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SOURCE: KREMLIN.RU

8 October 2018

PUTIN'S ANOTHER BODYGUARD TO BE APPOINTED GOVERNOR

According to the autumn tradition, Russia's President Vladimir Putin dismisses some governors while appointing new ones. Nonetheless, this year's reshuffles appear particularly important due to the fact that recent regional elections have clearly depicted problems of many of the Kremlin-backed nominees. It was only lately that President Putin dismissed the incumbents in such regions as Astrakhan, Kurgan, Lipetsk, Primorye as well as governors of the North Caucasus republic of Kabardino-Balkaria and St. Petersburg. Much attention should be paid to recent changes in Astrakhan, as the region's new governor is Putin's former bodyguard. And this is not the first such case.

Former governor, Alexander Zhilkin, was dismissed from his function that he had correctly performed since 2004. Nevertheless, he has recently got involved in some disputes with Putin's siloviki while a number of his associates were charged of corruption. Thus, it does not come as a surprise that his resignation has been expected by everyone. Nonetheless, he won last elections, which gave him certain advantage over other Putin-endorsed candidates. However, even such success could not guarantee him that he would be still able to serve as a governor. Instead, he was replaced by Sergey Morozov who was

until recently employed in Russia's custom service; previously, he had worked in Defense Ministry and he had ensured some functions in security services. For instance, he served in the Presidential Security Service (SBP), an organization being a secret protective service of the Federal Protective Service (FSO). Morozov is yet another member of Putin's personal security to be promoted to such a high position, after the incumbent governor of Yaroslavl Region, Dmitry Mironov, and current Minister of Emergency Situations, Yevgeny Zinichev. Needless to say that the incumbent governor of the Tula Region,

Alexey Dyumin, also belongs to Putin's inner circle.

As for Morozov, he originates from the so-called group of "piterskie". In the late 1990s, he was responsible for protecting Vladimir Yakovlev, the then-governor of Saint Petersburg. In 2003, he settled in Moscow, where he assumed the position of Putin's security officer. He quickly managed to become a member of President's personal bodyguard as well as he was promoted to the rank of General of the Federal Protective Service. Transferred to the Ministry of Defense, he carried out duties of an adviser to Minister Shoigu until 2017; interestingly, also Dyumin needed to pass a similar path before assuming position of the governor. Then Morozov became the deputy head of Russia's Federal Tax Service (FTS), serving as the deputy of the former FSB general and the head of the FTS, Vladimir Bulavin.

While working at the FTS, Morozov gained the support of another FSB general, Anatoly

Seryshev. As for the latter, in 2018, he became the presidential aide for human resources, which seems to explain the fact that he was probably responsible for lobbying for Morozov's candidacy. Nonetheless, it is not known how Morozov, who actually lacks political experience, is supposed to assume his position whereas other former FSO officers have previously carried out or are currently carrying out functions of the governors, however, not all of them manage to successfully fulfil their tasks. While Dyumin is doing quite well in the Tula Region, Zinichev is much less powerful as the incumbent governor of Kaliningrad. He managed to work there only for three months; then, he was transferred to the FSB. Finally, he assumed a position in Russia's Ministry of Emergency Situations. Thus, one should expect further nominations of that kind; thanks to such a strategy, Putin seeks to manage regions with his endorsed siloviki who have no links with local elites and are capable of implementing even a very oppressive policy.

9 October 2018

RUSSIAN ARMY TO ADD MORE FIREPOWER IN KALININGRAD

The shore artillery of the Baltic Fleet will aim to significantly increase its range of fire while the naval aviation has been already reinforced following the introduction of upgraded helicopters designed to fight submarines. In addition, thanks to the newly modernized Chkalovsky Airport, this military facility will be able to receive all types of heavy aircraft. Recent decision of Russia's army command made it possible to boost its combat potential in the Kaliningrad Region in such a powerful way. Nonetheless, all aforementioned steps may eventually translate into an increase in the military threat to neighbouring NATO member states, including Poland and Lithuania, as well as to allied ships in the Baltic Sea.

The Russian navy is currently reconstructing its artillery subunits both in the Crimean Peninsula and in the Kaliningrad Region. The exclave is to be equipped with the Uragan multiple rocket

launcher systems as well as their upgraded version Uragan 1-M, which should eventually strengthen the firepower of the Russian army in the region. Following the very first delivery of the Uragan (220 mm) self-propelled



SOURCE: WIKIMEDIA.ORG

multiple rocket launcher system to the Baltic Fleet, its artillery carried out first tests of the new military equipment. The next stage of the army's modernization will involve replacing the hitherto systems by the Uragan-1M rocket launchers, which will enable to increase their range of fire up to 70 kilometres. Current systems Tornado-G and Grad have a maximum range of 40 and 20 kilometres, respectively. The Uragan-1M is adapted for new types of ammunition, including cluster munitions and guided missiles. The Baltic Fleet artillery constitutes part of the coast defense forces. Their goal is to destroy any kinds of light ships as well as to defend the coast from landing and to support all actions performed by the Fleet's own units.

Russia's Defense Ministry has also informed that the Fleet's naval aviation forces had received upgrades version of Ka-27M helicopters that had previously been

adapted to winter operation regime. The helicopters are equipped with on-board radio instrumentation, radio acoustic instruments, as well as a brand-new search system, enabling to target and attack submarines. The Russians have also terminated the reconstruction of the Chkalovsky Airport. Such comprehensive modernization of the Baltic Fleet air base was initiated at the end of 2013; nonetheless, it has been completed only recently. The airport has already started receiving aircraft of the 72th Air Base aviation of the Baltic Fleet that had been temporarily transferred to the Chernyakhov Airport. Following the works, the Chkalovsky Airport may receive a large number of aircraft at the same time. The runway was changed and extended while new buildings were built, communication lines were installed as well as the entire transport infrastructure was renovated, making the airport apt to receive all types of heavy aircraft.



SOURCE: KREMLIN.RU

12 October 2018

PURGE IN RUSSIA'S REGIONS AS PUTIN GETS RID OF POLITICAL VETERANS

It was only during one day (October 11) that three heads of Russian regions (Kursk Region, Zabaykalsky Krai and Republic of Bashkortostan) handed in their resignations. In two cases, the Kremlin decided to replace the incumbent with younger politicians who were supposed to achieve much better election result. For instance, governor of the Zabaykalsky Krai stepped down only after two years of office, thus paying dearly for weak results of the United Russia ruling party in the September regional elections as well as her own worsening popularity rates. Since the end of September, a total of nine governors officially decided to dismiss.

