RUSSIA MONITOR

MONTHLY
September 2018

WARSAW INSTITUTE

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SOURCE: MIL.EE

5 September 2018

RUSSIAN SPY IN ESTONIAN ARMY

The Estonian authorities have recently announced that they had arrested two people suspected of spying for Russia. The detainees – father and son, Russians with Estonian passports – worked for the GRU, Russia's main military intelligence agency. Such is yet another case of revealing Russian spying activity by the Estonian counterintelligence services; however, it is the first time that an army officer has been arrested and accused of state treason. And the fact that it was possible to disclose some information seems to confirm that any personal contacts – also from the period of the Soviet occupation – may be dangerous from the state's point of view. Thanks to them, the Russian services manage to recruit their agents, even after many years.

On September 5, Estonia's officials informed that they had arrested two men suspected of spying for Russia. The decision on their arrest was issued by the state prosecutor's office. Both men were suspected of passing Estonian state secrets and other classified information to the GRU offices, as informed during a joint press conference of the prosecutor's office, the Estonian Internal Security Service (KaPo) and Commander of the Armed Forces.

Moreover, Estonian officials disclosed the names of suspects: they are Russian-Estonian citizens: Deniss Metsavas, born in 1980, and his father, Pjotr Volin, born in 1953. Metsavas just finished his active service in the Estonian Defense Forces (EDF); he was due to take up a position in the Kaitseliit volunteer defense league. He served in the army since 1998. In his career, he worked as an artillery officer as well as he held a position in the General Staff. In 2014, he was advanced to the rank of major. He allegedly came into contact with the GRU structures through his father – during the Soviet occupation of Estonia, Volin served in the KGB frontier guard department. So it is very likely that the Russian services used some contacts from that period to recruit both officers. Both officers worked for GRU for the last five years and they were paid for all information transferred.

Such state treason clearly depicts how dangerous the Soviet past of Estonian citizens might appear to be. After 1991, Volin, as a former KGB frontier guard, had no chance to obtain a position that would allow him to have access to any state secrets. But it turned out that Russian intelligence services do not hesitate to use family connections. Metsavas was 11 years old when Estonia regained independence. He had attended Estonian school before starting his career in military structures. In addition, the Estonian media presented him in the positive light: as an example of patriotism and attachment of an ethnic Russian to his Estonian homeland. And, first, the case hit the image of the army as well as puts into question its counterintelligence security. Secondly, it may be harmful for the entire community of Russians living in Estonia – especially from the point of view of Estonia's security interests.

9 September 2018

RUSSIA'S OIL MANEUVER COSTLY FOR LUKASHENKO?

Moscow has recently threatened Minsk with limiting Russian oil supplies while the Belarusian authorities are able to buy raw material on preferential terms, process it in their own refineries as well as to export – as revenues of this market constitute one of the most important sources of funding to the state budget. But the Russians argue that the current mechanism cannot be profitable from an economic point of view; moreover, maintaining the existing state of matters may be a consequence of changes in the taxation of the oil sector in Russia. Nonetheless, it may be noticed that Moscow's recent announcement correspond to a series of decisions that cooled the diplomatic relations between both countries – as evidenced by appointing Mikhail Babich new ambassador of Russia to Belarus – against the will of President Lukashenko. Thus, it does not come as a surprise that the Kremlin is already tired by his regime and has intention of introducing some changes to Belarus's political system so as to perceive the state not in terms of an ally but rather of a vassal that does not need any financial support from Moscow. In addition, Russia fears that time is not on its side as Belarus intends to construct its own nuclear power plant, which will potentially result in reducing the state's dependence on Russian energy resources.

Belarus and Russia are still negotiating the volume of raw materials supplies in 2019. Moscow has already announced that it might be possible to limit supplies of Russian oil products to Minsk while Russia's Energy Minister Alexander Novak assessed that providing a country's neighbour with petroleum products in hitherto quantities

SOURCE: KREMLIN.RU

could not be justified from an economic point of view as they could be also re-exported through the territory of Belarus. As for Minsk, it reacted as one could have expected: on September 3, chairman of the Belarusian state petrochemical concern Belneftekhim, Andrey Rybakou, said that any possible lack of raw material would impede the work of local refineries and would negatively affect their competitiveness on the market as well as it would constitute a blatant violation of any rules of the Eurasian Economic Union.

However, Moscow claims that it has no intention to subsidize the Belarusian economy in such an “unclear” way; moreover, the Kremlin said that Minsk has been paying low prices for Russian fuels while selling its own petroleum products abroad, thanks to which the state budget gets some considerable revenues. According to some information by the Belarusian media, Russia intends to limit supply of its petroleum products to Belarus to a quantity that would correspond to the country’s internal needs, starting from the fourth quarter of 2018. Director of the Tax and Customs Policy Department at the Russian Ministry of Finance Alexey Sazanov said he envisaged the possibility of a drastic reduction from 2 million tons to no more than 100-300 thousand tons per year. He also criticized that “nobody even noticed” when Minsk was offered support in the form of customs preferences, which constituted a kind of a “hidden subsidy for Belarus’s economy.” According to his estimations, only in the first half of this year, Russia lost as much as 10 billion roubles – interestingly, the state noted the same loss also in 2017.

However, this situation is now expected to change as Russia is planning to introduce the so-called tax maneuver in its oil sector. And the point is that Russia intends to abolish any oil tariffs by 2025 as well as to increase mining taxes. Belarus, which has hitherto purchased duty-free oil from its neighbour, will lose its important privilege and have to pay the same amount as other foreign recipients. And the price will only rocket due to the planned tax maneuver. But Moscow states the matter in a clear way: Belarus may launch negotiations provided that Russia is offered certain money compensation. Sazanov believes that any steps undertaken by Russia – contrary to the Belarusian point of view – are not incompatible with the agreement on the Eurasian Economic Union as the tax maneuver is Russia’s internal matter and does not violate any international arrangements.

Belarus’s Finance Ministry has already estimated that the state budget revenues in 2019-2024 would significantly drop as a result of the so-called tax maneuver. That is why Minsk has no intention of letting the mater go – on September 4, the country’s Foreign Minister expressed his hope that the upcoming meeting of heads of states and government representatives would make it possible to remove any existing discrepancies. On September 5, the Kremlin confirmed that Vladimir Putin would pay a visit to the Belarusian city of Mogilev on October 11-12. It seems certain that one of the topics to be discussed will concern the issue of Russian gas exports to Belarus. With 19 billion cubic metres of gas transported in 2017, Gazprom constitutes the only gas supplier to Belarus since the country is entitled to buy gas without any duties due to its membership within the Eurasian Economic Union. Its current price is on average two times lower than Gazprom's regular export fee. Following the full launching of the nuclear power plant in the Belarusian city of Astravyets, Belarus may reduce the amount of gas purchased from Russia even by 18.5 percent – interestingly, such state of affairs would translate into a drop in Gazprom's income even by 440 million dollars per year.

10 September 2018

EN ROUTE FROM SYRIA: SPECULATIONS AROUND ABKHAZIAN PM'S DEATH

The Prime Minister of Russia-backed breakaway Georgian region of Abkhazia, Gennady Gagulia, died in a car accident in the region. Abkhazia is among the republics whose independence has been officially recognized by Russia while Syria was the last country to acknowledge the region's separatist aspirations. And both Abkhazia's President Raul Khajimba and Prime Minister Gennady Gagulia were en route to their home republic after their first official visit to Damascus. The event appeared particularly significant as only a few days earlier, Alexander Zakharchenko, a leader of another self-proclaimed "state" – Donetsk People's Republic – was killed in a blast, there immediately sparked some speculations that Moscow had begun purges in Russian-controlled separatist republics. Interestingly, both Donetsk and Abkhazia remain under control of Vladislav Surkov: President Putin's aide formally serves as the Kremlin's curator to the Russian-occupied regions of Donbas, Abkhazia, and South Ossetia.

