

# RUSSIA MONITOR

MONTHLY

April 2018



**W** WARSAW  
INSTITUTE

# CONTENTS



# 14

MEDVEDEV  
PACIFIED



# 21

LIBYA: BAD NEWS FOR  
THE KREMLIN



# 25

NEW TERM, SAME  
ENERGY POLICY

3 A TIMCHENKO'S  
PARTNER BENEFITS FROM  
THE TRAGEDY IN KEMEROVO

4 RUSSIAN ROCKETS OVER  
THE BALTIC SEA

5 YEKATERINBURG:  
DESTROY THE OPPOSITION

7 A PETROLEUM FLIRTATION, BUT  
NOT A MARRIAGE

8 SOLDIERS AND GAS. THE USA  
DEFENDS THE BALTIC ALLIES

10 THE LARGEST RUSSIAN OIL  
BUYERS

11 ESTONIA VS. RUSSIAN SPIES.  
A NEW REPORT

12 GAZPROM NOT RELISHING  
THE NOVATEK'S LNG

14 MEDVEDEV  
PACIFIED

16 NORD STREAM 2. BERLIN IS  
HOLDING UP, TIME IS RUNNING

17 SYRIAN CIVIL WAR. WHO IS  
AFRAID OF MERCENARIES

19 POST-ELECTORAL  
PRICE SHOCK

20 PUTIN FOREVER? THE  
OPERATION HAS STARTED

21 LIBYA: BAD NEWS FOR  
THE KREMLIN

23 KREMLIN, FSB AND THE WAR ON  
WASTE IN THE BACKGROUND

24 TRANSNEFT  
IS LEAKING

25 NEW TERM,  
SAME ENERGY POLICY

27 HOW YANUKOVYCH FACILITATED  
THE ANNEXATION OF CRIMEA

28 THE HEAD OF SVR IN SERBIA.  
WHAT IS THE RUSSIAN  
INTELLIGENCE UP TO?

30 THE KREMLIN'S HELP TO  
INDEBTED ROSNEFT



SOURCE: KREMLIN.RU

3 April 2018

## A TIMCHENKO'S PARTNER BENEFITS FROM THE TRAGEDY IN KEMEROVO

**The fire in the shopping mall in Kemerovo shocked Russia to such an extent that the Kremlin had to change the governor of the region. Aman Tuleyev, who had governed Kuzbas since 1997 was forced to resign. He was replaced by his current deputy Sergej Civilev. Much points to the fact that this replacement has been planned for a long time, but tragic events in Kemerovo and an outrage of the society accelerated the change. This means that the position of Gennady Timchenko's, the trusted Putin's businessman, will strengthen.**

**T**he fire in the shopping mall in Kemerovo happened on March 25. According to official data, it killed over 60 people, mainly children. Both the fire and later actions taken by the Russian authorities revealed weakness and an inhuman face of Putin's regime. It was symbolised by the behaviour of governor Aman Tuleyev, who apologized not to the relatives of the victims, but to the president. Outraged Russians blame the Kremlin and Putin for tolerating corruption in the local administration of Kemerovo and in the Ministry of Emergency Situations, which caused a number of mistakes and incompetence of the authorities – resulting in

the tragedy of such a scale. What is disturbing for the authorities is the fact that the wave of protests came from grassroots. It was neither coordinated, nor planned by the members of the opposition, such as Navalny. The outrage of the society and the use of social media were enough. Arrogant speeches of authority representatives, manipulations of federal televisions and blaming the hostile West and its agents only poured salt on the wound. The Putin's attitude, who came to Kemerovo but was afraid to meet with the victims' relatives, also exacerbated the situation. A posed photo of the president in the hospital only increased the outrage and damaged Putin's image.

As a result, the Kremlin had to react fast. Tuleyev was forced to resign.

On April 1, Putin accepted the Tuleyev's deposition and devolved duties of the governor upon Sergej Civilev. Everything points to the fact that Civilev, supported by the Kremlin, will run for election and will probably gain full legitimacy for governing the Kemerovo Oblast and the huge industrial coalfield Kuzbas. Civilev is an ally of Gennady Timchenko. Before coming to Kemerovo, Civilev had owned 70% of shares of the Kolmar company, which is engaged in extraction of coking coals in Yakutia. The remaining 30% is owned by Timchenko, the founder of Volga Group. The Kolmar's stocks are estimated at 1 billion tonne of coal, and incomes at 4 billion rouble. When it turned out that he was to become a deputy governor of Kemerovo Oblast, Civilev passed his shares

to his wife and management to his brother Valery. Sergej Civilev came to Kuzbas quite recently – at the beginning of March. He took up a position of a deputy governor. The fact of his arrival from the faraway Yakutia itself induced gossips, that this position is only temporary, and that he would become a governor afterwards. On 27 February, Putin hosted him at the Kremlin. The president would not meet with an ordinary candidate for the position of a deputy governor. During this meeting, the case of assigning Civilev to the position of the governor was supposed to have been discussed. After the fire on March 25, Civilev represented the local authorities during demonstrations of outraged citizens. Arrogant at the beginning, he quickly changed his policy and even fell to his knees in front of the crowd. Just after, he replaced the “bad” Tuleyev.

5 April 2018

## RUSSIAN ROCKETS OVER THE BALTIC SEA

**Almost at the last moment, Russia informed that it would conduct rocket tests in the Baltic Sea, which caused serious concerns in the countries neighbouring that sea. Latvia was especially outraged because Russian rockets would appear in the airspace of its economic zone. Provocative tests are another Russian step towards the reinforcement of its military potential in the Baltic Sea, but they can be also considered as an instructional element of the scenario concerning the war with Baltic countries.**

Russia announced that it would conduct rocket tests in extraordinary proceedings in the Baltic Sea, near Latvia's sea borders, precisely in the water region between Latvia and Sweden. On March 29, Ministry of Defence of Latvia published an information received from Moscow: on April 4-6 Russian navy plans to conduct rocket fire tests, which can cover the airspace of the exclusive economic zone of Latvia. Thus, Russia ordered the Latvian Civil Aviation Agency to close the airspace in an 18-kilometre altitude and 40 kilometres from the seacoast.

According to Janis Garisons, a member of Latvian Ministry of Defence, Sweden and Poland were also warned to close part of their airspaces. Latvian Ministry of Defence called the Russian military attaché and expressed its dissatisfaction with the ensuing situation. Such exercises, despite being consistent with international agreements and law, can threaten civil ships and planes in the Baltic Sea. The situation was commented by the Latvian president Raimonds Vejonis, who said that the Russian step would “worsen the security situation in the region”.



SOURCE: MINISTRY OF DEFENCE OF THE RUSSIAN FEDERATION

Just on March 29, Russians have finished other exercises in the Baltic Sea. Among others, they stimulated the use of S-400 system missiles for shooting down hostile aircrafts. 10 units of the Baltic Fleet: small missile ships, missile boats and security vessels will take part in the rocket tests on April 4-6. The Russian activity in the Baltic region is clearly increasing. In the Kaliningrad Oblast the rocket powers and aviation are being reinforced. The change in

activity of Russian aircrafts in this region – which is visible in the number of interceptions made by NATO’s aircrafts, is also disturbing. The record was set in 2015 – 160 alarm take-offs. Then the number fell to 110 in 2016, but in 2017 it started to increase – 130. Russians again started intruding the airspaces of other countries – just as on March 12, when their aircraft for about a minute entered the airspace of Estonian Vaindloo island.