Such unprecedented wave of dismissals began already on September 26 when the Kremlin-endorsed candidates failed to win the legislative assembly race in four Russian regions. Inhabitants of the Khakassia Region will vote in the second tour while election results in the Primorye were eventually cancelled; interestingly enough, in both Khabarovsk Region and Vladimir Region, the second tour appeared successful for the nationalist Liberal Democratic Party (LDPR) candidates. The purge in the regions includes both the European part of the Russian

Federation, as well as the country's further areas such as Ural, Siberia, the Far East and the Caucasus. President Vladimir Putin dismissed the incumbents in such oblasts as Astrakhan, Kurgan, Lipetsk, Primorye as well as governors in St. Petersburg and the North Caucasus Republic of Kabardino-Balkaria. Further dismissals came on October 11 when the head of Zabaykalsky Krai, the governor of the Kursk Region and the president of the Bashkortostan Republic were removed from office. Naturally, they have all taken the decision to step down. On the same day, in

the evening, President Putin appointed new interim heads of the Kursk Region and the Republic of Bashkortostan.

Natalia Zhdanova assumed the function of the governor in February 2016 and she clearly failed to perform her duties. The region's socio-economic situation is clearly deteriorating while Zhdanova does not enjoy high support anymore. Zabaykalsky Krai was one of Russia's region where the United Russia ruling party saw its strong decline in support during the September 9 regional elections. In the legislative assembly race, it managed to receive no more than 28 percent of all votes, which constituted ten points less compared to the previous ballot, not to mention that the ruling party candidates succumbed to the communist politicians in the city of Chita (Zabaykalsky Krai). Following Zhdanova's resignation, her hitherto responsibilities are to be performed by the acting governor and region's deputy head, Alexander Kulakov.

In addition, the Governor of the Kursk Region, Alexander Mikhaylov, also handed in his resignation. The 67-year-old politician has served as the head of the region for 18 years, which made him one of Russia's longest-serving governors. Nonetheless, Kremlin's decision-makers eventually decided to replace him with another candidate, primarily due to his age. As for the Kursk Region, it will be governed by thitherto Deputy Transport

Minister, Roman Starovoit, who spent only three weeks in the Ministry. Kursk-born Starovoit developed his entire political career in central government institutions. In 2012-2018 he served as chairman of the Federal Road Agency (Rosavtodor). The age factor appeared important also for the head of the Bashkortostan Republic. In his official statement, Rustem Khamitov announced that "leaders of regions, being at their mature age, shall make the decision to put an end to their activities at the right time". The 64-year-old politician has been in charge of the republic since 2010. The power in Bashkortostan will be now assumed by Radiy Khabirov, a former mayor of the city of Krasnogorsk (Moscow region) and an official of the presidential administration. In 2003-2008, he was responsible for managing Putin's administration in the Republic of Bashkortostan; nonetheless, he was forced to quit following the conflict with the then head of the region Murtaza Rakhimov. Khamitov stepped down, even in spite of the elections scheduled for next year. So the state authorities made a decision to give some time to the new leader so that he could successfully run in the upcoming elections. Thus, Khamitov managed to fulfil his main task, using his best efforts to finalize Rosneft's acquisition of Bashneft oil company. Interestingly, President has lately got involved in a conflict with the influential mayor of the city of Ufa.

15 October 2018

SECHIN LOSES BATTLE FOR RUSSIA'S STRATEGIC OIL PORT

The main asset of the Summa Group will get neither into the hands of the state nor Rosneft's CEO Igor Sechin. The Magomedov brothers, temporarily taken into custody, sold their shares of the Novorossiysk Commercial Sea Port (NMTP) to the state-owned company Transneft, Russia's monopoly oil pipeline operator.

Russia's Novorossiysk Sea Port is of great importance for the export of the state

oil as this is from where tankers export most of country's "black gold" to the world



SOURCE: RU.WIKIMEDIA.ORG

markets. Cyprus-registered Novoport Holding is in charge of controlling 50.1 percent of the Port of Novorossiysk shares. Its owners, the Magomedov brothers, sold half of the firm's shares to Transneft, Russia's transport monopoly headed by Nikolay Tokarev. As a result, the latter managed to increase its shares in the Port of Novorossiysk to 60.6 percent; so far, it had at its disposal so more than 10.5 percent of the port's stakes. Another 20 percent of the company's assets are owned by the Federal Agency for State Property Management (Rosimushchestvo) while the rest remains in hands of some minority shareholders. Apart from Russia's largest port in the Black Sea city of Novorossiysk, the NMPT hold also some Baltic ports in Primorsk and Baltiysk. The Magomedov brothers, who have been detained for a couple of months, were allegedly supposed to obtain as much as 1 billion dollars. Thus, the amount was almost two times higher than the value of NMTP shares on the stock exchange.

In February, Transneft used its subsidiary to get the approval of Russia's Federal Antimonopoly Service (FAS) for purchasing Summa Group's shares within the NMTP.

The transaction was to take place in March or April while this fact had already been known to Prime Minister Dmitry Medvedev. Nonetheless, it was hindered by the Magomedovs' arrest. Then Rosneft made an offer to purchase the NMTP shares; nevertheless, it might have been Sechin who launched the entire action against the owner of the Summa Group. The company's CEO, Igor Sechin, has got involved in the conflict with Magomedov after the port had drastically raised prices for oil handling. Rosneft complained to Russia's Federal Antimonopoly Service; as a result, the latter fined the port of Novorossiysk with 10 billion rubles. Summa Group CEOs managed to avoid punishment but they were immediately attacked by tax service, whose representatives demanded 9.5 billion rubles of overdue taxes (including interests). It does not come as a surprise that the Magomedov decided to get rid of their shares. However, they agreed that they would sell them to another port shareholder, namely the state-owned company Transneft, Russia's monopoly oil pipeline operator. The transaction was delayed several months, but regardless of the further fate of the Magomedovs, it can already be concluded that Sechin suffered a considerable setback.