The crash took place on the late evening of September 8 on the road connecting the demarcation line between Abkhazia and Georgia in the Psou River and Sukhumi, the region's capital. The government convoy was driving home from Russia's Sochi airport, where he landed after making an official visit to Syria. Suddenly, a car coming from the opposite direction pulled into the opposite lane and crashed the car with PM Gennady Gagulia onboard. The automobile fell into the roadside ditch. The politician suffered a severe head injury – he died on the way to hospital. Following the collision, two other people were injured. Nonetheless, Gagulia's bodyguard and driver suffered no major injuries and they were able to leave the hospital. The driver of the car that fatally collided with the PM convoy was immediately detained. According to the prosecutor's office, a drug test indicated some traces of illegal substances in his blood.

Gagulia's sudden death sparked numerous controversies – many claim that it was not

SOURCE: KREMLIN.RU

really just a fatal accident but it could have been a well-prepared attack. Interestingly, all circumstances of the accident still remain unclear. Immediately after the crash, President of Abkhazia announced that "it was a car accident, not a terrorist act." President Raul Khajimba was travelling in the same motorcade. Both him, and the Prime Minister, paid a visit to Damascus where they signed a friendship and cooperation agreement with the Syrian authorities. It was a long visit that lasted several days. The Abkhazian delegation consisted of many important ministers who signed a number of trade agreements. On September 4, Khajimba held a meeting with his Syrian counterpart, Bashar al-Assad. In Syria, Gagulia met with representatives of the Abkhazian diaspora – the Cherkess – in this country. In May, Syria recognized the independence of Abkhazia; previously, the region's autonomy had been officially acknowledged by such countries as Russia, Nicaragua, Venezuela, and Nauru. Before, the 70-year-old Gagulia served as the Prime Minister of Abkhazia twice: 1995 – 1997, 2002 – 2003 while he assumed his current role as the head of government in April 2018.

10 September 2018

"BLINDING" THE USA: RUSSIAN BOMBERS NEAR ALASKA

The US military has reported another case of the interception of Russian strategic bombers near Alaska. This time, there are many indications suggesting that the flight of two Tu-95 bombers through the US Air Defense Identification Zone (ADIZ) was a part of the Vostok-2018 military exercises. It appears that the main point of the mission was the simulation of the launch of cruise missiles into important US military facilities: their destruction in the war would mean the "blinding" of the USA in this part of the world, where the borders of Russia and the USA are the closest.

SOURCE: WIKIPEDIA.ORG

American F-22 fighter jets intercepted two Russian Tu-95 strategic bombers west of Alaska's coast. As reported on September 6 by the North American Aerospace Defense Command (NORAD), the incident took place early in the morning on September 1. The Russian Ministry of Defence confirmed the incident on September 7. The bombers flew over the Arctic Ocean, the Bering Sea and the Okhotsk Sea. The Tu-95 pair was supported by at least one Il-78 ("Midas") aerial tanker. This means that the Russian bombers were flying long enough that they needed aerial refuelling. In order to intercept, the US fighter jets took off from a base in Alaska and approached the Russians making eye contact. When the Tu-95 pair was flying south of the Aleutian Islands, they entered the Alaska Air Defense Identification Zone. The Americans accompanied the Russian bombers until they left the identification zone heading west. The incident took place shortly before the official beginning of the Vostok-2018 large-scale military exercises. Taking into account the Russian army's experience with huge military exercises, it is highly probable that the Tu-95 flight was also a part of the Vostok-2018 scenario.

It is possible that the Russian bombers practiced the action of launching cruise missiles into the targets that are part of the US Missile Defense System in Alaska. The Tu-95 can be armed with KH-55 long-range cruise missiles, which can be armed with nuclear warheads. They can attack targets at the distance of 2500 to 3000 kilometers. This means that several very important US military facilities were within the range of the Russians. The interception took place near the Cobra Dane radar station on the Island of Shemya, Aleutian Islands, where Russian aircraft flights and missile launches are monitored. It seems that Cobra Dane could be one of the first targets of the Russian attack in case of war. Within the range of the bombers there was also the US Missile Defense Base at Fort Greely, Alaska (which has long-range interceptor missiles) and another base where radars monitor the activities of the Russian submarine force. The last time Russian bombers were near Alaska was in May. A few weeks ago, they landed at Anadyr Ugolny Airport in the Chukotka Peninsula, which is the closest Russian territory to the US border.

SOURCE: KREMLIN.RU

13 September 2018

PUTIN SURPRISES JAPAN: A TRICK IN VLADIVOSTOK

On September 12, the Russian president announced that he would like to make a peace treaty with Japan by the end of this year without any preconditions. The surprising proposal was made during the plenary session at the economic forum in Vladivostok – it was addressed directly to Japanese Prime Minister Shinzo Abe. In addition, large-scale military exercises, Vostok-2018, have begun at the same time. It seems that Japan can not accept this offer, simply because it is unfavourable for it. If Tokyo concludes this peace treaty without any conditions, it will lose four islands forever. Putin's surprising words are a psychological game that also gives Russia real political benefits, regardless of Tokyo's response.

First, on September 10, there was a bilateral meeting of Putin and Abe. There was no breakthrough. Then, on September 12, during the plenary session at the economic forum in Vladivostok, in his speech, the Japanese prime minister once again called for steps towards signing a peace treaty between Moscow and Tokyo. Moments later, Putin made a surprising move. He offered Prime Minister Shinzo Abe that the treaty be concluded by the end of this year without any preconditions. "And later, on the basis of the peace treaty, as friends, we will continue to resolve all disputable issues," added the Russian president. He completely surprised Abe. It is no wonder that the Japanese prime minister, who was sitting on the same stage with Putin, did not provide any answers. It seems that Putin has already gained from that. If Abe had responded positively, it would also have meant Putin's success. If the response had been negative, it would also have been a win-win situation for Putin. It was a move, from which only Putin could benefit.

Usually, such proposals are not made

spontaneously, without prior consultation. It was an extraordinary manifestation of impertinence on Putin's part to say that "this idea just came to my mind". The bilateral meeting took place two days earlier. Japan's government spokesperson Yoshihide Suga stated on September 12 that the Russian leader did not make such a proposal during the bilateral meeting with the Japanese prime minister. Now, Putin has deliberately put Abe in a difficult situation – he did not have time to consider the proposal. What is more, for outside observers, especially those who do not know the complexity of Russian-Japan relations, Putin's offer could seem peaceful and honest. Putin was almost completely convinced that Abe would not respond to the proposal; that is why he did it in the first place. In this way, he portrays himself as a peace supporter, implying that it is the Russian side which seems to be the one aiming for de-escalation and peace.

Surprised Abe did not react. It was his spokesman who responded a few hours later. Suga stressed that Japan will not change its position, which involves the resolution of the sovereignty issue over the Kuril Islands, before concluding a peace treaty with Russia. This means that Tokyo rejects the idea of the peace treaty without any preconditions. When speaking about "preconditions", what Putin actually referred to were de facto the conditions set by Japan, which are above all about the return of four islands. This dispute over the southern part of the Kuril Islands, called by Japan the Northern Territories, blocks the conclusion of a peace treaty between Moscow and Tokyo. It is about the islands of Kunashir, Iturup, Habomai and Shikotan. Although Moscow said that it wants a mutually satisfying resolution, it seems that for the last two years it has taken steps to prove something entirely opposite. In autumn 2016, the Russians deployed a reinforced squadron of Bastion missiles on the Island of Iturup and the squadron of Bal missiles was transferred to the Island of Kunashir. The generals mentioned about placing the entire army group there. At the same time, Moscow criticises the military cooperation between Japan and the USA, in particular the anti-missile shield. At the end of 2017, the government in Tokyo decided to deploy two US Aegis Ashore missile defence systems.