## 6 April 2018

# YEKATERINBURG: DESTROY THE OPPOSITION

**Immediately after his recent re-election, Vladimir Putin has decided to intensify the war with the opposition. As for the latter, it has been scattered and weak and it has some importance only at local level. Such is the case of Yekaterinburg, Russia’s fourth largest city, whose mayor openly criticises the Kremlin and expresses support for opposition leader Alexei Navalny. The Putin regime has long tried to get rid of Roizman; nonetheless, its efforts were in vain. Instead, local authorities decided to change the way the city’s mayor is chosen, even despite many protests raised by the city’s inhabitants. The regime will do everything to deprive the last few independent politicians of their influence.**



SOURCE: WIKIPEDIA

The Council of the Sverdlovsk Oblast abolished the direct election of the mayor of Yekaterinburg, the region's capital. On April 3, local lawmakers voted by 42-4 to adopt a law, according to which the mayor of Yekaterinburg will be chosen by the city council from a shortlist drawn up by a special commission. The incumbent, Yevgeny Roizman, is now the chairman of the City Council of Yekaterinburg since he was deprived of the title of mayor by city councillors in 2015; such a change seemed to prove the conflict between Roizman, who has expressed his support for opposition, and the city council, dominated by the ruling United Russia party, as well as the Kremlin-supported governor of the Sverdlovsk region.

In 2013, Roizman was elected for a five-year term by the residents of Yekaterinburg. The politician is one of a few regional and local high-ranking officials who have been fiercely critical of the Kremlin and who have expressed support for opposition's Alexei Navalny. Moreover, the mayor's competences have been recently reduced so the city's head plays rather a ceremonial role. In fact, most of the real power is exercised by the head of the city administration Alexander Yakob. The

Putin's regime has already made some attempt to destroy Roizman's political career. For example, he dropped out of the parliamentary elections as well as the Sverdlovsk region's gubernatorial race. The regime wanted him to resign, by getting him involved in some criminal issues. Such efforts also appeared to be unsuccessful. So it was decided to get rid of him in a different way. Roizman, who was popular among the city's inhabitants, would have probably won the mayoral elections so local lawmakers scrapped direct election. Such an idea was launched right after the presidential election. The bill was introduced to the local Duma on March 22. It was then submitted by regional governor Yevgeny Kuvaishev (and not any other local activities of the ruling party), which constitutes a blatant signal that the decision was directly made by the Kremlin.

Roizman has already condemned the act, indicating that it will be used by the Kremlin's loyal authorities of the Kremlin to appoint a mayor that would be obedient to the Putin's regime. On April 2, several thousand people have rallied against the change. Nevertheless, it did not change the situation. The law was changed the next; moreover, it seems that

Roizman may have much more serious problems. Former deputy of the city council Oleg Kiniev, who has been serving 16 years in prison for murdering an elderly woman, filed some new testimonies that burden current mayor of Yekaterinburg and bind him to the

murder four years ago. According to Roizman, Kiniev could have charged him under the influence of threats. Interestingly, information about the above-mentioned testimonies has appeared in the middle of a political battle about the new system of choosing the mayor.



SOURCE: KREMLIN.RU

6 April 2018

## A PETROLEUM FLIRTATION, BUT NOT A MARRIAGE

**Saudi Arabia and Russia are the biggest producers of crude oil in the world. They jointly supply 21 percent of the global oil demand. Both countries are also key members of the agreement with oil producers from outside OPEC on limiting crude output. Riyadh wants it consolidated and Moscow does not say “no”, because it is interested in the best possible cooperation with the monarchy from the Gulf. But at the same time, it does not want to make binding declarations. A current form of the short-term agreement from the end of 2016, extended every year is more suitable for Russia. Anyway, much points to the fact that it will come to an end soon, because it weakens the potential of Russian oil extraction sector and exporting possibilities with every next month.**

**O**PEC and 11 other producers with Russia ahead have made an agreement at the end of 2016 on limiting crude output, to bid up the

prices after the period of drastic drops; global extraction was limited by about 1.8 million barrels per day (Russian contribution: 300,000

barrels). At the end of 2017 in Moscow, King of Saudi Arabia Salman declared the will of sustaining this cooperation – Putin was also all for and the agreement was extended till the end of 2018. But Riyadh is becoming more and more interested in strengthening the cooperation. In February this year after the telephone conversation with president Vladimir Putin, king Salman announced that both sides were interested in “extension of coordination” on the global oil market. At the end of March representatives of Riyadh in OPEC announced that the organisation wanted to make a long-term deal with Russia (for 10 or 20 years), which would replace the current short-term agreement.

But the Kremlin avoids this topic and a recent interview with Minister of Energy was full of elusions. At the beginning of April, Alexander Novak agreed that Russia and Saudi Arabia should consider a permanent mechanism of Russia’s cooperation with OPEC. Such a mechanism would contain, among others, the possibility of oil market monitoring, exchange of information and “if necessary” realisation of joint actions, similarly to the agreement on extraction limits from the end of 2016. However, such a prospect is much different from the idea proposed by the Saudis of oil extraction limits for many years ahead. Novak implied that Russians would limit the oil extraction only as a last resort. He excludes the possibility that Russia would join OPEC,

but he suggests the institutionalisation of the current cooperation form between part of oil producers and OPEC.

So far, it is not known whether the agreement limiting the oil production, which is valid till the end of this year, would be extended for the first half of 2019. The decision is to be taken in the middle of this year. The future of the agreement, in fact, depends on the USA – the level of their production and their stock. So far, such a move induced the rise of oil prices – in last year the American oil stocks have decreased by one fifth from record-breaking 533.9 million barrels in March 2017. But the USA is still breaking records of extraction: in November 2017, 10.1 million barrels a day. While a global demand for oil has increased, the extraction in Russia has not. Therefore, Russian contribution into the global market has fallen to 11.2%, OPEC’s contribution to 33.3% , and the USA’s contribution has risen to 9.6%. In the long run, the agreement limiting the oil production is not profitable for Russia. Domestic players have already started incurring losses. Further actions of raising oil prices can also be dangerous as they open the possibilities for shale oil producers. By sustaining the oil agreement with the Saudis, Russia gains political points in the Middle East. On the other hand, it weakens its own oil industry. It is unlikely that in the long term Russia will passively observe the American expansion on the global market.

9 April 2018

## **SOLDIERS AND GAS. THE USA DEFENDS THE BALTIC ALLIES**

**A summit in Washington, LNG supply contracts, announced arrival of several hundred American soldiers. The United States strongly stresses the meaning of the alliance with Estonia, Latvia and Lithuania. Of course, this is mainly a sign for Moscow, which does not abandon the attempts at destabilising its three former republics, now the easternmost NATO’s territories.**

**O**n April 3 president Donald Trump hosted a meeting at the White House

with presidents of Lithuania, Latvia and Estonia, Dalia Grybauskaite, Raimonds



SOURCE: U.S. ARMY PHOTO BY LT. COL. JOHN HALL (ARMY.MIL)

Vejonis and Kersti Kaljulaid. The meeting at the highest political level was organised at the initiative of the USA president as part of the celebration of the hundredth anniversary of the Baltic countries' independence and to stress the strategic partnership between the United States and Lithuania, Latvia and Estonia. Presidents discussed also the issue of providing security in north-east Europe. Of course within the context of Russian threats and defiance towards the Baltic countries. The summit in Washington should be a warning for Putin that the USA will help Baltic countries, if Russia acts with aggression. The White House has already announced that 5,000 American soldiers would participate in NATO "Saber Strike" and "Baltops" military manoeuvres, which take place this year in the Baltic countries. One should remember that American subunits have already been deployed, de facto permanently, in the Baltic countries.