SOURCE: MIL.RU

17 October 2018

SPETSNAZ, FLEET AND NUCLEAR FORCES: RUSSIA'S INTENSE MILITARY DRILLS

Since early October, a lot of military drills have been carried out at Russia's training grounds: the Russians have recently conducted largest nuclear drills; some time earlier, they have performed joint Russian-Belarusian special forces manoeuvres while Russia's Southern Military District had held its most important military exercises in 30 years. Moreover, the country's power demonstration is additionally accompanied by some political warnings.

On October 11, Russia's strategic nuclear forces were put on alert for drills. They were attended by the crews of rocket regiments, nuclear submarines of the Northern and Pacific Fleets as well as Long Range Aviation pilots. Submarine-Launched Ballistic Missiles (SLBM) were fired from one of the submarines of the Northern Fleet in the North Sea (to hit Kura Missile Test Range) and from a submarine of the Pacific Fleet in the Sea of Okhotsk aiming to target the Chizha test range. As for Russia's strategic aviation, it was represented by Tu-95MS bombers, equipped with new Kh-101 missiles, Tu-160 aircraft and Tu-22M3 strategic bombers, which took off from the airbases of Ukrainka

(Amur Oblast), Engels (Saratov Oblast) and Shaikovka (Kaluga Oblast) respectively. Surprisingly enough, the Russian military did not launch any ICBM missiles. Such operation had previously been planned; nonetheless, it is not known whether it failed or it was eventually cancelled.

Exercises were carried out only a day after Russia's Deputy Foreign Minister Sergei Ryabkov warned that the extension of the New START treaty could have been at risk. Moscow has long proposed such move to the United States; nonetheless, the Trump administration does not seem willing to get involved in negotiations. According to the latest data,

exchanged on September 1, 2018, by Russia and the United States within the framework of the New START treaty, the former has deployed 1,420 nuclear warheads and 517 strategic delivery systems (with a total of 775 launchers). So such state of matters means that the number of deployed warheads decreased by 24 while this of strategic delivery systems dropped by 10 (not to mention launchers whose total number reduced by 4). Speaking of the United States, the country has at its disposal 1,398 deployed nuclear warheads (as compared to 1,350 items in February this year), 659 deployed strategic delivery systems (652), with a total of 800 launchers (800).

On October 2-8, Russia's Southern Military District held its largest military manoeuvres

in 30 years; they took place on eight training grounds located in southern Russia, Armenia as well as in Georgia's separatist region, including Abkhazia and South Ossetia. More than 2,500 pieces of military equipment, including 20 aircraft and 60 helicopters, were deployed to the site. Warships of the Caspian Flotilla, along with air defense units of the Southern Military District, conducted joint drills during which the missile ships of Tatarstan and Dagestan fired Kalibr cruise missiles. On October 1-5, Belarusian special operation forces and Russian airborne troops took part in military manoeuvres near the city of Brest in western Belarus. The drills were attended by as much as 1,500 soldiers as well as they involved over 200 pieces of military equipment.

18 October 2018

GAZPROM TO RESUME IMPORTS OF TURKMEN GAS

Next year, Russia's gas giant Gazprom will resume imports of Turkmen gas, stopped three years ago. Such declaration was delivered by the company's CEO Alexey Miller during his latest visit to the Turkmen city of Ashgabat. In an interview for a state television, the chairman expected that any further purchases of Turkmen gas were suspended in 2016 amid the price disputes. Nonetheless, such decision has been made essentially due to financial reasons; interestingly, it will be Gazprom – and not Russia's state budget – that will profit from this new deal.

For a long time following the dissolution of the Soviet Union, relatively cheap raw material from both Turkmenistan as well as some other Central Asian countries allowed Russia to boost its gas exports to Europe. Back to the beginning of the decade, Russia was the main recipient of gas from Turkmenistan as the country disposes of the world's fourth-largest gas reserves. It exported between 30 and 40 billion cubic metres a year; nevertheless, in 2009, there occurred a mysterious explosion that damaged the gas link between the two countries. Such action might have resulted with a Russian sabotage that had taken place amid the aforementioned

price dispute between Moscow and Ashgabat. As a result, the Russians dramatically limited their imports whose level was only reduced in the subsequent years. In 2015, Gazprom announced its intention to cut imports to 4 billion cubic meters per year, down from the 10 billion level. Only a year later, the Russians completely ceased to purchase the raw material, which resulted with serious repercussions for the Turkmen economy being essentially depend on hydrocarbon exports as a source of hard currency. Now Turkmen gas is mostly exported to China. Gas deliveries to the Middle Kingdom, transported via a specially launched pipeline, are currently



SOURCE: GAZPROM.RU

between 30 and 40 billion cubic metres a year. However, a significant part of Ashgabat's profits is used to pay off debts on the pipeline link.

Yet nothing is known about volumes of Turkmen gas purchased by Gazprom, its price and duration of the contract. Gazprom is also interested in participating in chemical and hydrocarbon processing projects in Turkmenistan. The resumption of gas cooperation constitutes part of a certain thaw in relations between the two countries. On the eve of Miller's visit to Ashgabat, Russia's Vladimir Putin and Turkmenistan's Gurbanguly Berdimuhamedov held a phone conversation. Also the recent agreement on the division of the Caspian Sea somewhat positively influenced the decision to resume Russian-Turkmen gas cooperation. It also

gives the possibility to export hydrocarbons from Central Asia to Europe. So it is possible that the Russians are planning their subsequent moves in advances; for instance, by contracting some amount of Turkmen gas, Ashgabat will no longer be able to invest in export infrastructure to Europe. So why does Gazprom need Turkmen gas if the company possesses considerable amounts of its own raw material? After all, the potential for extraction from already exploited deposits is twice as large as the export volume. It is not just about blocking gas exports to Europe; Turkmen gas will also appear to be highly profitable when sold to Gazprom's European subsidiaries without any 30-percent export fee. Such decision would be unfavorable for Russia's state budget, but very lucrative for Gazprom's managers.



SOURCE: KREMLIN.RU

20 October 2018

PUTIN AGAIN ON THE WARPATH

During the recent plenary session of the Valdai Discussion Club, Russia's President Vladimir Putin confirmed that the Kremlin would return to its hitherto confrontational political course. The leader's extremely aggressive statements seem to fit into all declarations and actions made and carried out by Russia over the last few weeks. Such "combat" attitudes stem from further escalation of the conflict with Western countries over activities of Russian military intelligence services as well as a stalemate in Israeli-Russian diplomatic relations following the downing of a Russian aircraft in Syria. Putin's performance at the Valdai Discussion Club resembled his presidential address delivered in March 2018; in both speeches, the leader kept attacking everyone and threatening them with a potential war.