14 September 2018

REGIONAL ELECTIONS: THE PENSION REFORM HAS WEAKENED THE RULING PARTY

United Russia and the governor candidates appointed by the Kremlin continue to dominate and win. However, the regional elections held on September 9 show that there is a slight decline in the popularity of the ruling party. It is quite obvious that the main reason behind this change is massive social disapproval resulting from the extension of the retirement age, which was symbolised by numerous street protests and arrests on the day of the elections all over Russia. The main beneficiary of certain problems of United Russia is not the actual opposition, but the parties of the so-called systemic opposition, which in the first place consist of the Communists and in the second place of Vladimir Zhirinovsky's Liberal Democratic Party of Russia (LDPR).

SOURCE: KREMLIN.RU

On September 9, the direct elections of governors were held in 22 regions of the Russian Federation and the deputies of local parliaments were elected in 16 regions. Without a doubt, the election of the mayor of Moscow was of the highest political importance. As expected, there was no surprise there. Sergey Sobyanin, who ran for re-election, got 70% of votes with the voter turnout of a little over 30%. Five years ago, he got only 51% of votes with the voter turnout of 32%. Therefore, one can speak about progress. However, back then Alexei Navalny also run for the office from the centre-right opposition list and he got 27% of votes. Now, the second place was taken by the Communist candidate (11.4%), which is a slightly better result compared to the 2013 elections. On September 8, on the day of the election silence, Putin demonstrated his support for Sobyanin by participating in the opening of a concert hall in one of Moscow's parks. This was not so much to help Sobyanin's victory, which was already assured, but it was rather a demonstration on the part of Putin that showed how much of an important figure in the national ruling system Sobyanin is. Also, a certain Kremlin candidate had no problems in the Moscow Oblast. Andrey Vorobyov, who has been holding the position so far, got over 62% of votes. Apparently, he was not bothered by the latest controversies and local protests against huge rubbish dumps around Moscow. However, as admitted by Prime Minister Dmitry Medvedev, the election campaign "was fought in difficult conditions" – that is, from the ruling party viewpoint. About 90% of Russians are against the announced pension reform. Added to this, there is a decline in the standard of living, a much weaker ruble and the effects of Western sanctions. On the day of the elections, thousands of people protested in many cities and hundreds were arrested. All this translated into a lower voter turnout and poorer results for United Russia. The candidate governors of the ruling United Russia party did not win in the first round in the following four regions: Primorsky Krai, Khabarovsk Krai, the Vladimir Oblast (here the second round with the LDPR candidate will be held) and the Republic of Khakassia. What is more, in two of these regions, the ruling party candidate lost to the Communist in the first round. In Khakassia, United Russia was defeated in both the parliament and the governor elections. Here, not only the issue of the pension reform played a part, but also the crisis related to US sanctions imposed on the Rusal aluminium company, which hit local workers. Apart from that, United Russia was unsuccessful in the regional parliament elections. The party lost to the Communists in the Irkutsk Oblast, Ulyanovsk Oblast, the already mentioned Khakassia and Zabaykalsky Krai. Therefore, the trend of poor results of United Russia in the Asian part of Russia can be confirmed. Although the main beneficiaries of the current situation are the Communists and Zhirinovsky's populists supporters, they can hardly be considered a real political alternative to the ruling party.

SOURCE: WIKIMEDIA.ORG

15 September 2018

PURGE IN DONETSK

After the official takeover of the government by Denis Pushilin in the so-called Donetsk People's Republic, steps have been taken to eliminate "Zakharchenko's group". Some of his people have already managed to go to Russia, others have to accept the new order. The elimination of independence of several armed formations in Donetsk is also connected with a change of the Kremlin's policy towards the occupied Donbass. Due to the fact that there seems to be no chance of a reasonably quick resolution of the Donbass problem, especially in Russia's favour, the new policy simply means the rearrangement of matters in the "war republic".

In Donetsk, the disarmament of the so-called Zakhar Prilepin Battalion has begun. There have been reports stating that a group of armed men from the "Ministry of Internal Affairs" (MIA) of the so-called Donetsk People's Republic (DPR) surrounded the area around the Prague hotel, where the battalion headquarters are located. Sergey ("Fomich") Fomchenkov, the battalion commander, and the so-called "Arab" were arrested. Shots were fired. It is well known that some time earlier the battalion held talks on its incorporation into the structures of the "DPR militia". Part of the group could have rebelled. Also, there was a report saying that the battalion will be eliminated. On September 14, Ivan Kondratov, the former commander of the "Republican Guard", was also arrested in Donetsk. He was accused of murder, plunder and smuggling contraband. Kondratov was a man of

Zakharchenko. The so-called Piatnashka and Patriot Battalions, just like the Prilepin Battalion (4th Attack Battalion), were formerly a part of the Spetsnaz Regiment, which was directly under Zakharchenko's command, and now are under the control of the "MIA".

This is an element of change in all "armed structures" in Donetsk. The new authorities started with armed formations that were connected with many DPR "institutions". The pace of this process and the ruthlessness of the new authorities, which are supported by Moscow, may seem a bit surprising. Either the incorporation of various armed forces into the official DPR structures or their dissolution will be the solution here. On the one hand, this is a result of Denis Pushilin's urge to get rid of all armed forces whose loyalty is uncertain, but on the other hand there is also a decisive factor, the Russian factor, which involves the subordination of all forces in the DPR to the Russian headquarters. Many of the troops that were active during Zakharchenko's rule were outside the official authority of Russian officers. This also determines how the next political course will look like in the occupied part of Donbass: a certain type of demilitarisation of Donetsk and a transition from the "war republic" to a "republic" with a more civilian face. This is required by both the international situation and the need to prepare the DPR for a kind of a long march. The Kremlin finally decided that the Donbass problem cannot be solved in the near future, so the only current solution is to start the process of "economisation" of the DPR.

16 September 2018

GAZPROM'S "BLACK THURSDAY"

The Russian energy company has suffered two defeats in two courts in just one day. First, the EU General Court ruled that the sanctions on Gazprom, Rosneft and several Russian banks were rightfully imposed in response to Russia's actions in Ukraine. Second, the Swedish Court of Appeal rejected the temporary suspension of the implementation of the Stockholm Arbitration Tribunal ruling, according to which Gazprom should pay Ukraine's Naftogaz over 2.5 billion dollars for breaking a transit contract.

On September 13, the EU General Court in Luxembourg dismissed the complaints of several Russian energy companies and banks about the decisions of the EU Council. The complaints concerned the restrictions imposed on economic entities in the oil and gas industry on July 31, 2014 in response to anti-Ukrainian actions of Russia. By limiting the number of financial transactions and the import of certain goods and technologies by the Russian people, the overall cost increase for Russia and its enterprises became much higher. The Court ruled that the sanctions were imposed in accordance with EU law and rejected the complaints of Rosneft, Gazprom Neft (Gazprom's daughter company), Sberbank, VTB Bank, Vnesheconombank (VEB), Prominvestbank and DenizBank. An appeal against the ruling, though limited only to legal issues, may be brought before the EU Court of Justice within two months.

