23 in London – where Lukoil organized Investor Day – the president of Lukoil Alekperov explained in details the company's long-term development strategy which had been approved by the company's authorities at the end of 2017. The company accepted the base price of oil barrel for $50. Everything, what will be done above it, will be reinvested – half in business development and the other half will be paid to the company's shareholders. The company sets itself a goal to increase the extraction from the resources of 1% annually.

Alekperov possesses 24.8 % of shares and the company's vice president Leonid Fiedun has 9.78%. In the immediate future, after the buy-back procedure is conducted, Alekperov's share will rise to about 30%, and Fiedun's to about 10%. Knowing that, Lukoil's shares went through the roof – by 3.86%. Another increase was recorded on March, 21 when Lukoil published its results for 2017. It turned out that the company doubled its net profit last year. In that moment, Lukoil overtook Gazprom in terms of capitalization. Currently the prices have fallen down a little bit, however analysts agree with Alekperov that the shares are underestimated. If Lukoil manages to convince the market, the company may start gaining on leaders in terms of the amounts of dividends (Tatneft, Surgutneftgas) and attract investors. Setting the expected price on $50 per oil barrel seems to be encouraging for investors because according to the analysts this price is lowered in relation to the average expected minimum, i.e. $65.

SOURCE: KREMLIN.RU

26 March 2018

WHIPPING BOYS

According to the Russian Constitution a new government is formed after a presidential election. Everything indicates that the new government will be similar to the old one. Dmitry Medvedev is believed to keep his position. However, the political position of the government in Vladimir Putin's new term will be weaker – and this is for a number of reasons.

After the presidential election, the current Prime Minister and the leader of the ruling party United Russia – Dmitry Medvedev, will probably keep these two positions. Certain changes in the government, if they eventually happen, will be intended to "refresh" his image. Only few of the most criticized ministers may lose their positions. The continuity will be also preserved in the ruling party United Russia. Its formal chairman will be still Dmitry Medvedev. Above all, it is about keeping the principal that the chairman of the party is leading the government.

The main task of the government will be to preserve its character as a political lightening protector which will gather all criticism and dissatisfaction coming from Russians – mostly because of economic and social reasons. Whereby attacks on the Prime Minister and the government may not only come from the extra-parliamentary opposition, but also – what is the most important – from the ruling party and parliamentary pseudo-opposition, not mentioning disciplinary cautions from Kremlin. However, there is a hidden danger in it resulting from the fact that the head of the government is at the same time the party leader.

The new government, its members will be politically weaker. The case of Alexey Ulyukaev shows that each of ministers may be arrested in almost every moment. Some members of the government, especially those associated with the so-called "liberal camp" may be an especially easy target for the anticorruption crusade of siloviki. The State Duma and the Federation Council – two houses of parliament – will still act as a notary of presidential and governmental decisions. Briefly, as a disciplined machine for voting. The real power will be kept by Kremlin and the Security Council dominated by the siloviki. The real power that is, above all, security policy and foreign policy.

27 March 2018

AN INCREASE IN ENERGETIC COOPERATION. RUSSIANS ENTER THE IRANIAN OIL MARKET

An Iranian state-owned National Iranian Oil Company signed a contract with a Russian state-controlled Zarubezhneft on the increase of production on two oilfields in the western part of Iran. This is the second deal between Iran and a foreign oil company in compliance with new regulations introduced after the agreement concerning the nuclear program and abolition of restrictions on oil cooperation with Iran.

National Iranian Oil Company is a state-owned enterprise under the direct supervision of the Iranian Ministry of Petroleum. According to operative regulations, a foreign company makes an agreement with NIOC, but in order to participate in exploitation of Iranian deposits (the constitution states that oil is a "property of the Iranian nation") it has to enter the consortium with an Iranian company accredited to NIOC. Therefore, Zarubezhneft together with a private company Dana Energy are to exploit Aban and Paydar deposits in Ilam province near the border with Iraq. They plan the increase in oil exploitation from 36,000 to 48,000 barrels a day. The contract – consisting of two IPC agreements – is worth USD 742 million. Russians are to cover 80 per cent of

SOURCE: DANAENERGY.IR

the financing, while Iranians 20 per cen.

The ceremony of signing the agreement on March 14 took place with the presence of Minister of Petroleum Bijan Namdar Zangeneh and Chief of the National Iranian Oil Company Ali Kardor. This the first such an Iranian-Russian agreement and, at the same time, the second with a foreign company since the agreement between Iran and the West regarding restrictions on the nuclear program. The first one, of the value of USD 4.8 billion, was signed with the French Total in July 2017. After the abolition of sanctions and opening of the market to the foreign investors, president Hassan Rouhani and his government developed a new mechanism of engaging private companies (not only foreign ones) in hydrocarbon deposits exploitation in Iran through IPC contracts (Iran Petroleum Contract).