According to the previous predictions of the Warsaw Institute, Putin's failed attempts to reset U.S.-Russian relations, taken at the very beginning of his new term of office, prompted the president to return to his somewhat traditional "war" policy. The Kremlin seeks to stiffen its relations towards the West, as evidenced by Putin's comment on Sergei Skripal (October 3, 2018). First, the Kremlin has long avoided commenting on this matter while secondly, such words came during the plenary session of the energy forum in Moscow, thus in rather unexpected circumstances. Putin called the former GRU

officer, condemned for prison but legally pardoned and released from Russia, a "scumbag" and "traitor to the motherland".

Only two weeks later, on September 18, on the occasion of the Valdai Discussion Club – an international forum that brings together former Russian politicians, journalists, political scientists and economists – Putin attacked the United States, accusing the Americans of making problems, which results directly from some internal struggles in Washington. This only corroborates the fact that the Kremlin already ceased to count

on any diplomatic breakthrough in relations with Trump's United States. Thus, facing such state of matters, America returns to its position of Russia's great military enemy. Like in the above-mentioned federal address back in March this year, Putin bragged about the state's modern military equipment. He also assured that his country was not afraid of anything and anyone, raising the question of a possible nuclear war. In this respect, President's words sounded extremely sharp as he announced that "any aggressor should know that retaliation is inevitable", adding that "we as the victims of an aggression, we as martyrs would go to paradise while they will simply perish because they won't even have time to repent their sins."

Yet another clear message was sent to the Israeli authorities. Putin overtly announced that any countries wishing to push Iranian forces out of Syria should first and foremost guarantee that they would no longer interfere in Syria's internal affairs. With such a message, the Russian leader clearly accepts the regime of President Bashar al-Assad. Putin pointed out that in order for Syria to abandon the

services of its allies, the conditions for safe development should prevail in this country. Such message constituted a warning for Europe – especially Germany – to invest money in rebuilding embattled infrastructure in the Assad-ruled Syria. The agreement on withdrawal of Iranian troops shall be within the competence of both Damascus and Tehran while Putin's statement means that the Israelis should not really count on Russian help in this respect. Such decision does not seem surprising in the light of a sharp deterioration in Moscow-Jerusalem relations following the shooting down of a Russian aircraft in Syria; such incident was provoked by al-Assad's army, however while Israel was assumed to play the role of a scapegoat. Last but not least, during Putin's meeting with members of the Valdai Discussion Club, the leader admitted that – pursuant to the 2014 Crimean referendum, considered as non-valid by both Ukraine and the West – the peninsula remains part of the Russian Federation. Nonetheless, in this case, there is no room for any further talks as Russia will not be eager to make any concessions, even in the light of potential restrictions.

22 October 2018

NOVATEK DISCOVERS NEW PROFITABLE GAS DEPOSITS

Russia's largest independent natural gas company Novatek announced that it has found a new gas reserve in the Arctic located by the Yamal Peninsula. Its exploitation will contribute to the development of Novatek's further LNG projects, which may eventually make the company Russia's top exporter of liquefied gas.

Arctic LNG 3, Novatek's subsidiary, has recently terminated research works at the North-Obskiy license area in the Arctic Ocean where a new gas deposit was discovered, the company said. Its reserves may be estimated to as much as 320 billion cubic metres (bcm) of natural gas while total resources might amount to at least 900 bcm. This was the first research of this kind to be conducted by

Novatek in Arctic waters; nonetheless, its final outcomes seem to corroborate the area's major mining potential. The drilling processes were carried out with the use of a Gazprom-owned 36-year-old installation that had been moved from Murmansk to the research site at the end of July. Water depth in this region is estimated at 12 metres while the distance to the coast is 22 kilometres. The newly discovered field



SOURCE: NOVATEK.RU

is located in the mouth of the Gulf of Ob, approximately 125 kilometres far from the Arctic port of Sabetta. The discovery of the deposit may be an essential starting point for one of Novatek's future LNG projects in the Arctic region while the North-Obskoye field might be considered as a "unique" one, mainly due to its favorable geographical location and a huge resource base, the company's CEO Leonid Mikhelson said. The deposit will constitute a workplace for Arctic LNG 3, Novatek's third project of that kind both in and around the Yamal Peninsula.

Founded in 1994, Novatek has experienced a sharp rise in development over the last few years. Most of the firm's gas fields are located in Russia's Yamalo-Nenets Autonomous Okrug. In 2017, following the launch of the Yamal LNG project, the corporation managed to enter the world's gas market. Production at the Yamal LNG started in December 2017

while the second project was launched in September this year. This will allow Novatek to increase its LNG output to 11 million tonnes per year, compared to 5 million tonnes produced by the company by late September. The Arctic LNG 2 project is currently being developed on the Gydan Peninsula, on the eastern bank of the Ob River. Just as the Arctic LNG 3 venture, this undertaking will be implemented based on a floating gravitation-type production platforms built under the city of Murmansk. The Arctic LNG 2's resource base is located at the Utriennoye field, a deposit totalling more than 1.5 trillion cubic meters of natural gas and 65 million tons of liquids. Over the past year, Novak chairman Leonid Mikhelson earned as much as 4.4 billion dollars while a company's shareholder and Putin's friend, Gennady Timchenko, managed to secure the amount of 4.1 billion dollars.



SOURCE: GAZPROM.COM

23 October 2018

NOT ONLY BALTIC LNG PLANT: CLOSE TIES BETWEEN SHELL AND GAZPROM

Regardless of Western restrictions against Russia, Anglo-Dutch oil major Shell continues – and even tightens – its cooperation with Russia’s state-owned company Gazprom. There have recently been reports of the planned purchases of shares in one of the fields on the Yamal Peninsula. Such a transaction might have constituted the main theme of an October meeting between representatives of Gazprom and Shell in St. Petersburg. Officially, the talks were supposed to tackle joint projects, including Sakhalin II, Nord Stream and Baltic LNG.