While on the military ground Americans are preparing themselves for possible hostile Russian actions towards the allies, the energy area is the place of the battle for the Baltic countries. President Trump, during the

summit on April 3, stressed the importance of ensuring "energy independence among the Baltic countries" by supplying energy sources with the American liquefied gas. What is important, it is more than empty words. During the Washington summit Lithuanian Klaipėdos nafta and Lietuvos duju tiekimas co-partnerships signed an agreement with the Freeport LNG co-partnership on liquefied gas supply. It would be delivered to the gas terminal in Klaipėda.

Such moves, truly decreasing the dependence of Estonia, Latvia and Lithuania on the neighbouring Russia, trigger the Moscow's reaction. Russia is not willing to abandon possibilities of influencing the Baltic countries. It is not only about the military threats and defiance or energy pressure. The attempts of destabilising these countries from the inside and gaining influences by the pro-Russian powers may occur even more dangerous. It is a threat mentioned e.g. in a recently published annual report of the Lithuanian VSD counterintelligence. Lithuanians are afraid that Moscow will try to influence the result of their presidential elections in 2019.



SOURCE: RU.WIKIPEDIA.ORG

12 April 2018

## THE LARGEST RUSSIAN OIL BUYERS

**The Chinese pay the most, the Belarusian pay the least. But the biggest part of Russian oil is bought by agents belonging to Russian oil extraction companies – in 2017 they took over about two thirds of the raw material. A ranking of 20 largest Russian oil buyers in 2017 recently published by “Forbes” points to the general Russian tendencies in oil trade.**

**I**nternational Monetary Fund (IMF) raised the forecasts of world oil prices for 2018 to USD 62.3 for a barrel. A forecast for 2019 was also raised – to USD 58.2. This is good news for Russia which depends on gas export, but mainly on oil export. PM Medvedev’s speech in the State Duma on April 11 was pure rhetoric, as he said that despite low oil prices Russian economy could develop, because it is more and more diversified. In fact, production of hydrocarbons still generates almost 25% of Russian GDP. And taking into consideration the role of petrodollars in trade, consumption, expenses and investments – this contribution rises to 67-70% of GDP. According to official

data, oil-gas incomes in recent years constitute 35-50% of federal budget incomes and 22-28% of the extended budget (federal plus regional budgets).

Who is the biggest buyer of Russian oil in the world? The latest aggregated data published by “Forbes” show that the recent leader was a company registered in Switzerland – Litasco. In 2017 a co-partnership signed contracts on a total amount of USD 12.9 billion and bought 35.9 million tonnes of oil (USD 48.5 for a barrel on average). Litasco is in whole owned by Lukoil – last year there were rumours that the company could have considered

selling it. The second position is taken by China National United Oil Corporation – it bought 28.9 million tonnes of oil for USD 11 billion (USD 51.7 for a barrel). The third is Rosneft Trading (22.2 million tonnes for USD 8.3 billion). Average price for a barrel is 50.7 dollars. When it comes to the first 20 of buyers, in 2017 ChemChina paid the most for oil (USD 54.5 for a barrel), and a refinery from Belarusian Mazyr paid the least (USD 38.6 for a barrel).

The biggest contractors are traders belonging to the main Russian oil companies: Lukoil, Rosneft, Tatneft. There are three such co-partnerships in the first 5 of the ranking. They jointly bought almost 71 million tonnes for USD 25.8 billion. Chinese companies paid the most in 2017 and there are three of them in the first 20 (2. China National United Oil Corporation, 15. Unipet Asia Company, 20. ChemChina). They jointly bought 36.5 million

tonnes for USD 14 billion. In turn, Belarusian companies paid the least for Russian oil (12. refinery in Mazyr, 18. Naftan (refinery in Novopolotsk), 19. Belarusian Oil Company). They jointly bought 16 million tonnes for USD 4.7 billion.

A Sakhalin Energy consortium controlled by Gazprom bought 6.3 million tonnes for USD 2.5 billion (high price of USD 53.8 for a barrel as for a company dominated by Russian capital). High position (13) of the Concept Oil Services trader registered in Hong Kong, but belonging to hidden owners from Russia – 5.6 million tonnes for USD 2.2 billion (USD 53 for a barrel) also attracts attention. The eighth place in the ranking is taken by Orlen. In 2017 a Polish company was to buy 10.4 million tonnes for USD 3.8 billion. Average price (USD 49.4) is not much distant from the average of the whole 20 biggest Russian oil buyers.

## 13 April 2018

# ESTONIA VS. RUSSIAN SPIES. A NEW REPORT

**Estonian Kaitsepolitsei counterintelligence published an annual report for 2017. It shows that the activity of Russian intelligence on the Estonian territory is still intense. This is reflected e.g. by the last year arrest of four Russian spies. An increasing interest of GRU military intelligence in Estonia also draws attention. As usual, FSB remains the most active, especially in the border zone, where it is using both Russian citizens and ethnic Russians living in Estonia.**

**I**n the report on the state security level (“Aastaraamat”) published annually since 1998, Kaitsepolitsei (Security Service) reveals the methods of Russian activity, naming people and organisations suspected of contacts with Russian secret services. The recently published report shows that in 2017 Estonian counterintelligence arrested four Russian spies. Among them, there is an intelligence agent, who sought for political asylum and a man accused of trying to hack the government network.

Mikhail Petrov, a resident of Pskov, who came

to Estonia to ask for political asylum was one of caught spies. He claimed that he was being persecuted in Russia for advocating the end of war in Ukraine. Now, Kaitsepolitsei (KAPO) revealed that in fact it was a part of Russian secret operations. It turned out that Petrov was an FSB agent. Since the nineties he was gathering and passing information on KAPO’s objects and employees to FSB. He was sentenced to 5 years in prison. KAPO also revealed that another Russian spy was lately sentenced to 4 years in prison. Ilya Tichanovsky worked for GRU. He was arrested in December 2017. Another caught spy is



SOURCE: WIKIPEDIA.ORG

Aleksey Vasilyev – he got 4 years in prison, among others, for cyber spying.

The KAPO report shows the increase in the spying activity of GRU, the Russian secret service. Counterintelligence also warns that one of Russian services' main objects of interest are people who have an access to digital government data. In its report for 2017 KAPO draws attention to the fact that Russia is more and more concerned with actions aimed at young people of Russian roots living in Estonia. Attempts of recruitment are made

during parties gathering young Russians from different countries. But their main objective is the indoctrination to cease the pace of integration of the Russian-speaking youth with the Estonian society.

KAPO is a secret service considered as one of the best and most resistant to Russian infiltration counterintelligences in the former Eastern Bloc. It is admitted by Russians themselves for whom the Estonian secret service is for years one of the toughest opponents in Europe.