Russians decided to sign such an IPC in the situation of rising tension between Tehran and Washington, which can lead to the USA withdrawal from nuclear agreement with Iran – which can, in turn, threaten the foreign companies' investing possibilities in Iran. The contract with Zarubezhneft is another step tightening the energetic cooperation between Russia and Iran. NIOC signed several contracts with Gazprom on cooperation in exploitation of South Pars deposit in 1997, and later signed a couple of agreements with Gazprom and other Russian companies in the previous decade. In years 2013-2014 Iran and Russia signed contracts on examination, production and infrastructural development for about 10 billion dollars. In 2016, Gazprom made a formal offer of becoming a partner to NIOC in construction of the first LNG plants in Iran. In July 2016, Russia and Iran signed a new 5-year plan of strategic partnership in the energetic sector.

SOURCE: WIKIPEDIA.ORG

27 March 2018

RUSSIA STRENGTHENS THE MEDITERRANEAN SQUADRON

A squadron of the Russian fleet in the eastern part of the Mediterranean Sea was reinforced in March by another two frigates, including one armed with a Kalibr missile. Moscow claims, that it is only a reaction to the American threats of attacking Damascus. But it does not change the fact that Russians found the pretext for further reinforcement of their naval forces in this region of the world. It is connected not only with the ongoing war in Syria.

The "Admiral Essen" frigate of the Admiral Grigorovich class and the anti-submarine "Pytivyy" frigate of the Krivak II-class – were photographed while crossing the Bosporus on March 12-13. "Admiral Essen" is armed with cruised missiles Kalibr with the reach of 2500 kilometres. A cruise from Sevastopol in the direction of the seashore of Syria was confirmed by the Russian Ministry of Defence on March 15. Both ships reinforced the Russian squadron stationing near the seashore of Syria, as a response to the American threats of attacking Damascus. The tension has risen when Assad's forces assumed an assault on the Eastern Ghouta. Despite the resolution of the United Nations Security Council, regime forces supported by Russians were still committing crimes against the civilians. On March 12, Nikki Haley announced, that the USA could take measures to bring the resolution into existence. The next day, the Chief of the General Staff of the Russian Armed Forces replied, that if Americans took actions that would put the lives of Russian servicemen in Syria at risk, Russia would respond with force.

The operation in Syria is a key element of the plan concerning an extension of the Russian military potential at the northern NATO flank, in the eastern part of the Mediterranean. But increased Russian military presence in this water region is connected not only with the war in Syria and competition with NATO. It is necessary to remember that there are rich deposits of gas and oil under the sea floor in this part of the Mediterranean, especially on the borders of Lebanon and Israel. The Lebanese granted rights to exploitation of deposits in this region, among others, to the Russian Novatek – which is not acknowledged by Israel claiming the right to the same deposits.

A constant presence in this water region, for the first time since the end of the cold war, was reclaimed by Russia in spring 2013. The corpus of the "Mediterranean squadron" consists of the Black Sea Fleet units, and in different periods of time were reinforced by the ships from the Baltic Fleet, Northern Fleet, and even the Pacific Fleet. Now, the squadron comprises a dozen of units (which change in rotation), including frigates and submarines armed with the long-distance, cruise Kalibr missiles. Even though "Russian tomahawks" were used in attacks on aims in Daesh, presence of these ships in the eastern part of the Mediterranean Sea significantly expands the area of the Middle East within the reach of the Russian impact (Kalibrs have the reach of over 2500 kilometres). The main base of the squadron is a navy base in Syrian Tartus. According to the 49-year agreement with Syria, Russia has the right to simultaneously deploy 11 ships in the port, including those with a nuclear propulsion. The agreement allows the Russian to enter the Syrian ports and move around the territories and internal water areas of Syria.

28 March 2018

RUSSIAN DIPLOMATS OUT! WHAT ABOUT NORD STREAM 2?

The unprecedented in the history of the West action of banishing the Russian secret intelligence officers working under diplomatic cover is a reaction to Sergei Skripal's poisoning. Seemingly, evidences provided by London are so strong, that even Germany decided to join the retaliatory measures. There is no doubt that it is a big and sad surprise for Moscow, which for years is aiming to divide the West and the EU.

It will also handicap the actions of the Russian secret intelligence for a longer time. It is necessary to remember that Russia can be more painfully hurt in a different area. It is the energetic partnership: Gazprom is still one of the biggest gas suppliers to Europe. Instead of restricting it, part of the European countries wants, quite the opposite, to increase this dependence. The real test for the West's solidarity will be the stance of particular countries on Nord Stream 2 project.