In mid-October in St. Petersburg, Gazprom’s CEO held a working meeting with the Royal Dutch Shell delegation. Alexey Miller and Shell’s executive committee member Maarten Wetselaar discussed their cooperation in some joint projects, including the Baltic LNG venture. Both parties reviewed the preparation process for the construction of the third train of the LNG plant within the Sakhalin II project. As noted in Gazprom’s release, “particular attention was paid to the continuation of the Nord Stream 2 gas pipeline.” Gazprom and Shell are involved in the Sakhalin II venture, which includes

Russia’s first LNG plant. Apart from signing the memorandum to construct the next production train, both companies inked the Agreement of Strategic Cooperation. The Baltic LNG project envisages the construction of LNG plants with the annual capacity of 10 million tonnes in the port of Ust-Luga (Leningrad Region). In 2017, Gazprom and Shell signed a preliminary agreement to set up a joint venture to implement the project. On October 4, 2018, both companies signed a framework agreement on a joint Baltic LNG project.

A few days before the visit of Shell representatives in Russia, the Reuters agency reported that the Western company was in talks about purchasing shares in the oil and gas project from Russia's Gazprom Neft. It is about shares in Tazovsky fields on the Yamal Peninsula. Their resources are initially estimated at 438 million tonnes of oil and 186 billion cubic metres of gas. The field is not large as the projected maximum oil output amounts to 2 million tonnes per annum, which translates into no more than three percent of Gazprom Neft's current extraction. It has no major economic importance; nonetheless, its political significance should come first as such a state of matters would mean Shell's first return to Russia in the last four years, even in spite of the existing sanctions. The transaction is more profitable for the Russian firm, not only for propaganda reasons, while it is said that Shell may be interested in getting as

much as half of all shares. While for such an oil giant as Shell, half of the small deposit, which contains some cheap raw material, is not such important for the entire production process, it may significantly boost Gazprom Neft's financial benefits. Such situation seems particularly important for Russian companies, as they have seriously hampered any possibilities of raising funds from their foreign partners. Gazprom Neft is subject to the U.S. government's sectoral sanctions. Shell suspended some projects in the area of shale gas and oil extraction following the introduction of Western sanctions. Gazprom Neft plans to launch the Tazovsky project in 2021. It is intended to be a regular onshore oil field; in addition, it is not covered by any U.S. sanctions, which opens the way for companies that would be eager to cooperate with the Russians in shale, arctic and deepwater ventures.

24 October 2018

PUTIN VISITS INDIA TO MARK PURCHASE OF RUSSIA'S MISSILES

A large deal between Moscow and New Delhi for the purchase of five Russian S-400 missile defense systems may mark a breakthrough in the Russian-Indian partnership. Moscow aims yet again to become a leading arms supplier in the Asian market, thus referring to the Soviet times. The Kremlin hopes to gain substantial political influence in southern Asia at the expense of the United States as its main opponent. Russian officials consider Putin's trip to New Delhi as well as inking the deal to deliver S-400 air defense systems to be followed by subsequent defense agreements as the country's major geopolitical success.

India and Russia are currently forging ahead with their military cooperation, as exemplified by the establishment of a new department under the auspices of the India-Russia Inter-Governmental Commission on Military Technical Cooperation. It aims to "significantly deepen" bilateral defense ties. The new body will essentially focus on increasing partnership between the armies of the two countries, reviving lost-lasting military programs as well as organizing visits

and joint drills. Such information appeared shortly after the inking of an important arms contract between Russia and India.

In early October, Russia's President Vladimir Putin paid a visit to New Delhi, accompanied by a number of Russian businessmen and ministers. The official reason for the trip was to promote trade between Russia and India; however, in fact, the two countries sought to discuss considerable arms deals. Moscow's



SOURCE: KREMLIN.RU

major objective is to deflect such a lucrative market that it lost after the end of the Cold War. Most importantly, Russia managed to sign a \$5.43 billion contract on selling five regiments (ten batteries) of new and technologically advanced S-400 air defense systems. Back in October 2016, Russia and India have agreed to ink an agreement on S-400 missile defense systems during talks between President Putin and Prime Minister Narendra Modi in the Indian beach state of Goa. India is supposed to pay 15 percent of the deal amount at the time of the signing of the final contract while further settlement of the balance of receivables will rely upon subsequent delivery dates. The first S-400 set is to be commissioned within two years after the conclusion of the contract. For India, such a venture constitutes a vital step towards setting up a robust air defense system as Russia's S-400 Triumph is referred to as the

most technologically advanced system being able to simultaneously fight up to 10 aerial targets and to guide even up to 20 missiles. The Russian S-400 missile defense systems have a range of up to 400 kilometers.

However, the Indian government faces a great risk as Washington has already announced its readiness to impose bans on third countries under the CAATSA federal law if they transact with the Russian defense sector. Thus, facing such circumstances, Moscow may consider the fact of selling S-400 systems highly successful. Nonetheless, the Russian delegation failed to ink two other large deals during Putin's trip to New Delhi, including those on selling 48 Mi-17V-5 helicopters and four frigates of the Project 11356. Both contracts are worth a total of 3.3 billion dollars while discussions between the two parties are currently underway.



SOURCE: KREMLIN.RU

25 October 2018

U.S. NATIONAL SECURITY ADVISOR JOHN BOLTON GLADDENED MOSCOW'S "PARTY OF WAR"

John Bolton's October visit to Russia symbolically marked the end of the "Helsinki period", destroying hopes of some Russian politicians who hoped to impede the ever-increasing tensions in Russia-U.S. relations after the meeting in the Finnish capital. It is quite the contrary, though, as exemplified by a heated debate over the INF Treaty. Both Bolton's trip to Moscow, as well as some comments from both sides, seem to corroborate that the United States has the intention to withdraw from the deal. The current state of affairs is beneficial neither for President Vladimir Putin nor for the Russian supporters of the reset in the aforementioned relationship. Thus, Russia's leader has become a hostage of the "party of war" while all officials who advocate for the state's sharp political course in external policy apparently enjoy the situation, thus adding fuel to the flame. Such group comprises Russia's military officers and the Defense Ministry leadership; the latter has already managed to bring about a crisis in its relations with Israel – a U.S. key ally. Thus, Russia used Syria's war theatre yet again, this time aiming to hit the Americans.

Two days after Bolton's visit, Russia's Deputy Defense Minister, Colonel-General Alexander Fomin, publicly accused the United States of participating in the drone

attack on Russia's air base in Khmeimim. Back in January, the attackers attempted to assault the military facility with the use of unmanned aerial vehicles. The Russian army blamed the

Idlib rebels for conducting such offensive as well as its representatives suggested a direct involvement of some unidentified “third countries”. On October 25, during the Eighth Siangshan Security Forum in Beijing, Fomin announced that the Russian attack was coordinated by a U.S. Poseidon-8 spy plane. In his opinion, when the drones faced the Russian means of electronic warfare, the control over them was taken by the American aircraft.