14 April 2018

## GAZPROM NOT RELISHING THE NOVATEK'S LNG

**A next stage of the Russian liquefied gas sector development has begun. With the beginning of April, an export terminal of Yamal LNG started fulfilling long-term contracts – mainly with receivers from Asia. The problem is that this is a project of private Novatek company, which causes deep dissatisfaction of the state-owned monopolist Gazprom. But tips and complaints will not help as Novatek is one of the most valuable and important energy companies belonging to people from Vladimir Putin's business surrounding.**

**N**ovatek is the biggest independent gas producer in Russia, and in respect of

amount of extraction gives way only to the state-owned Gazprom. Deposits and licensed



SOURCE: NOVATEK.RU

shares of the co-partnership are cumulated in Yamalo-Nenets Autonomous Okrug, the biggest natural gas extraction region in the world (80% of Russian production, 16% of world production). The main Novatek shareholders are: Leonid Mikhelson (24.76%), Gennady Timchenko's Volga Group (23.49%), Total E&P Arctic Russia (15.16%), Gazprom (9.99%).

Novatek has the majority ownership in Yamal LNG, the first gas export project in Russia not connected directly with Gazprom. Novatek has 50.1% of shares, French Total – 20%, Chinese CNPC – 20%, The Silk Road Fund – 9.9%. An export terminal started working in December 2017. Since then, 19 tankers have been sold on the spot market. Part of sold LNG entered Europe. Long-term contracts, however, started being fulfilled in April. Over 96% of supplies from Yamal LNG is contracted for 20 years by customers from Asia. Current capacity of the terminal is 16.5 million tonnes of LNG per year, which is 23 billion cubic metres of natural gas. Eventually, this is to be tripled.

Departure of the first tanker from the terminal within the long-term contract means the end of Gazprom's monopoly on gas export. The

state-owned company delivers a raw material mainly to Europe, but it also plans major supplies to China through a Power of Siberia gas pipeline under construction. But Gazprom attacks Novatek not only due to the rivalry in Asia. The company, concerned about the competition, sent a letter to the Minister of Energy Alexander Novak. In the letter, Gazprom writes that it is necessary to “exclude” the competition between Russian gas transported through pipelines and liquefied gas on export markets. It proposes conducting “an analysis of the influence of LNG supplies from Yamal LNG project on the amount and effectiveness of Russian gas supplies through pipelines to the object export markets”. Gazprom warns that the competitive LNG may even impair the Russian budget. It reminds that Russian gas supplied through pipelines both now and in a long-term prospects remains “the main source of providing energy security of Europe and incomes into the Russian Federation budget”. Gazprom earlier expressed its concerns raised by the LNG terminal launching.

In December one of the company managers said that liquefied gas supplied by Novatek would begin to supersede Gazprom's gas. It

would result in budget losses (as Gazprom is a state-owned company, while Novatek is private) – about 4,000 roubles for 1,000 cubic metres. Neither Putin during the opening of the terminal, nor Novatek chairman Leonid Mikhelson had such concerns. The latter stressed that his company wanted to focus on the Asian market.

Thanks to a severe winter, but also the LNG terminal launching, Novatek registered an increase in gas sales in the first quarter – by 8%, to the level of 20.26 billion cubic metres, including 0.96 billion cubic metres of LNG.

The company compensates gaps in its own extraction with a raw material bought from joint companies with other producers, mainly from Arktikgaz (joint venture with Gazpromneft). This year, Novatek has already bought at auction gas assets of Alrosa company (for 30.3 billion roubles). After a longer break Novatek registered also an increase in gas extraction. In the first quarter of 2018 it has risen by 2.2% to 16.51 billion cubic metres. In such a way the pattern of production fall, started in the third quarter of 2016, was overcome.



SOURCE: KREMLIN.RU

14 April 2018

## MEDVEDEV PACIFIED

**A current PM would probably remain in function but his political influences would be much smaller. If earlier any political camp focused around Dmitry Medvedev existed, now it is a thing of the past. In last days, PM has got a clear signal that if he wanted to remain his position, he had to be absolutely loyal and obedient. This is signalled by decisions of superior courts on cases of people previously closely related to Medvedev: in politics (Alexey Ulyukayev) and in business (Ziyavudin Magomedov).**

**B**oth sessions took place before the same court – Moscow City Court. Firstly, on April 12, court maintained a sentence of 8 years in a high-security penal colony for a former Minister of Economy Alexey Ulyukayev for giving a bribe. On December 15, Ulyukayev was sentenced for taking 2 million dollars in cash from Igor Sechin. He was detained and dismissed in November 2016. He is the highest official since 1991, who was arrested and sentenced. What is interesting, Igor Sechin, chief of Rosneft, testified in the session. Despite being subpoenaed, Sechin had not appeared in court during the Ulyukayev's trial last year. This time, he was testifying behind closed doors for about 90 minutes. After his testimony, court gave the Ulyukayev's defence only two hours to react and prepare a stance on Sechin's testimony. As a result, the sentence of imprisonment was upheld, but court withdraw from the ban on serving public functions by Ulyukayev after the sentence.

Four days later, on April 16 the same court examined a complaint on provisional detention for a billionaire Ziyavudin Magomedov. Ziyavudin Magomedov, his brother Magomed and a chief of one of their co-partnerships, Artur Maxidov, were detained and arrested in the last days of March. They are suspected mainly of frauds of

a total amount of 2.5 billion roubles. They do not plead guilty. Moscow City Court upheld the decision of the lower court from March 31 on provisional detention of the Summa Group owner. The businessman stays in prison until May 30. The defence requested a change of the deterrent on house arrest. According to advocates, investigators made an allegation under Article 210 of the Criminal Code (creating a criminal association) only to avoid procedures against Megomedov from criminal-procedural laws in the field of business activity.

Magomedov cannot count on his main political protector Dmitry Medvedev. Similarly, PM did not help his minister Ulyukayev. In both cases PM considered as liberal yields under the pressure of former KGB officers, connected with siloviki of Igor Sechin (Rosneft) and Nikolay Tokarev (Transneft). This is the price for keeping the office, but paid with abandonment of any independent ambitions. Both cases mentioned, but also Putin's recent policy in general confirm that this presidential tenure will be dominated by siloviki's camp, and influences of, so called, liberals are weakening. Even now one can admit that their main centre is not Medvedev's surrounding, but a group focused around Alexei Kudrin.



SOURCE: EN.KREMLIN.RU

18 April 2018

## **NORD STREAM 2. BERLIN IS HOLDING UP, TIME IS RUNNING**

**Russia and Germany regroup their forces in the battle of Nord Stream 2 project realisation. Both countries play the game. They try to lure their project opponents with maintaining Russian gas transit through Ukraine after 2019. Angela Merkel and members of her parliament are sending subtle signals suggesting a slow change of their stance on Moscow. Meanwhile, Nord Stream 2 is receiving permissions for construction, and in Brussels there is a bruising struggle among lobbyists for the shape of rules regulating the pipeline functioning. In the meantime, time is running and the takeover of EU presidency by Austria, a strong advocate of Nord Stream 2, is getting closer. What is worse, the behaviour of currently presiding Bulgaria is also unpredictable – authorities in Sofia are full of pro-Russian politics.**

**O**n April 17 President of Russia Vladimir Putin had a phone conversation with Chancellor of Germany Angela Merkel about aggravated situation in Syria. What is interesting, at the very end of a short announcement published by the Kremlin it is also mentioned that leaders of Russia and Germany exchanged opinions on “matters connected with realisation of the Nord Stream 2 pipeline project”. This is not surprising in the light of recent events and words coming from Berlin, even from Merkel herself.