Furthermore, on September 13, another unfavourable court ruling against Gazprom was made. The Court of Appeal in Sweden rejected the temporary suspension of the Arbitration Tribunal ruling, which states that Gazprom should pay Naftogaz 2.56 billion dollars. On February 28, the International Arbitration Tribunal in Stockholm resolved a dispute between Gazprom and Naftogaz over a contract for the transit of Russian gas through Ukraine. The Arbitration Tribunal ordered Gazprom to pay Naftogaz 4.63

SOURCE: GAZPROM.RU

billion dollars for the amount of raw material, which according to the contract should have been transmitted through Ukraine, but was not sent by the Russians. In consequence, the Ukrainian side lost part of the expected income from transit fees. Overall, after two court rulings on the contract for the supply and transit of gas, Gazprom owes Naftogaz 2.56 billion dollars. Both proceedings have been going on for over three years. Between May and June, Naftogaz announced that it had taken legal action in Western countries in order to force the Russians to implement the Arbitration Court rulings. On June 13, the Court of Appeal of the Svea district in Sweden ordered that the implementation of the Arbitration Court ruling regarding the transit contract has to be stopped. Now, the higher instance court has rejected this decision.

16 September 2018

RUSSIA LOSES "OIL LEADERSHIP"

The USA has won with Russia again. This time it is not about politics, but rather the sphere of the economy. To be more precise, the oil industry. According to the latest data from the US Energy Information Agency (EIA), the United States has surpassed Russia as the world's leader in oil production. First, the USA surpassed Saudi Arabia and now also Russia. To make matters worse, the American export of "black gold" is also growing, which may affect the price of oil on the global market and threaten the Russian-Saudi alliance on the control of oil production.

As reported by the EIA, the US government agency, the USA has surpassed both Russia and Saudi Arabia in the amount of oil production, at the same time becoming its global leader. The word "probably" was used due to the preliminary data and early projections. The rapid growth of oil production in the USA is a fact. If one takes into consideration the limitation of production in Russia (the result of the OPEC agreement) and its sustainment at a fairly stable level in recent years, then it can be said

SOURCE: WIKIMEDIA.ORG

that the information presented by the EIA is true.

According to the preliminary data and rough estimates of the EIA, in February the US oil production was larger than the one of Saudi Arabia for the first time in more than two decades. Moreover, in June and August America produced more oil than Russia, which happened for the first time since February 1999. In August, the average US production was 10.9 million barrels per day, while in Russia it was 10.8 million barrel per day. If one takes into account the total oil and gas production, then it becomes clear that the USA has been the world leader since 2012. According to the EIA, the United States will remain the global leader in oil production at least until the end of this year as well as in 2019. This is the result of a rapid growth of production, gradually increasing since 2011. The record results are the effect of the oil shale boom, especially evident in western Texas. In 2017, the average daily production in the USA was 9.4 million barrels per day, in 2018 already 10.7 million barrels per day and in 2019 it is expected to reach 11.5 million barrels per day. Meanwhile, oil production in Russia and Saudi Arabia has remained at the relatively same level over the last couple of years. The US production started growing rapidly after the price of oil went up, previously reaching a decline, and finally hitting above $70 per barrel. Of course, Russia may undermine this data, because according to its own official statistics, it produces 11.2 million barrels per day. The only thing is that this number also includes condensate, which is produced together with oil. Furthermore, Russia may be concerned about the rapid growth of the US oil export, which is about 2 million barrels per day.

SOURCE: KREMLIN.RU

20 September 2018

KADYROV'S OIL VICTORY

Russia's President Vladimir Putin signed a decree ordering the transfer of 100 percent of Chechenneftekhimprom to Chechnya. The handover marks the end to a long-term battle between two powerful political players – Ramzan Kadyrov and Igor Sechin – who had been fighting for the control over the Chechen oil sector. Thus, the struggle has been won by the leader of the Chechen republic while Rosneft's CEO has considered his failure to be both prestigious and political, rather than economic one. In fact, the Chechen assets have no major importance for the activity of Russia's oil giant.

Chechnya's Chechenneftekhimprom (CNCP) has been owned by Rosimushchestvo, Russia's Federal Agency for State Property Management. The CNCP disposes of over 1,100 gas and oil wells, two refineries four petroleum bases and over 500 kilometres of pipelines. The CNCP shares are currently managed by the state-held oil company Rosneft through its Chechen subsidiary, Grozneftegaz. The situation is expected to change within the next two months as such period was provided by the decree – signed on September 18 by Putin – to ensure the transfer of the ownership to Chechnya.

The oil business has constituted one of the hot spots in the conflict between Moscow and Grozny since the early 1990s; after the Chechens had declared independence, their oil assets were formally taken over by Russia's Rosneft. In 2002, following the final defeat of the legal government in Grozny, the company was granted a license for the exploitation of oil and gas deposits in Chechnya. For a long time, the leader of Chechnya, Ramzan Kadyrov, sought to regain control over this sector; nevertheless, he had to confront a powerful politician and Rosneft's CEO Igor Sechin. In his argument, Kadyrov stressed out that Rosneft had been neglecting Chechen assets and had no intention to invest in their further development. Kadyrov even referred to the issue of the CNCP ownership as an example of federal "parasitism" on the Chechen economy. In December 2015, the

Chechen president officially asked Putin to hand over the CNCP to the Republican authorities. The president approved the idea, which eventually came to a standstill. The case got stuck in the government. It was not until February 2016 that a working group was set up to determine the further distribution of the CNCP assets. In June 2016, Russia's Prime Minister Dmitry Medvedev removed te CNCP from the list of state-held companies intended to be privatized while numerous disputes were still in progress. Officially, it was all about an agreement between Russia's Rosimushchestvo and the government in Grozny while Sechin actually loved against handing over the CNCP to Chechnya. It had a political – rather than economic – meaning. Sechin tends to be associated with a federal group of the FSB siloviki, who have been in a dispute with Kadyrov. No financial reasons could be taken into account as Chechen oil did not account even for half of Rosneft's overall extraction. Putin's current decision means that it was finally possible to reach a compromise while Sechin managed to get something in return.

SOURCE: KREMLIN.RU

23 September 2018

RUSSIAN OIL PRODUCERS HAVE REASONS TO BE SATISFIED

Sanctions that are hitting the Russian economy are more damaging to the national currency than the present activities of the largest companies, especially those that produce oil. If one combines this with Russia's beneficial agreement with OPEC, it turns out that the largest oil companies in Russia may get a lot of financial satisfaction. Due to the fact that oil is sold abroad in dollars, it simply means that the weaker the rouble, the greater the profit. In this situation, losing the position of the world's leader in oil production by Russia to the USA seems to be only a matter of prestige. However, it appears that the Kremlin is far more bothered by the ranking loss than the heads of Rosneft or Surgutneftegas.

In August, Russia was very close to breaking the post-Soviet record for oil production. The country also gains a lot from the OPEC agreement. In August, Russia produced on average 11.21 million barrels per day. It is almost the same as in July. Russia is the main beneficiary of the OPEC agreement, which was concluded two months ago in order to loosen the previously imposed restrictions on oil production. As a result, the Russians were able to produce nearly 250 thousand barrels per day more this summer, while Saudi Arabian production increased to a much lesser degree (10.42 million barrels per day, which means 140 thousand barrels per day more). In August, oil exports increased by 1.9% compared to July, reaching 5.55 million barrels per day. Taking into account the weak exchange rate of the rouble, this meant record high profits calculated in the country's currency. Russia also benefits from the troubles of Venezuela and Iran on the global market.