Not incidentally, this serious accusation could be heard on Chinese soil as the country is traditionally considered by Russia to be its ally in disputes with the United States. There is no doubt that such a narrative is also part of the growing mutual accusations and threats related to the U.S. pulling out of the agreement. U.S. and Russian comments following Bolton’s trip to Moscow seem thus

to indicate that Washington’s withdrawal from the INF Treaty would be almost certain. The October talks looked completely different as they were held in a heavy atmosphere. John Bolton raised the issue of the Russian meddling in the U.S. election during meetings, warning against interference in the upcoming ballot. In addition, U.S. national security advisor laid a wreath at the place where Russian opposition leader Boris Nemtsov was killed, thus sending a kind of a signal to the Kremlin decision-makers. Nevertheless, Bolton’s June trip to Moscow, during which both parties make arrangement on the Trump-Putin summit, had a completely distinct character. It can be therefore admitted that both visits of the U.S. security advisor concluded a short period when the Kremlin strongly hoped for a change in the two countries’ bilateral ties

25 October 2018

GREAT GAME OVER THE INF TREATY

The order of events was not accidental: first, the Western press was informed that U.S. National Security Advisor John Bolton had pushed for President Donald Trump to withdraw from the INF Treaty with Russia. Shortly after, such a decision was publicly announced by the American leader before Bolton’s long-planned visit to Moscow. During his two-day trip, U.S. security chief held meetings with Russia’s top officials. It does not come as a surprise that their talks were dominated by the future of the INF deal. Bolton announced that Trump and Putin would meet in Paris on November 11 where the two are expected to attend events to commemorate the centenary of the end of World War One. Thus, it will be their first bilateral meeting since the famous Helsinki summit in July. It seems that Bolton presented some proposals and conditions to the Russians whereas Putin is supposed to consider them before holding talks with his American counterpart in the French capital.

The INF Treaty was signed by U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev on December 8, 1987, in Washington, DC. The agreement provides for liquidating intermediate-range ballistic missiles and medium-range missiles

as well as it forbids to produce, possess and launch ground-launched missiles of a range between 500 and 5,500 kilometers. Nonetheless, in 2008, it was said that Russia had been in violation of the landmark treaty as it had been developing the Novator



SOURCE: KREMLIN.RU

9M729 (SSC-8) cruise missile. The issue has been widely discussed both by the United States as well as the North Atlantic Alliance. On October 20, President Trump said his country would intend to pull out of the joint agreement. Officially, this was due to the attitude of the other party to the deal; nonetheless, it should be remembered that some world countries are willing to expand their arsenal of medium-range missiles, capable of transferring nuclear warheads. Washington claimed that the main threat in this respect would be China, nonetheless, the state is not a party to the INF agreement. This is why the U.S. administration seeks to discuss a new multilateral deal based on the hitherto treaty. Nevertheless, such an undertaking seems already doomed to failure as China will not agree to adopt a similar agreement; the country's nuclear potential is essentially based on medium-range ground-launched missiles, which are said to amount up to 90 percent of China's nuclear arsenal.

Nonetheless, there is a long way to go before the United States will actually withdraw from the treaty. Therefore, Moscow is aware that such attitude may be Trump's yet another game while U.S. threats of pulling out of

the deal are just an argument in the joint negotiations on some other issues. Bolton's visit to Moscow was perceived in similar terms; U.S. National Security Advisor held talks with his Russian counterpart Nikolai Patrushev as well as Foreign Minister Sergey Lavrov, Defense Minister Sergei Shoigu and President Vladimir Putin. Bolton introduced them to the American stance on the INF Treaty. If anything can change in this matter, after Putin's conversation with Trump in Paris where they will meet at World War One centenary commemorations. While their meeting will take place on the sidelines of the summit. Yet any breakthrough is unlikely to happen, the more so Russia expresses its disappointment with the U.S. policy following the July meeting in the Finnish capital. During the talks with Bolton, Putin stressed out that Moscow was surprised by the steps taken by the United States, which according to him, cannot be referred to as "friendly". Thus, Putin may find it difficult to get along with Trump during their Paris meeting, also in the case of the INF Treaty. Both the lack of U.S. concessions as well as the declaration to pull out of the INF Treaty seemingly strengthened the "party of war" in Moscow while stiffening Putin's expected positions at the Paris talks.



SOURCE: ENG.MIL.RU

26 October 2018

RUSSIA AND PAKISTAN TO HOLD JOINT MILITARY DRILLS IN THE PAKISTANI MOUNTAINS

The Russian and Pakistani armed forces have recently conducted annual military exercises under the slogan of “fighting with terrorists”. This year, drills were held in the Pakistani town of Pabbi. Such constitutes yet another manifestation of Russian-Pakistani military rapprochement, which is being carefully observed by both New Delhi and Washington. Yet this cordiality may exert a considerable influence on the further situation in neighboring Afghanistan.

On October 22-23, the armed forces of Russia and Pakistan carried out joint military exercises. They officially aimed to strengthen the two countries’ cooperation in their fight against terrorism and the ever-increasing threat from the so-called Islamic State in on the Afghan soil. The “Friendship III” strategic maneuvers were launched at the National Counter Terrorism Centre in the mountain town of Pabbi, the headquarters of Pakistan army’s Special Services Group (SSG). During the two-day drills, the servicemen from the two countries’ armed forces performed tasks at an altitude of 1,400 meters above sea level. A few days before, head of

the Russian Southern Military District had announced that more than 70 troops from one of the units stationed in the Caucasus would be deployed to the site. Shortly after, they turned out to be mountain shooters from Karachay-Cherkessia.

The first “Friendship” joint military drills took place in October 2016 in the headquarters of the Special Service Group (SSG) in the city of Cherat in northwestern Pakistan. Back in 2017, over 200 Pakistani troops participated in military maneuvers in the Russian base of Mineralnye Vody in the Northern Caucasus that were held at an altitude of 2,300 meters.

The 2019 edition is supposed to be hosted by Russia.