The United States, a big group of the EU member states, Ukraine and Canada almost simultaneously made a decision on banishing tens of Russian diplomats as a retaliation for poisoning the former GRU officer Sergei Skripal and his daughter in Great Britain. President Donald Trump ordered a banishment from the USA of 60 Russian secret intelligence officers working under cover of diplomats (including 12 working in the UN headquarters in New York) and closing the Russian consulate in Seattle. This is the biggest banishing of the Russian (Soviet) diplomats in the US history. 16 EU countries decided on the banishment of the Russian diplomats. 4 (per country) are to leave Poland, Germany and France. 3 are to leave the Czech Republic and Lithuania. Other countries banish 1 or 2 Russians. Earlier, 23 Russian diplomats were banished by Great Britain. Adding the USA (60), Canada (4) and Ukraine (13), the total number of Russians considered as persona non grata counts over 100 people. European countries which are not members

SOURCE: KREMLIN.RU

of the EU, such as Norway, Macedonia and Albania also expressed the intention of banishing Russian agents under cover of diplomats.

It is unknown, which Russian agents in particular will have to return to the country. It is unknown, how many of these "diplomats" were engaged in e.g. actions in the sphere of the EU energetic security. Therefore, the steps of Warsaw are even more important. The same day, when subsequent countries were announcing banishment of Russians, the Polish authorities declared, that a couple of days before The Internal Security Agency (ABW) had denounced an official, who was suspected of the cooperation with the Russian secret intelligence and delivering information concerning Polish strategic energetic projects to Moscow. According to the unofficial information, 2 out of 4 Russian diplomats banished that day by Poland are the supervising officers of the Pole suspected of treason. In such a way, Warsaw sends a clear message that energetic security is one of the most endangered areas by the Moscow's intelligence actions. So far, part of the EU members, with Germany ahead, despite the banishment of Russian diplomats as a gesture of solidarity, in the key issue – which is the gas cooperation with Russia – does not want to take steps which could be considered by Moscow as hostile. But the real hit and painful punishment for Russia would not be the banishment of tens of intelligence agents under cover of diplomats, but blocking the Nord Stream 2 project and the help for Central and Eastern Europe in diversification of supplies and reduction of dependence (sometimes even monopoly) on gas from Russia.

SOURCE: WIKIPEDIA.ORG

31 March 2018

WAR OVER RUSSIA'S STRATEGIC OIL PORT

Arresting the Magomedov brothers may be perceived as the revenge of the Rosneft CEO, Igor Sechin, who could have done it for two main reasons. First, he may have been some economic ones as he fought with the owners of the Summa Group because of high charges for handling crude oil in the port of Novorossiysk. The case may also have its political dimension. The Magomedovs owe their successful business to Arkady Dvorkovich, Russia's current Deputy Prime Minister. Their detainment constitutes a blow aimed at Deputy Prime Minister in Dmitry Medvedev's Cabine, whom Sechin has been long trying to remove from office.

Billionaire businessman Ziyavudin Magomedov was placed under arrest on March 31; so were his brother and co-owner of Russia's Group and the president of one of the subsidiaries. According to investigators, Dagestan billionaires embezzled a total of more than 2.5 billion rubles ($44 million) in state funds, which supposedly were held in foreign accounts of offshore companies in tax havens. Both businessmen did not plead guilty in court. The court did not agree to release brothers on bail equivalent to the amount of losses estimated by prosecutors at aforementioned 2.5 billion rubles, which means that both businessmen will also be held in custody until the end on May.

The Magomedovs are co-owners of the Novorossiysk Commercial Sea Port, Russia's largest seaport, which exports most of the crude oil extracted in Russia to the world markets. As for the above-mentioned Rosneft, it constitutes the largest oil company in Russia. The company's CEO, Igor Sechin, has got involved in the conflict with Magomedov after the port had drastically raised prices for oil handling. Rosneft complained to Russia's Federal Antimonopoly Service; as a result, the latter fined the port of Novorossiysk with 10 billion rubles. According to some unofficial reports, Sechin aimed to force the Magomedov brothers to sell their shares in the port of Novorossiysk. Summa Group CEOs managed to avoid punishment but they were immediately attacked by tax service, whose representatives demanded 9.5 billion rubles of overdue taxes (including interests). It does not come as a surprise that the Magomedovs decided to get rid of their shares. However, they agreed that they would sell them to another port shareholder, namely the state-owned company Transneft, Russia's monopoly oil pipeline operator. It is possible that Sechin addressed Putin personally and informed him that Magomedov had demanded a price much higher than the market one, which might mean that he had aimed to embezzle state funds. It is known that the investigation immediately accelerated and the Magomedovs were taken into custody, a moment before the transaction was finalised. Nothing is known about the future of the package. Interestingly enough, Sechin managed to get some political advantage. For the Russian elites, the fact that Medvedev's protégées were taken into custody means that the prime minister is too weak to protect his people. Such issue seems to be important, as it is not known who will be involved in the government that will be established after the inauguration of Vladimir Putin as the President of Russia.

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