The largest players on the Russian oil market have doubled their total income in the first half of the year, mainly due to the weaker rouble. Today, Russian oil producers feel the best in the world. Operational costs are low, production is steadily high and rouble profits break new historic records. Compared to 2017, the total income of the five largest Russian oil producers increased by 32% (to 150 billion dollars) in the first half of 2018. The sanction factor weakens the market value of the companies, but at the same time it provides them with more profits by weakening the rouble. The key members of the Putin regime benefit financially from the situation. One only needs to look at the top five Russian oil companies: Rosneft, Lukoil, Gazprom Neft, Surgutneftegas and Tatneft. Rosneft, headed by Igor Sechin, is a business base for siloviki. Gazprom Neft belongs to Gazprom (Alexey Miller). Surgutneftegas has an unclear ownership structure. It is unofficially said that the largest shares in this particular company are owned by Putin himself (through substitute entities).

23 September 2018

KREMLIN'S TOP SECRET INFORMATION ABOUT RUSSIAN MERCENARIES

Recent leaks about the activity of Russian mercenaries in the Middle East and Africa appeared to be more and more frequent and harmful to Moscow, which finally prompted Putin's regime to make an attempt to put a gag on mouths of all those who had already mentioned the topic in their publications. So Russia's President Vladimir Putin signed a decree and the document was formulated in such general and imprecise terms that under present regulations, it is now possible to prosecute any person who would potentially reveal some information on the personal details of people linked to Russia's intelligence services. Nonetheless, it does not come as a surprise that the main reason for introducing such change was the willingness to block any discussions about mercenaries, including those belonging to the infamous Wagner Group.

Indeed, much has been recently said about the members of this paramilitary organization; first, the public eye was attracted by the fact of murdering a few Wagner

SOURCE: KREMLIN.RU

Group fighters by the Americans in February 2018 and then – following the killing of the Russian journalists who had been tracking the organization's activity in the Central African Republic. However, it will be much more difficult to tackle this topic, at least on Russian soil. Vladimir Putin recently signed a presidential decree making any information about new types of intelligence officers a state secret. It was about all information about "foreign intelligence officers of the Russian Federation that are not part of the staff" of Russia's intelligence services. Thus, as any data on recruited agents have always been kept secret, it must be now about members of private military organizations who carry out any orders of state authorities; it concerned mostly mercenaries of the Wagner Company as it is known that this entity could be somehow linked with the Russian military intelligence service, known as the GRU.

Putin's decree will mean that any instances of forwarding some information or making comments by the Ukrainian agencies at the same time could be considered as a breach to the law. The Security Service of Ukraine (SBU) has recently published the personal data of another group of people who presumably fought in Syria – as members of the Wagner Group – and were killed in the battle of Deir ez-Zour on February 7. Most of the fighters, whose identity was revealed by the SBU, had previously supported pro-Russian separatists in the Russia-occupied territory of Donbas. Thus, if the scope of classified persons engaged in intelligence activities is extended, such state of matters will lead to a situation that any reference may automatically be perceived in terms of a state secret; mostly to the fact that the decree does not specify any exact definition of the "staff composition". Thus, there have emerged several questions whether it was about regular employees or also co-workers could be taken into account. In addition, it is not known what should be understood in terms of the intelligence structure or such description could be ascribed only to the GRU and the SVR – or maybe it would also concern the FSB as the military intelligence service partially deals with such activities also outside Russia.

SOURCE: WIKIPEDIA.ORG

24 September 2018

TRUMP'S "HAWK" RICK PERRY THREATENS RUSSIA WITH NEW SANCTIONS

U.S. Energy Secretary's trip to Europe as well as final outcomes of his visit to Moscow have recently confirmed America's hard stance on Russia's energy expansion. Rick Perry has reiterated that the U.S. state authorities would impose sanctions on the Russian project for building the Nord Stream 2 pipeline, which is unlike to improve energy relations between the two countries. A similar conclusion can be drawn from Trump's behaviour during a joint press conference with Poland's President Andrzej Duda.

Perry paid the first visit of a high-ranking U.S. official in Russia to Moscow after the Helsinki summit only a few days before Duda's scheduled trip to Washington. Nonetheless, Perry's trip to Russia's capital did not bring any agreement in this matter. In addition, Perry did not exclude any further anti-Russian sanctions to be imposed. The closed-door talk with his Russian counterpart Alexander Novak lasted about an hour. After the meeting, U.S. energy chief confirmed that new anti-Russian sanctions would be imposed if the Nord Stream 2 project was implemented as well as he did not exclude possibility to introduce restrictions against Russia's energy sector.

Under present regulations, Americans are prohibited to undertake any cooperation with Russians; it is mostly about oil projects on a shelf, deep-sea mining as well as shale oil production, not to forget any activities in the Arctic. For instance, Americans may not provide any goods, services and technologies necessary to implement such projects. Separate sanctions have already been imposed against some Russian companies, including Rosneft and Gazprom Neft. During a press conference, Perry reiterated that the United States was against Nord Stream 2 as the Russia-Germany undersea pipeline does not correspond to Europe's interests. However, the U.S. energy chief was reluctant to specify what level of the project's advancement could possibly trigger the sanctions. Instead, he assured that the U.S. authorities would continue their fight for the European market even if the pipeline under the Baltic Sea was finally constructed. During the Three Seas Initiative summit, held shortly after his meeting with Novak, Perry took the advantage to say that Europe should do its best to get some alternative energy sources – especially the American LNG – due to Moscow's aggressive stance. Still in Moscow, he added that the United States would advocate the idea of constructing a pipeline under the Caspian Sea (TANAP) that would transport gas from Turkmenistan and Azerbaijan to Europe.

Just like during their first meeting held in June, Novak did not manage to exert any influence on the Americans as for the Nord Stream 2 project. During his recent visit to Moscow, not only did Perry confirm Trump's firm opposition towards the gas pipeline but he also accused the Kremlin of conducting cyberattacks with the aim of infiltrating U.S. energy networks. It was for the first time that any American official publicly raised a similar charge at a U.S.-Russian meeting. But he praised Russia for having increased its overall oil production due to pending sanctions against Iran.

25 September 2018

MOSCOW TO PREPARE SERBIAN INTRIGUE

Russia's only ally in the Western Balkans is Serbia, and – more specifically – the Serbs. It was only a few years ago that a list of Moscow's friends contained even Montenegro and Macedonia; nonetheless, due to aggressive Russian policy, including the attempted putsch in Montenegro and a special operation in Macedonia, these countries had no longer intention to maintain their cooperation with Russia, which ultimately pushed them towards NATO and the European Union. Thus, the Serbs remain conflicted with almost all their neighbours. The Belgrade-Moscow alliance is getting stronger while the Russians have recently been trying to divide the federal state of Bosnia and Herzegovina.

Since the Dayton Peace Agreement in 2015, Bosnia and Herzegovina, also referred to as BiH, consists of two autonomous state units: the Muslim-Croat Federation and Serb-run Republika Srpska. Both of these entities have their own presidents, governments, and parliaments. They are connected one with another by relatively weak central institutions, including the three-member Presidency of Bosnia and Herzegovina, supposed to represent three nationalities: Muslim Bosnians, Catholic Croats and Orthodox Serbs. The upcoming elections are scheduled for October 7. Bosnia and Herzegovina was visited by Russia's Foreign Minister Sergey Lavrov only several days ago. In addition, Lavrov paid a visit to Sarajevo where he assured that Russia would try its utmost to respect the elections result and would not stand up for any political party. Nonetheless, he also went to Banja Luka, the capital of the Republika Srpska entity; such trip seemed to deny all that Lavrov had previously said in Sarajevo. Both in fact, the visit to BiH constituted an expression of Russia's strong support to the nationalist Republika Srpska and Moscow's ally President Milorad Dodik, who runs for a set in


SOURCE: MID.RU

the three-member Presidency.