During a meeting with president Petro Poroshenko she announced that Ukraine should remain a transit country for Russian gas, regardless of the realisation of Nord Stream 2. She repeated it on the joint press conference in Berlin with PM of Denmark Lars Løkke Rasmussen. Chancellor for the first time has admitted that Nord Stream 2 was also of political nature. Is it a sign of a change in Berlin’s stance – as “Financial Times” would like it to be? Nothing of the kind. Germans do not distance themselves from the project, they

are only making insignificant gestures due to worse political atmosphere around Russia (Skripal's poisoning, banishment of diplomats, clash in Syria). The reality is different. German authorities have already given all permissions for pipeline construction, and talking about guarantee of Russian gas transit through Ukraine is meaningless. It has long been known that even if Gazprom built a second line of Nord Stream and Turkish Stream in the south, the pipelines which bypass Ukraine, even with their full capacity, will not be able to transport all the raw material exported to Europe. Either way, transit has to be maintained – even though Gazprom was saying that they would not prolong the deal which expires in 2019. Now, using the German rhetoric, Moscow proposes unfavourable transit offers to Kiev. First of all, it offers a transport of so small amount of material, that economically it would not be profitable for Ukraine at all. But the real Gazprom's attitude towards Ukraine is visible in constant refusing to realise an award of international arbitration, which includes, among others, paying much money to Naftogaz of Ukraine.

German assertions that it is inevitable to maintain the transit in Ukraine are addressed to officials from EU and countries opposing to Nord Stream 2 construction. It can be considered as an attempt of dividing the project opponents' camp. The fact that for them the defence of Ukraine is as important

as the struggle with increasing Russian gas domination in Europe is even more persuading. Unfortunately, it seems that the German operation is effective. On April 16 Vice-President of the European Commission Maroš Šefčovič after his meeting with German Minister of Economic Affairs and Energy Peter Altmaier, announced that Brussels appreciated the latest statement by Angela Merkel on the Nord Stream 2 case. According to Šefčovič her stance means that the dialogue among Ukraine, Russia and European Commission about Ukrainian transit could be joined by...Germans – the country which weakens Ukraine with real gas activities, instead of supporting it.

For instance by being against (with Austria, the Netherlands and Belgium) new EU regulations on Nord Stream 2. Works in Council of the European Union on the project of gas directive aimed at Nord Stream 2 are delaying. Meanwhile, the time of EU presidency by Austria (the beginning of July), which for sure will do everything to make Nord Stream 2 come into being (Austrian OMV is engaged in the project), is coming. It is unknown whether Bulgarians currently presiding over EU would want to take the stance of Council of EU, which would enable them the participation in negotiations over the final shape of rules. It is necessary to remember that Sofia is one of more pro-Russian capitals of the EU.

19 April 2018

## SYRIAN CIVIL WAR. WHO IS AFRAID OF MERCENARIES

**Messages pointing to the presence of Russian mercenaries in Syria are still coming. After the massacre in Euphrates Valley in early February, Moscow did not change its policy and is still using the services of, so called, Wagner group. Probably, this will not change before the end of war in Syria, so until then the Kremlin is not to change anything in law to be able to use mercenaries without being formally responsible for it.**



SOURCE: KREMLIN.RU

Another in recent years attempt of passing a bill regulating the activity of mercenaries' private companies in Russia has again ended in a fiasco. Government issued a negative opinion on a bill project submitted in January. Leader of the faction A Just Russia Sergey Mironov and his deputy Mikhail Yemelyanov are authors of the bill. In January 2018 chief of diplomacy Sergey Lavrov declared for legalisation of mercenaries. On February 14, head of the State Duma Defense Committee and former commander-in-Chief of the Russian Airborne Troops, general Vladimir Shamanov supported the initiative.

But authors of the governmental opinion write, that a proposal of new laws is in contradiction with part 5 of Article 13 of Constitution of the Russian Federation, which forbids the social activity of associations, whose aims and actions are focused on creating military groupings. Authors of the opinion also point to the Article 71 of Constitution which says that issues of defence and security, war and peace, foreign policy and international relations of Russia are controlled by the state. Earlier, the project did not gain support either in Ministry of Defence, or in Ministry of Finance, or in Ministry of Foreign Affairs; it was not supported also by Rosgvardiya, FSB, SVR and FSO. Office of the Prosecutor General and Ministry of Justice were also against

the bill. Deputy Chair of the Federation Council Committee on Defence and Security Alexander Rakitin announced that committee did not consider the introduction of laws concerning mercenaries' activity as urgent.

Critics of the project pointed to its vagueness which could raise serious problems in the future. But more important was probably the fact that so many influential people and groups of interest decided that the project in such a form did not come up to their expectations. Probably a conflict between FSB and GRU over controlling a new force sector turned out to be so serious and equal that the project was rejected in order to postpone regulation of the problem. Authors proposed to pass the issue of licensing the companies to Ministry of Defence – which must have resulted in FSB objection. Currently, Lubyanka has strong influence on part of mercenaries' companies.

What is interesting, project was also negatively assessed by Ministry of Foreign Affairs and Ministry of Defence which are proponents of legalisation of military companies – it is a sign of FSB resistance, but also of the Kremlin stance. Putin, probably influenced by Lubyanka, decided that activity of mercenaries in Russia should not be legalised in this form. Current situation – especially in regard to Syria – would be more convenient. But some

other motive cannot be excluded. FSB could have been telling Putin that mercenaries under

control of GRU might be a strong power, even threatening the regime.



SOURCE: LUKOIL.COM

23 April 2018

## POST-ELECTORAL PRICE SHOCK

**Russians are paying more for petrol from day to day. Fast increase in prices has started almost the day after the presidential elections. The record was set in March – last such a high fuel price was in 2012. In addition, the reserves on the home market are decreasing and companies struggle to compensate for their losses from the presidential campaign.**

**D**ue to, among others, an agreement between Russia and OPEC on extraction limits, world oil prices have been rising lately. It is a good information for Russian oil companies and national budget. But a bad one for Russian consumers. Oil companies prefer to sell oil and fuels abroad for hard currency. Russians are painfully touched by the rises because not long ago lower prices were being artificially maintained.

Oil companies limit the supplies on the home market to induce fuel shortage and increase in prices. They prefer to export fuels. Only in March, prices of the most popular fuels

on the home market rose by about 10% in average. In April prices were still increasing, but this was also caused by the beginning of motor season in Russia. In such a way oil companies compensate for the losses from the presidential campaign, when they were not rising prices, but were even lowering them.

Yet at the end of 2017 most part of oil-gas companies, with Rosneft, Lukoil and Gazprom ahead, were ordered not to rise retail prices for petrol and diesel oil at least until March 18, 2018. Therefore, through several months companies were incurring losses which were being covered with domestic reserves. What

is worse for the oil sector, this was taking place in the time of market problems. For example, yet in 2017 Lukoil was taking into consideration selling one third of its refineries due to the decrease in their viability. But if situation does not improve and nobody wants to buy them, it may result in closing up refineries in several regions.