Russian-Pakistani relations have significantly improved when Moscow decided to lift the arms embargo on Pakistan in 2014. Such a decision strongly disappointed India, Russia's traditional political and economic partner in Southern Asia. Putin's recent visit to New Delhi constituted such an attempt to return to the favorable relations between the two countries. Speaking of Pakistan, it perceives Russia as its key regional partner, with particular regard to the current situation in Afghanistan. Furthermore, such partnership with Moscow is supposed to constitute a response to U.S. policy. In January

this year, U.S. President Donald Trump suspended all military aid for Islamabad and froze cooperation between the two countries, accusing the Pakistani authorities of hiding terrorists as well as undertaking insufficient efforts to stop the Taliban in Afghanistan. Naturally, Russia and Pakistan will choose Afghanistan as its main area for cooperation. The country comes close to the positions of Moscow and Islamabad towards the Taliban – and their unofficial support – and the so-called Islamic State, whose emergence and large importance seem troublesome both for Russia and Pakistan. The issue of the IS expansion was tackled at the July meeting of the leaders of the intelligence services of Russia, Pakistan, China, and Iran.

26 October 2018

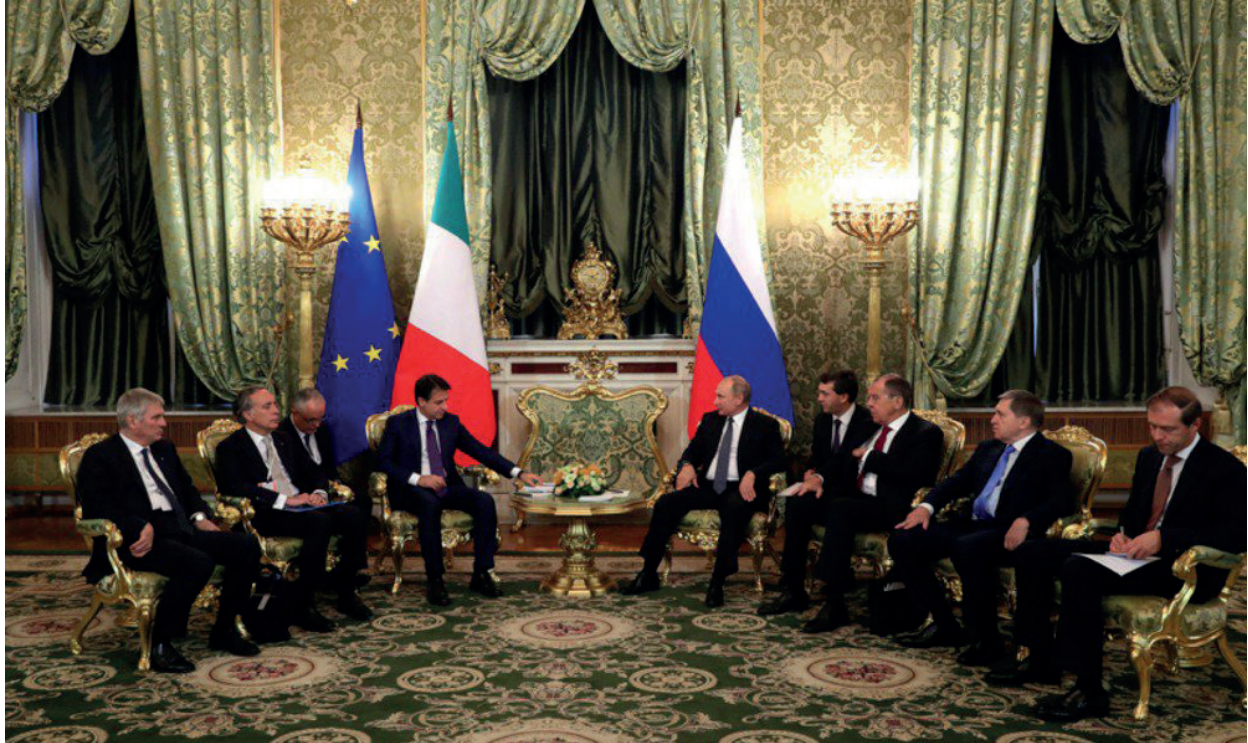
ITALY TO WITHDRAW FROM ROSNEFT PROJECT

Prior to the Moscow visit of Italian Prime Minister, a Russian government official confirmed Italy's energy company would have intention to withdraw from a joint venture with Rosneft in the Black Sea. In addition, such may also be the case of other projects in the Barents Sea. Eni seeks to pull out of the undertaking even though, back in spring, its CEO assured that the firm would still be present in Russia and it would continue to develop its further cooperation with local energy business concerns.

Following the completion of the first deep-water exploration well in the Zapadno-Chernomorskaya license area in March 2018, the Italian company used its right to abandon the project, Russia's government officials said. The decision was taken in March while only two months later, in mid-May, both parties denied these reports. Such information has not been confirmed until now. The firms are currently considering suspending projects in Fedynsky and Central Barents fields in the Barents Sea.

Eni and Rosneft have entered into an agreement on exploratory work on the Black Sea and Barents Sea shelf in June 2013. In 2017, the Italian company extended the

agreement with its Russian counterpart on the exploitation of deposits in the Barents Sea and in the Black Sea; currently, Rosneft holds as much as 66.67 percent of all shares while Eni owns the remaining 33.33 percent. Speaking of the Black Sea joint project, the companies have completed the drilling of the Maria-1 well; nonetheless, the undertaking did not bring the desired results as no oil was found there. Water depth at the site was 2,109 meters while the actual borehole depth was estimated at 5,265 meters. Officially, Eni decided to withdraw from the project due to the aforementioned lack of raw material. Yet Western restrictions against Russia may appear even much more significant. In August 2017, the U.S. administration adopted a new



SOURCE: KREMILN.RU

sanction package against Russia, thus limiting any financial aid for the country's oil and gas companies. Such was the reason behind the decision of U.S. ExxonMobil whose representatives announced in March 2018 that the corporation would pull out of some joint projects with Rosneft. Nonetheless, the Italian firm adopted a different standpoint. In mid-April 2018, Eni CEO Claudio Descalzi asserted that the cooperation between Rosneft and his enterprise would continue regardless of any further U.S. sanctions against the Russian Federation.

Italy's is one of Europe's largest gas importers of Russia gas. Each year, it purchases as much as 21 billion cubic meters of the raw material, which covers 29 percent of all the gas supplies to Italy. The reports of a withdrawal by Italy's Eni from the joint venture were released just a few hours before Conti's arrival in Moscow.