For a long time, Dodik has been one of Moscow's most faithful allies in the former Yugoslavia. He is in favor of the wider autonomy of Republika Srpska as well as he seeks to detach the entity from Bosnia and Herzegovina in a longer perspective, hoping that Moscow will support his separatist plans. This is to be fostered by the discussion on the territory exchange between Serbia and Kosovo – meaning a precedent that would ultimately make it possible to change borders. Officially, Lavrov does not support Dodik's separatism; however, Russia's Foreign Minister attacked some Western countries and he rejected all accusations that Russia could try to influence results of a Macedonian name-change referendum scheduled for September 30. And the very fact that, on September 21, the head of Russian diplomacy met in Banja Luka not only the president on the Serbian entity but he also held a meeting with Serbia's Prime Minister Ivica Dačić was significant and must be straightforwardly interpreted as Moscow's support for future detachment of the Serbian part of BiH with the aim of joining Serbia. Such Russian policy also serves to strengthen ties with Belgrade, where many still dream about the Great Serbia – an ethnic Serbian state made up of present Serbia, but also Serbs inhabiting some parts of Croatia, Bosnia and Herzegovina, Montenegro, Macedonia, and Kosovo.

SOURCE: OPEC.ORG

25 September 2018

OPEC REJECTS TRUMP'S CALL, RUSSIA TO WAIT UNTIL NOVEMBER

Oil prices have recently gone up, which raised some concerns in the United States; however, President Trump's appeal to most petroleum producers has not brought any effect yet. During a joint summit of OPEC and a few other important oil producers, including Russia, it was decided not to change current level of extraction. Nevertheless, the upcoming sanctions against Iran's oil exports will constitute yet another factor that will eventually exert pressure on further increases in prices. Judging by Moscow's hitherto statements, it should be expected that the country would boost its oil production closer to November.

Both OPEC members as well as some other giant oil producers have agreed that they will not add more production even despite President Trump's latest call for a reduction in prices. Such decision was jointly made at the OPEC+ meeting in Algeria on September 23. In the issued statement, OPEC announced that it was satisfied with the current market situation and the "balance between demand and supply". Following the OPEC+ decision to maintain the level of extraction, oil prices went up by as much as 2 percent that led to a record high price of 80.94 dollars (Brent barrel). The price of oil has increased in recent months mainly due to the decline in raw material exports from Iran's OPEC, which occurred following the U.S. restrictions. Prior to the Algiers summit, Donald Trump called for OPEC to provide the U.S. with some help in reducing prices, mostly by boosting production. At the same time, his Tweet could be considered as an aggressive one as the U.S. President reproached countries of the Middle East for raising prices despite their security guaranteed by the United States.

"We will remember. The OPEC monopoly must get prices down now", President Trump said in a Tweet.

The OPEC agreement on mining control has been in force since January 2017. Having achieved the main objective (increase in prices), in June this year, it was possible to agree to intensify production. In early November, U.S. sanctions against Iran's oil exports are expected to enter into force. Therefore, in order to avoid further price increases, the Trump administration has called for other producers to boost their output and urged some other countries to cut imports from Iran. According to oil markets, it may be even about 1.5 billion barrels per day. Nonetheless, such growth in prices may be influenced not by the Algiers summit but Iran's latest terrorist attack; gunmen attacked an annual military parade in the city of Ahvaz that killed 25 people, including 12 members of the elite Islamic Revolutionary Guard Corps. Iran's authorities have already announced retaliatory actions to be carried out.

Following the Algiers meeting, Russia's Energy Minister Alexander Novak stated that high oil prices were not profitable for anyone. Interestingly, his Saudi counterpart Khalid Al-Falih noted that he could be satisfied with the current state of the oil market. However, Novak assured that Russia was ready to increase its oil extraction after the U.S. restriction against Iran had finally entered into force. The state authorities are currently considering coming back to the October 2016 level. But Moscow has already criticized U.S. sanctions to be introduced and unlike large corporations, especially Western ones, it has no intention to limit its energy cooperation with Iran.

26 September 2018

PUTIN'S FAVORITE INVOLVED IN FRAUD SCANDAL

The second round of a regional election appeared to be disastrous for the image of Putin's regime; in two cases, United Russia's governors were beaten by their political opponents. In one of Russia's regions, the hitherto governor was forced to withdraw while the ballot is supposed to be held once again some time later. But the biggest scandal erupted in Russia's Primorsky Region whose local election commission announced the minimal victory of the incumbent governor; nonetheless, the election fraud, additionally fuelled by opposition protests, seemed blatant enough to make a decision to re-run the voting.

On September 11, Andrei Tarasenko was received in the Kremlin by Russia's President Vladimir Putin; such visit constituted a very strong support for the United Russia's governor. Nonetheless, even such meeting did not appear to be helpful while Putin seriously jeopardized his political image. With 99 percent of votes calculated on Sunday night, a communist candidate Andrei Ishchenko was trailed by Tarasenko by as much as 2 percentage points. Nonetheless, on Monday morning, the local electoral commission announced that Tarasenko had won by just over 1 percentage point; such state of matters would potentially mean that he had received almost every one of the 20,000 votes. Such massive electoral fraud could not be performed even in Russia – the more so that Ishchenko's voters expressed their anger. Russia's Central Election Commission made a decision to re-run the ballot in the Primorsky Region "due to numerous irregularities". However, it is not known whether Tarasenko had been personally responsible for orchestrating the vote-rigging while the election commission did not even


SOURCE: KREMILN.RU

ask to recount the votes. Thus, the ruling camp will aim to play on time.

The Kremlin suffered defeat in the second round in three other regions; the governor of the Vladimir region Svetlava Orlova, elected in 2013, was beaten by the LDPR candidate Vladimir Sipyagin. Previously, Orlova had made a devastating mistake as she had publicly expressed its support for the government's planned increase in the retirement age. Such attempt has not bee made by the United Russia Governor Vyacheslav Shport; even though, he had to succumb to the LDPR candidate Sergey Furgal. No second round could be performed in the Republic of Khakassia as the Viktor Zimin, the United Russia candidate, had eventually decided to withdraw. The second round is scheduled for October 7, during which voters will have to choose either politicians from the Communist Party or representatives of the left-wing A Just Russia. In three regions of Russia, where the election was won by the candidates of the parliamentary opposition (Khabarovsk, Vladimir, Khakassia), the Communist Party of the Russian Federation and the populist-nationalist Liberal Democratic Party of Russia will form coalition governments.

Asked about election results in the Vladimir Region and Kharabovsk Krai, Kremlin's spokesman Dmitry Peskov stressed that "there was indeed an element of surprise". There is no doubt that the results came amid widespread anger over the government's plan to increase the retirement age. Nonetheless, one cannot forget about a popular trend, which had also been observed during the parliamentary elections, namely the ruling United Russia party and President Putin keep enjoying much lower popularity in the eastern part of the country. However, it is already too soon to announce any serious problems for the ruling team. The situation seems to be still under control; it may appear that current state of matters forms part of a broad political plan. The United Russia party loses its local power to the alleged opposition; until recently, much has been said that three parties of the so-called systemic opposition (communists, Zhirinovsky-led LDPR and A Just Russia) – which have their respective representatives in the State Duma – were slowly coming to their end. Now, it turns out they are still useful to the Kremlin as they may be used as a kind of "safety valve". If the Russians, dissatisfied with the pension reform, have no intention to vote for the ruling party, they should be allowed to opt for the "opposition", but not the real one as the regime keeps oppressing its representatives – as evidenced by the case of Alexei Navalny who had been imprisoned right after being released from the arrest.