The scale of additional paying for “electoral fuel” by companies is visible in the prices from the Petersburg fuel and raw material exchange

from the beginning of January 2018. Average price for one litre of diesel oil on the exchange was 44 roubles. On a petrol station, adding all other costs, it would be at least 50 roubles to be profitable at all. Meanwhile, average price of one litre of diesel oil was 33-39 roubles. Companies had to pay extra despite the rise in excise in January 1, 2018 by 11%. Another rise is planned on July 1, but this time it will more severely touch the budget of ordinary customers.



SOURCE: KREMLIN.RU

23 April 2018

## **PUTIN FOREVER? THE OPERATION HAS STARTED**

**According to the current constitution Vladimir Putin is to leave the Kremlin in 2024. If he wants to govern after that time, as everything suggests, he will have to change the law. Either by removing restrictions on two consecutive presidential terms by one person, or by creating a new position in the state system which would allow him to govern Russia. Another option is a repetition from 2008, but a recent proposal of Ramzan Kadyrov points to the fact that the Kremlin is more willing to change the constitution.**

While taking the oath of office on May 8, Vladimir Putin is to begin his second consecutive presidential term, which is the last one allowed according to the current law. When it comes to an end, Putin will be 72 years old. Even though, his political retirement is rather unlikely. In the system which he created himself, he will not be able to safely pass his position and make use of his fortune. He has no other option – he will have to remain his decisive influence on the state. Unofficially (repetition of “Operation Successor” in years 2008-2012) or formally (removing restrictions on the number of presidential terms or weakening the presidential office in favour of some other office occupied by himself). It is not known yet, which option will come into use but the possibilities are already being considered. It is typical for Putin’s regime that before the Kremlin officially introduces some important or controversial initiative, it sends out a trial balloon. Either by a news leak, or using a politician. This used to be a role of Vladimir Zhirinovskiy. But this time Ramzan Kadyrov was used.

President of the Chechen Republic owes his position and de facto his absolute authority, except for control over federal siloviki, to Putin. And many times, Kadyrov was implying that he is loyal not only to Russian

president, but personally to Vladimir Putin. Kadyrov knows exactly that he has so many enemies in Moscow that he would not be able to maintain his position after his protector’s departure from the Kremlin. Therefore, the idea proposed by the Chechen leader in the interview on April 13 looks more natural. In his opinion, the constitutional restriction on the number of presidential terms in Russia to two should be reconsidered. But it is interesting that it does not have to be initiated by Putin. Such a change should be prepared and put to a referendum by Parliament and state institutions. Kadyrov of course underlined that this was his own opinion. He added that currently there was no other option for Putin.

During the election night on March 18, just after the announcement of results, Putin said that at that time he was not going to change the constitution which restricted the number of consecutive presidential terms to two. He was not lying, as he does not have to do that himself. Kadyrov’s suggestions imply that a “nation” will ask Putin for further administration by proper law reforms. This would be consistent with the visible tendency of sacralisation of Putin’s authority, more and more resembling the rule of tsar, instead of president chosen in general election.

23 April 2018

## LIBYA: BAD NEWS FOR THE KREMLIN

---

**Everything points to the fact that Russia lost a political strategist in Libya, on whom it counted for several years. True elimination of general Khalifa Haftar opens the gate for struggle for control over the most powerful military formation in Libya and may cause a new wave of destabilisation in the divided country. Among possible Haftar’s successors there are several high officers – but with none of them Russia had as good relations, as with Haftar.**

Not long ago, General Khalifa Haftar was the most powerful man in the divided Libya being the head of the Libyan National

Army (LNA) supporting, so called, eastern government in Tobruk competing with government in Tripoli. Several days ago he



SOURCE: TWITTER.COM

vanished from the public sphere which caused suspicions of his death. Finally, it turned out that Haftar was alive and was in a military hospital in Paris. But in contrary to official LNA information, 75-year-old Haftar is almost in a “vegetative state” and will never be able to function normally. Haftar has been suffering from cancer for long, but now his condition has worsened due to the metastasis in the brain. This has huge consequences for situation in Libya. Haftar never designated his deputy who now could take over the control. This has already caused chaos in LNA. The beginning of competition for Haftar’s legacy is marked by the assassination on the head of his staff. General Abdelrazak al-Nadhuri is one of candidates for the position of Commander-in-Chief, together with two Haftar’s sons and commander of LNA special forces. On April 19, he survived unscathed the bombing attack. But it is known that the United Arab Emirates, Egypt and tribes from eastern Libya will have a decisive vote in choosing the Haftar’s

successor.

The end of Haftar’s career has a severe influence on Russian plans towards Libya. The Kremlin believed that the commander of LNA would become the most important figure in Libya after the final end of civil war. Russians cared for the best relations with Haftar. In October 2015 he already said to his officers that Russia promised to help in the fight with Islamists. In June 2016 in Moscow, Haftar met with Minister of Defence Sergey Shoygu and Secretary of the Security Council Nikolai Patrushev. In November 2016 he again flew to Russia where he had a conversation with Sergey Lavrov and meetings in Ministry of Defence. In January 2017, Haftar paid a visit on the board of Russian aircraft carrier Admiral Kuznetsov on its way back from Syria. Finally, in August 2017, Haftar again visited Moscow where he talked to the Minister of Foreign Affairs Sergey Lavrov and Minister of Defence Sergey Shoygu.



SOURCE: KREMLIN.RU

23 April 2018

## KREMLIN, FSB AND THE WAR ON WASTE IN THE BACKGROUND

**A growing number of protests in Moscow Oblast against the storage of hazardous waste is becoming more and more political. Governor Andrey Vorobev has some noticeable problems in coping with the situation. It is not only the case of Volokolamsk, where gas masks were even issued to people. Political struggles in the area known as Podmoskovye show how the entire regime functions. To intimidate local civil servants, important people from the Kremlin and Lubyanka are used.**

Aleksandr Shestun, the Governor of Serpukhov District in Moscow Oblast, published a video recording, in which he appeals to President Vladimir Putin, complaining about high officials who seek his resignation. Shestun claims that Andrey Vorobev, the Governor of Moscow Oblast, is behind the action against him. Shestun was supposed to make himself unpopular by for instance giving his consent to the protests of residents demanding the closure of a landfill site. Threats and demands for his resignation came from Andrey Yarin, the Chief of the Presidential Domestic Policy Directorate, Ivan Tkachev, the Head of the “K” Department of the FSB, and Mikhail Kuznetsov, the Head

of the Administration of the Governor of Moscow Oblast. Shestun published the records of these talks.

The situation brings mostly Tkachev into disrepute. Firstly, the FSB officer of this rank allowed himself to be recorded by the local civil servant. Secondly, it turned out that regardless of holding a formal position, Tkachev can be used by officials in local power games. Before Ivan Tkachev took the position of the Head of the “K” Economic Security Service Board of the FSB (counter-intelligence in the banking and financial sector), he had been in charge of the famous 6th Internal Security Service Board of the FSB, called “the

Sechin's Spetsnaz?

The conflict over the landfill site in Serpukhov is not the only one and it is probably not the most important cause of the conflict between Vorobev and Shestun. At this moment, however, it might draw Putin's attention to the protests, which have been lasting for weeks, of the residents of several towns near Moscow, where local waste is held. Volokolamsk is the most talked about case, because it is

a place where gases are being emitted on a huge landfill site and the increased levels of hydrogen sulphide and other harmful substances have been reported more than once. Even though Governor Vorobev promised to close the landfill site in the near future, the regime represses the leaders of social protests, for example by detaining somebody for a few or more than few days under any pretext.



SOURCE: TRANSNEFT.RU

24 April 2018

## TRANSNEFT IS LEAKING

**A state-owned oil pipeline operator in Russia wants to enhance powers of its security service. Transneft have problems with dealing with increasing number of thefts from oil pipelines. This not only influence oil companies which use the services of Transneft, but also means measurably smaller incomes to the national budget.**

**T**ransport of over 85% of Russian oil is controlled by a state-owned company Transneft, which is presided over by Nikolay Tokarev, a former KGB officer and a friend of

Vladimir Putin from the times of service in GDR. Transneft is the biggest in the world oil pipeline business – it has almost 70 thousand kilometres of pipes, which pump oil. In

2017, at least 289 illegal attachments and oil steals from the system were conducted. What is worse, the number of such crimes increases year by year. The company does not want to inform how much oil is being stolen and what are the costs of it for Transneft. According to independent analysts, these are from 180 to even 800 million dollars a year. And this is only the value of stolen material. The real costs are even higher, adding the expenses on repairs and losses generated by temporary disabled parts of oil pipelines. During such attachments, severe oil leaks and contamination of big areas are often. The fact that in case of pipe leakage a fountain of oil can be even 50 metres high shows scale of the risk to the environment. In most oil pipelines the material is pumped through a pipe with a 1.2 metre diameter under pressure of 45 atm.

Transneft is not willing to reveal information about losses, especially because it does not

extract the raw material itself, but only provide transport of oil to refineries for other oil companies. Although, the company sells oil, or rather its residues from pipelines and magazines to be precise. Some time ago, Transneft was even accused of appropriating considerable amounts of oil under the pretext of “technological costs”. Aggregated losses of oil companies which use the service of Transneft amount to from 55 to 106 billion roubles a year. It means 19-37 billion roubles which do not enter the budget from taxes. The establishment of Transneft’s own security in 2013 did not improve the situation. This is a large “army” which is allowed to use special measures. It is interesting that after the appearance of the service, the number of illegal thefts from the pipeline considerably increased (from 180 in 2012 to 289 in 2017). This fact is used by Transneft to issue the enhancement of powers for the security service.

24 April 2018

## NEW TERM, SAME ENERGY POLICY

**Vladimir Putin managed to win the presidential election mostly thanks to his announcement that he would continue and maintain the current political course. During his next term, one may expect that Russia’s energy policy is likely to remain on the same level and it will be based on two pillars, namely such state-owned companies as Gazprom (gas) and Rosneft (crude oil). Both enterprises will be still headed by the Kremlin’s trusted people: Alexey Miller and Igor Sechin.**

**E**nergy policy constitutes the only domain in which Putin is not isolated in the international arena. He will ensure that foreign concerns and other countries perceive cooperations with such companies as Gazprom and Rosneft as profitable ones. The government provides preferential operating conditions for both companies. It is not only about favoring them in various disputable situations; the main aim is to prevent them from entering into private business. Such was the case of Lukoil; the Russian energy

corporation sought access to deposits in the country’s territorial waters.

Both Gazprom and Rosneft have been given priority. When Western sanctions cut the companies from cheap financing on many world markets, the Kremlin ordered Russia’s central bank to provide both concerns with financial funds. They have been pursuing the state’s policy. In the case of Gazprom, these are primarily large projects of gas trunklines, including the Power of Siberia (exporting gas



SOURCE: KREMLIN.RU

to China), Turkish Stream (to Turkey and the Balkans), Nord Stream 2 (to Germany). Their total value is estimated at even 55 billion dollars. Gazprom plays an essential role in Moscow's policy towards Ukraine. And Rosneft helps Russian allies all over the world by pumping money into projects in such countries as Venezuela or Iraq.

Moreover, both Gazprom and Rosneft are also extremely important for Russia's domestic policy. It is mostly due to the fact that any orders and subcontracts constitute one of the main sources of income for companies headed by businessmen belonging to Putin's close circle, including the Rotenburg brothers, Yuri Kovalchuk or Gennady Timchenko. Anyway, a co-owner of Novatek hopes that

his company may have some new ambitions in the future. It is currently Russia's biggest private gas company. In the coming years, the competition between Novatek and Gazprom (but also the one between the latter and Rosneft-controlled Rosneftgaz) may become the main problem of the Kremlin's energy policy. The regime cannot afford to liquidate Gazprom's monopoly so it allows its rivals to look for a kind of niche on the market. As for Novatek, it deals mostly with liquefied natural gas. Today, Novatek, backed by the Kremlin and the government, is responsible for major LNG projects in the Arctic. The company has recently been allowed some tax relief and, thanks to some state budget funds, it could finance the construction of some necessary infrastructure.



SOURCE: KREMLIN.RU

24 April 2018

## HOW YANUKOVYCH FACILITATED THE ANNEXATION OF CRIMEA

**There is no doubt that if it was not for the policy of President Viktor Yanukovich (in office in the years 2010-2014), the annexation of Crimea would not have happened, or at least it would not have been that easy for Russia. Turning a blind eye to the activity of Russian agents, the disarmament of one's own Ukrainian counter-intelligence and army and finally signing unprofitable contracts with the Russian side – for all of this, Yanukovich is tried in absentia on a charge of high treason. Further evidence presented in court confirms that it is no accident that the president, who was overthrown in February 2014, took refuge in Russia.**

**T**he annexation of Crimea and the attempt to implement the New Russia scenario were not undertaken by the Kremlin under the influence of the developments, implying that they were not previously unscheduled. On the contrary, the plans for aggression were ready much earlier and it was only in 2014 that they were updated and put into effect, taking advantage of favourable circumstances. Former Putin adviser Andrey Illarionov claims that the first serious plan for a military solution to the “Ukrainian question” was

approved at the end of 2004, when President Leonid Kuchma refused to suppress the “Orange Revolution” by force, as a result of which Viktor Yushchenko won the election. However, as it turned out, the Russian interests on the Dnieper river were threatened only for a couple of years. In 2010, Viktor Yanukovich won the election.

Afterwards, the Security Service of Ukraine (SBU) warned Yanukovich at least twice about the Russian threat to the independence of the

Ukrainian state. The first letter is dated on 15 January 2013 and the second on 17 February 2014 – the Prosecutor’s Office presented both documents in court, where the trial in absentia of the former president is taking place. The defence of Yanukovych, who has been in Russia since 2014, claims that he was unaware of the existing threat to Ukrainian sovereignty and territorial integrity coming from Russia. The two documents contradict this statement. It can be noted that already in the first letter (January 2013), Yanukovych was informed that an interdepartmental government commission was formed in Moscow in order to “create political, humanitarian and economic conditions favourable for intervention in Ukraine”. According to SBU reports, the main positions in the commission were held by Chief of Staff of Presidential Administration Sergei Ivanov, Vladislav Surkov, who has been a presidential aide for Ukrainian policy in the Kremlin for years, and Head of Counter-Intelligence (SVR) Mikhail Fradkov. Moreover, the work of the commission was coordinated by President Vladimir Putin himself. Among the objectives that were set at that time in Moscow was “the establishment of the dominance of Russian energy companies in the Ukrainian market and the broadening of the influence in communications, machine industry, shipbuilding industry and other key sectors”.