SOURCE: KREMILN.RU

27 September 2018

RUSSIANS DISSATISFIED WITH PUTIN'S REGIME: KREMLIN'S WORST RATINGS IN FIVE YEARS

Following the Kremlin's recent loss in the second round of regional voting, the state regime needs to face yet another bad news. According to the latest polls, Vladimir Putin's approval rating has seemingly deteriorated whereas the political activity of Russia's Prime Minister, Dmitry Medvedev, has been rather positively assessed by the Russians. Such results are mainly due to the fact that Putin's image has recently suffered some important blows while Medvedev has been set aside, which appeared quite beneficial for him. Thus, it should be expected that the Kremlin would make Prime Minister a potential "victim" of citizens' dissatisfaction. The poll was conducted by the Levada Center.

In September this year, the percentage of Russians who positively assessed Putin's activities decreased by as much as three percentage points (67 percent). At the same, there are more and more citizens who are dissatisfied with Putin's new term of office, with 33 percent of people expressing their negative opinions on President's current activities, which constituted the record-breaking result since 2013. Soon after, Russia annexed the Crimean Peninsula, making Putin's approval rating extremely high. As for Prime Minister, his work is positively assessed by 33 percent of all respondents. Interestingly, the result is better by as much as five percentage points compared to August polls. At the same time, negative assessment of Prime Minister's work decreased by four percentage points, achieving the level of 67 percent.

Interestingly enough, such drop in Putin's support does not mean that there are less and less Russian citizens who declare their readiness to vote for the incumbent. Immediately after Putin's television message about raising the retirement age, which took place on August 29, the poll indicated that he can be supported by as much as 46 percent of his compatriots. Putin's approval rating began to drop in June following the government's plan to increase the retirement age. It was later estimated at 45 – 49 percent. A survey that showed a decrease in Putin's popularity may potentially translate into a drop in the number of voters who would declare their support to the President. A series of the Kremlin's political failures as well as these of Putin-endorsed candidates – importantly, since they run in the election as heads of regions, which gives them a great advantage over the opponents – may make voters aware of an alternative to the current regime. Nonetheless, there emerges the question how genuine it is since it is all about the so-called systemic oppositions represented by such political parties as Zyuganov-led CPRF, Zhirinovsky's populist LDPR and Mironov's A Just Russia.

Both poor results in the regional polls as well as some disturbing tendencies that could be reported in surveys of social attitudes, probably resulting from the upcoming pension reform, mean that the ruling camp will sooner or later change some of its representatives. As for the local authorities, it is expected that even ten incumbent governors could be dismissed. Certainly, the popularity of the ruling camp will not increase following the adoption of the controversial pension reform on September 27. There are no changes to be expected in the Federation Council so the bill is very likely to be adopted. Its gradual entry into force is scheduled for 2019.

27 September 2018

KREMLIN'S FIGHT FOR REGIONS: NEW GOVERNOR ELECTED

In an article published only a few days ago, we referred to the inept attempt of vote-rigging that could be perceived in terms of a genuine catastrophe for Putin's regime. The Kremlin-backed incumbent governor has undeniably failed even despite of the fact that right before the voting, he had been met with President Putin, which constituted an unarguable proof for his strong support. Russia's President reacted quite rapidly.

Held on September 23, the elections appeared highly unfortunate for Tarasenko; we examined his "victory" and its further consequences. Kremlin's spokesman informed Wednesday, September 26, that President Vladimir Putin had appointed Oleg Kozhemyako, currently the head of the Sakhalin region (since 2015), to be a new acting governor of Russia's far east Primorski Krai, who was later received by the President in the Kremlin. Kozhemyako immediately expressed his readiness to be a candidate in the polls, which corroborates the fact that he has already become the Kremlin's "emergency option" that could be used in the case of Tarasenko's potential defeat in the second round of voting. Naturally, having so badly disappointed Putin, a former acting governor, who had held his post since October 2017, simply "asked for a different job". Interestingly enough, the regime, which had no intention to lose its influence in such an important region, decided to invalidate the ballot after the election fraud had been too brazen, instead of declaring Ischenko's victory. Thus, a new United Russia candidate was given an opportunity to compete for the position of the governor of Primorski Krai.

In the first round, held on September 9, the Kremlin-endorsed Andrei Tarasenko won 46.56 percent, which could even guarantee

SOURCE: KREMILN.RU

him an election victory. The second round of voting took in the region of Primorski Krai took place on September 16. The candidate of the United Russia ruling party was faced off against by Andrei Ischenko, a Communist Party politician and a deputy of the regional parliament. With 99 percent of all votes calculated, Ischenko was expected to win the ballot as Tarasenko received 18,000 votes less than his main rival. The commission had still some 20,000 votes to calculate, all of them being ascribed to Tarasenko. It was officially announced that the Kremlin-backed candidate won 49.55 percent of the votes while his erstwhile rival was supported by as much as 48.06 voters. The Communists have already questioned the results, accusing an electoral commission of a fraud. The local electoral commission ultimately decided to invalidate the results of a runoff governorship vote after Russia's central commission had recommended re-running the voting. The polls are scheduled for December 16 at the latest. Ischenko has already announced that he would appeal the decision on annulment of the result, as he currently demands that his victory be officially recognized. Neither the election date nor the candidates are known at the moment. The final decision of Russia's Central Electoral Commission should be somewhat interesting as both candidates may theoretically face off each other again. Nonetheless, the former has eventually decided to withdraw his candidacy. Theoretically speaking, his place should have been assumed by a candidate who came third in the first round; nonetheless, Putin has decided to use Kozhemyako in his political maneuver in order not to let any other candidates win the ballot.

SOURCE: KREMLIN.RU

28 September 2018

RUSSIA'S S-300 IN SYRIA: SHOIGU VERSUS ISRAEL

Bearing in mind Putin's long-lasting attachment to correct diplomatic relations with Israel, especially in the context of the war in Syria, one should be surprised by Moscow's furious attack targeted at the Jewish State as Russia had blamed the Israeli air force for downing a Russian reconnaissance aircraft. There are many arguments proving that the Kremlin succumbed to the pressure from opponents of Russian-Israeli partnership, with particular regard to military cooperation between the two countries. Having dispatched an advanced S-300 air defense system in Syria, Russia may no longer take Israel's standpoint into account, which could put an end to hope expressed by some politicians in Washington and Jerusalem, who expect Putin to reduce Iran's military presence in Syria.

It does not come as a surprise that not everybody seemed to like Putin's close relations with Netanyahu; interestingly, it was not Iran but Moscow that opposed against such alliance. Russian generals, who prefer to cooperation with Iranian troops, are not satisfied by the fact that the Kremlin had allowed the Israelis to attack Iranian and Hezbollah targets. Interestingly, Putin has clearly turned a blind eye to such fact, apparently hoping to get way much more in return; he thought that – by assuring Israel about its alleged security – he could make the Americans withdraw their troops from Syria. Nonetheless, it later turned out that the Kremlin cannot guarantee Israel nothing else but the relative freedom to perform operations within the limits of Syria's airspace. The Israeli government quickly noticed that the Russians had no actual influence and will to force Iran to pull out of Syria – or at least to push Iranian and Shiite troops away from the Golan Heights. On the other hand, Russia may have been disappointed that Israel fails to – or does not want to – persuade Trump to withdraw from Syria. With both disappointed sides, only a spark was enough to provoke a conflict.

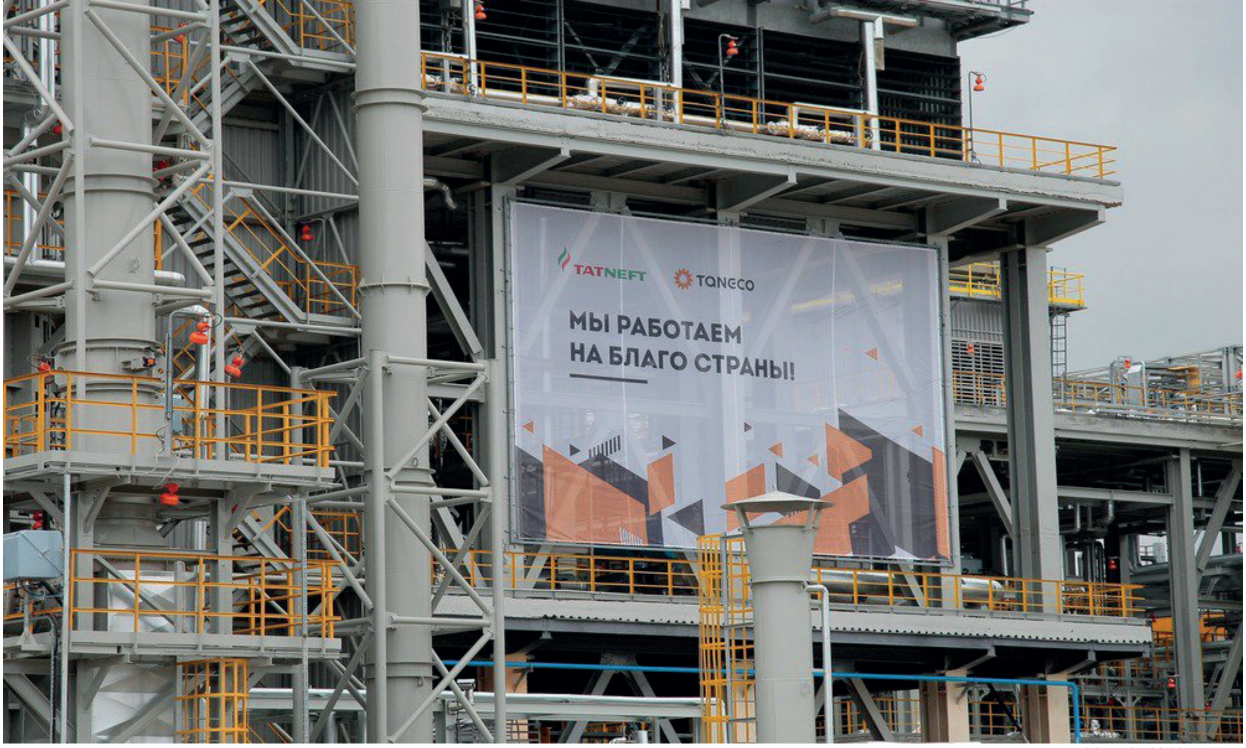
In this case, it was the downing of the Russian Ilyushin Il-20M (Il-20M) reconnaissance aircraft in northwestern Syria. The Russian machine was hit by a Syrian anti-aircraft S-200 missile, which would constitute an extremely embarrassing fact but for the presence of Israeli planes that were conducting bombing missions against al-Assad's facilities. The Russian military unequivocally blamed Israeli air forces for the incident, claiming that the pilots used the machine as a cover, which explains the fact why it was hit by Syrian missiles. The incident was sharply criticized by Russia's Defence Minister. There are a lot of arguments proving that he did it without any prior consultation with the Kremlin. However, before Putin could speak to Netanyahu, it was already too late to perform any further actions. The situation got any better after the Moscow visit paid by the commander of the Israeli Air Force as well as publishing a detailed report explaining that the incident occurred due to a communication problem between the Syrian missile and Russia's military base in Khmeimim. It is not clear whether Shoigu decided to take a chance and attack Israel to conceal his subordinates' mistakes or he rather took advantage of torpedoing Moscow-Jerusalem cooperation. Nonetheless, it basically forced Putin to change his hitherto political course. Without the Kremlin's consent, the decision to equip the Syrian army with modern S-300 air defense systems would have never been taken; With al-Assad having at his disposal such military equipment, Israel's air forces would have to face a way more complicated challenge as it had been already entitled to carry out military operations over Syria. Naturally, the Israeli government has no intention to make any concession; Prime Minister Benjamin Netanyahu warned Russia against delivering S-300 air defense systems to Syria, announcing at the same time that such incident would definitely not change Israel's policy in this respect. It aims to eliminate Iran at any price.

30 September 2018

TATARSTAN'S TATNEFT SETS AMBITIOUS GOALS

The management of Russia's top oil company has approved the firm's development strategy until 2030. Tatneft seeks to increase its overall oil production by one third; moreover, if possible, the concern aims to double its capitalization, provided that oil prices remain at their hitherto high level. Analysts have already paid attention to the fact that the Tatarstan-controlled corporation has intention to achieve its goals by increasing the efficiency of already existing assets, instead of carrying out aggressive expansion strategy.

In the latest S&P Global Platts Top 250 Global Energy Company Rankings, Tatneft has been ranked in 54th place. The company's shares are essentially held by the regional government of Tatarstan; the authorities of this Russian republic have at their disposal as much as 34 percent of all stakes, including the "golden share". In 2017, the company's net profit in 2017 increased by almost 15 percent, amounting to 123 billion roubles, while its income grew by 17.4%, to the estimated value of 681 billion roubles. Such factors as ever-increasing results and apparent prosperity on the global oil market have probably constituted an important incentive for Russia's oil firm to set more ambitious goals as well as



SOURCE: TATNEFT.RU

to actually revise the development strategy, adopted two years ago, that provided for the concern's further expansion until 2025. The recent meeting of the board of directors of Tatneft was held under the leadership of the President of Tatarstan on September 26 in the Russian city of Kazan. Apart from discussing the budget implementation for eight months of 2018 and approving current budgets for October and the fourth quarter of the current year, the company's management decided to approve the objectives of the Group's Development Strategy until 2030.

Russia's Tatneft has announced that it plans to increase oil production by one third – to 38 million tonnes – by 2030; such decision has been taken based on the company's greater use of their previously exploited deposits. The company also confirmed its intention to increase the processing capacity of the raw material, even regardless of the so-called a tax maneuver. Analysts claim that such goal seems attainable as Tatneft enjoys significant tax reliefs for already exploited deposits. Taking advantage of recent increases in oil prices, the company also boosted its mining forecast for 2020 to 33 million tonnes, compared to the strategy until 2025 as adopted two years ago. Such plans seem very ambitious, given the fact that Tatneft owns and operates Russia's oldest functional oil deposits. All company's operations have been hitherto based on the Romashkino field that has been operated for approximately 70 years, which eventually lead to its 80-percent exploitation.

According to the company's newly adopted strategy, the firm does not plan to acquire any mining stations; instead, it seeks to improve efficiency of the already existing assets. Concern's investments in both exploration and productions will have amounted to 799 billion roubles by 2030. The firm also plans a twofold increase in its EBIDTA (earnings before interest, taxes, depreciation and amortization) that shall eventually amount to 351 billion roubles. Apart from the aforementioned plans, Tatneft seeks to invest in oil processing; it is all about the modernisation of the NPZ TANEKO refinery, the capacity of which is expected to increase by as much as 80 percent in 2013 (to 14.8 million tonnes). Such maneuver shall provide the company with a five-fold increase in EBIDTA. The average annual increase in production is planned at 2.2 percent. Nonetheless, attaining such goal will largely depend on how efficiently the company aims to introduce innovations to the old deposits. In addition, the process of implementing the adopted objects will rely upon the situation on the global market, which is absolutely independent on Tatneft. Currently, the company's capitalization is estimated at 28 billion dollars. By 2030, Tatneft's management expects a 50-percent increase in the concern's capitalization – up to 36 billion dollars. In the case of both low and high prices, it is expected to reach the amount of 31 billion dollars and 50 billion dollars respectively.

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