Later, Yanukovych completely ignored the reports of the counter-intelligence informing about the fact that in the second half of 2013, the number of Russian military aircraft flights near the Ukrainian border doubled.

However, Yanukovych did not react in any way to the alarming reports from the SBU. Besides, a few months after taking office, the president concluded an agreement about the cooperation between the SBU and the FSB, under which the Russian services were almost free to operate on the territory of Ukraine. The entire policy of Yanukovych started to fall into place: it weakened the Ukrainian state, paving the way for both the forthcoming annexation of Crimea and the attempt to separate the eastern and southern oblasts from the rest of the country. Under Yanukovych, the SBU was forbidden to deal with pro-Russian separatists in the Crimea and the FSB officially returned to the peninsula. The president’s party, the Party of Regions, co-governed the Crimean autonomy with local Russians, while the local SBU and militia were infiltrated and taken over by Moscow agents. The similar thing happened to the local military units to a large extent. That is why, the Russians took over the Crimea with such ease and a large part of the military and SBU officers went over to the Moscow side.

25 April 2018

## THE HEAD OF SVR IN SERBIA. WHAT IS THE RUSSIAN INTELLIGENCE UP TO?

**An april visit of the head of Foreign Intelligence Service of the Russian Federation in Belgrade is a sign that in the upcoming months one should expect new destabilising Russian actions. The starting point would be probably the Serbian part of the Federation of Bosnia and Herzegovina. For Russia, Western Balkans became another important battlefield in the geopolitical battle with the West. Russia wants to block further extension of NATO and EU on the West Balkans.**



SOURCE: KREMLIN.RU

On April 16, director of Foreign Intelligence Service of the Russian Federation (SVR) Sergey Naryshkin met with the President of Serbia Aleksandar Vučić in Belgrade. In the announcement published after the meeting, SVR wrote that “during the conversation both sides underlined the necessity of obeying international law in dealing with regional conflicts”. They talked, among others, about a cooperation between SVR and Serbian intelligence ABI. Naryshkin also met with the head of parliament and head of the Serbian Orthodox Church. It is unlikely for head of state to officially host a head of secret service of other country. This only confirms special relations between Serbia and Russia and the special role of Russian secret services within them.

Moscow pays much attention to Western Balkans and as it was visible in the putsch in Montenegro, it is ready to react with force. Politics in the region are supervised by Nikolai Patrushev himself, Secretary of the Security Council and former long-term director of FSB. GRU is also very active there. One should also spot the activity of oligarch Konstantin Malofeev. A nationalist and proponent of pan-Slavic orthodox community Malofeev was earlier strongly engaged in financing Russian activities in Crimea and Donbas. Businessman has also his interests in Serbia. He is famous for organising a visit of large number of

Cossacks in Banja Luka, the capital city of the Republika Srpska, as a support for president Milorad Dodik.

Dodik is the most important Serbian pro-Russian politician in the region. Since 2014 he has met with Vladimir Putin six times. In October, he will be probably again chosen for President of Republika Srpska – one should expect that he will immediately take steps to withdraw the republic from the Federation of Bosnia and Herzegovina. Russians train police and paramilitary groups in the Republika Srpska and supply weapons. Moscow wants to use the endeavours of Bosnian Serbs to gain independence – its aim is to destabilise the region. Several hundreds of Serbs gain the battle experience in Donbas fighting with Ukraine. Such a cooperation between Russia and Serbia has a long-term tradition. Hundreds of Russian volunteers helped Serbs in the civil war in Bosnia and Herzegovina in the first half of the 90’.

Since 2012, in the city of Niš in the Southern Serbia there is a Russian-Serbian Humanitarian Centre. It is not a coincidence that it is located near the borders with Macedonia, Bulgaria, Kosovo and Montenegro. Western countries, including the USA claim that it is a cover for the activity of Russian intelligence service for the whole southern Balkans. In Niš, among others,

Serbian paramilitary groups, such as Serbian Honour consisting of Bosnian Serbs are to be

trained there.



SOURCE: ROSNEFT.RU

25 April 2018

## THE KREMLIN'S HELP TO INDEBTED ROSNEFT

**Rosneft gained another monopoly for fuel supplies to the state project or institution. This time it is about Roscosmos and its rockets. Igor Sechin's company also services on an exclusive basis several other big institutions, from the Investigative Committee to MFA. It shows the strength of Sechin and his company's position – as he obtains subsequent privileges from his enemy PM Dmitry Medvedev, probably on command of president's surrounding. An increasing debt also is not a threat for them – Rosneft as one of the Kremlin policy tools and as a source of income for people close to Putin can count on financial support from the state.**

**R**ussian government assigned Rosneft to be the only fuel supplier to the Roscosmos rockets in years 2018-2019. Rockets Soyuz and Angara are to be powered by a fuel called

“Naftil”. Its only producer in Russia is Rosneft. Sechin's company is also an exclusive supplier of fuels for a car fleet of the Investigative Committee in years 2018-2019. It has such

a monopoly since 2015 – and the customer is significant as the Committee possesses over 4,000 cars and minibuses. Rosneft is also the only fuel supplier for MFA business transport and for vehicles of Rosgvardiya. Contracts signed in years 2015-2016 were prolonged by the PM's decision till the end of 2019. Since 2014, vehicles of Ministry of Emergency Situations are also fuelled on Rosneft's stations.

Profits from these contract can improve the financial condition of the company only to some extent. Rosneft's debt exceeded the sky-high amount of 4 trillion roubles (USD 64.8 billion). A bigger part of the debt – 2.2 trillion roubles – Rosneft should pay this year. But 1.4 trillion roubles is a debt in the central bank, which is regularly refinanced. Therefore, in fact, the company has to give back 800 billion roubles till the end of this year. But it is still over 4 times more than Rosneft earned in 2017 (245 billion roubles).

Service of the debt is a duty of Russian banks because as a result of western sanctions the company was cut off from the international capital markets. For several years, the company is conducting an aggressive policy, taking over subsequent assets within the state and abroad (India, Egypt). They paid USD 5.5 billion for Bashneft, USD 3.9 billion for shares in Indian Essar Oil, over USD 5 billion for investments in Venezuela, USD 2.1 billion is, in turn, an activity in Iraqi Kurdistan. It requires enormous financial means, so Rosneft is constantly being in debt. The situation is improved by the advantageous situation on the market – average price of oil increased by 24%. Part of money for the debt will be probably obtained from other bond issuances on the home market. What about the rest? It can be expected that it might be somehow covered at the expense of the state budget. For example due to tax relieves which are requested by Sechin in the Kremlin and other loans from national banks.

**All texts (except images) published by the Warsaw Institute Foundation may be disseminated on condition that their origin is stated.**

© COPYRIGHT 2018 The Warsaw Institute Foundation

The opinions given and the positions held in materials in the Russia Monitor solely reflect the views of authors.



The Warsaw Institute Foundation  
Wilcza 9 St., 00-538 Warsaw, Poland  
+48 22 417 63 15  
[office@warsawinstitute.org](mailto:office@warsawinstitute.org)

---