On October 24, Giuseppe Conti held a meeting with President Vladimir Putin and his Russian counterpart, Dmitry Medvedev. It was Putin's first meeting with the current head of the Italian government. The Kremlin hopes to tighten its cooperation with Italy's new government, considered as the most Russia-friendly government in the European Union. Thus, Conti's trip to Moscow will give impetus to the political partnership as the economic cooperation between the two countries keeps flourishing. According to the data provided by Russia's government, between January and August 2018, trade turnovers between Italy and Russia came to 17.4 billion dollars, which constituted a 14.8-percent rise compared to the analogous period in 2017. Russian exports amounted to 6.9 billion dollars, noting an increase of 10.9 percent, while its imports reached as much as 10.5 billion dollars (a growth of 11.8 percent).



SOURCE: PREMIER.GOV.PL

28 October 2018

GAS GAMES: POLISH-RUSSIANS TENSIONS OVER A NEW LNG DEAL

A spokesperson for the Russian Ministry of Foreign Affairs expressed a department's harsh reaction to the statements of Polish politicians who had previously criticized the Nord Stream 2 gas project. Yet the standpoint of Warsaw has been known for a long time as it tended to be sometimes publicly expressed. So what is the reason behind Moscow's diplomatic attack? Such a situation does not only entail any political judgments but it also incurs some specific business activities, as exemplified by the latest decision of Poland's state-run gas firm PGNiG to seal a long-term deal to buy liquefied natural gas (LNG) from the United States.

During the latest briefing by Russia's Foreign Ministry, the spokeswoman Maria Zakharova stated that Poland was making an attempt to "politicize energy cooperation". It is all about the recent statements of some Polish politicians who sought to express their opinion on the Nord Stream 2 project. Zakharova criticized the comment by Poland's Foreign Minister Jacek Czaputowicz who claimed that Nord Stream 2, apart from posing threat to energy security in Europe, had a military dimension as it could give Russia the opportunity to patrol

the area of the Baltic Sea. In addition, the spokeswoman referred to the comment on Nord Stream 2 made by President Andrzej Duda who largely discussed the topic even at a joint press conference with his U.S. counterpart Donald Trump. Yet particular attention should be drawn to Zakharova's remark on liquefied natural gas. In spite of not being asked about it, she overtly attacked Poland for the state's increased imports of U.S. gas. "Each European country has the right to buy pipeline or liquefied gas wherever it finds necessary", she reiterated, urging that "in

this case, there is no need to mislead or deceive anybody” and “if somebody buys a more expensive product to the detriment of its own economy and interests, that is a purely political decision.” Naturally, her remarks refer to the increase in Poland’s importance of American liquefied natural gas.

Certainly, Moscow could not be happy about the fact that the Polish oil and gas company PGNiG inked two long-term contracts for American LNG supplies. Poland will also increase the capacity of its gas terminal in the city of Swinoujscie. Nonetheless, Russia may be most irritated by the fact that American gas will be more than 20 percent cheaper than the raw material offered by Gazprom and purchased by PGNiG. Such a circumstance seems to undermine the thesis that has been long promoted by both Moscow and Berlin. The Polish-U.S. deal has been signed for the period of 20 years. This is the first long-term

agreement for the supply of American raw material to Central and Eastern European countries, which will certainly strengthen the Polish company’s position before the Yamal contract with Russia’s Gazprom is set to conclude in 2022. The day before the contracts were signed, PGNiG filed a complaint to the Court of Justice of the European Union to settle an antitrust case against Gazprom. In May, Russia’s state-owned gas enterprise Gazprom reached a settlement with the European Union, avoiding to pay huge penalties. Furthermore, the Russians might have been upset by news reports, according to which German Chancellor Angela Merkel decided that her government would co-finance the construction of an LNG terminal in the country. Additionally, the import of U.S. liquefied gas would make it possible to settle some ongoing disputes with the Trump administration.

28 October 2018

RUSSIA GETS NEW ALLY AS SHOIGU PAYS VISIT TO MONGOLIA

Not incidentally, this year’s edition of Russia’s military drills Vostok 2018 was attended by Mongolian servicemen. The state’s current authorities seek to strengthen their military cooperation with Moscow. Wedged between Russia and China, Mongolia seems to have no other choice.

Russia’s Defense Minister Sergei Shoigu paid an official visit to Ulaanbaatar. On October 18, he met with his Mongolian counterpart Nyamaagiin Enkhbold. During his visit to the country’s capital, Shoigu announced that Moscow had provided its neighbor with both the military and technical aid of the total value exceeding 13 million dollars. It was about equipping the country’s military airports with some means of technical ground security. Thanks to Russian technical assistance, the Nalaikh airfield will be able to receive new types of aircraft as well as to carry

out their ground service. It seems that the Russians intend to prepare a spare airfield for their jets in Mongolia as the location aviation does not dispose of such planes that could currently be accepted by the aforementioned facility. Located in one of the capital’s district, the military airport served as a Soviet air base under the communist regime. Furthermore, both ministers signed a long-term program on the development of the military partnership. The document provides for extending cooperation between the two countries in carrying out joint exercises in the field of



SOURCE: MIL.RU

military education. Russian service academies have already become the hotbed of Mongolia's high-ranking military officers. During his trip to Mongolia, Shoigu was awarded Red Banner Order of Military Merit, handed over by the chairman of The State Great Khural.

According to some previous forecasts, Khaltmaa Battulga, Mongolia's President since July 2017, adopted a much more pro-Russian attitude than his predecessor. The state's authorities consider their Chinese neighbor to pose a greater threat to the country, thus hoping Moscow to act as a counterbalance. Battulga, who campaigned under the slogan "Mongolia First", promised to fight against the country's increasing economic dependence on China. During the first year, Battulga focused on the economic aspect of Mongolian-Russian cooperation, as exemplified by a number

of joint agreements and contracts inked in various sector, including rail transport and nuclear energy. Naturally, Russia does not consider Mongolia in terms of the country's economic value, which seems to explain the reason why Putin and his generals had eventually decided to drag Ulaanbaatar to their "war camp". Such involvement was evidenced by the participation of Mongolian servicemen in the Vostok 2018 maneuvers followed Shoigu's visit to Ulaanbaatar that eventually resulted in the long-term military partnership program. In this way, Russia may boast of its yet another ally in the on-going conflict with the West. At the same time, the country seeks to ensure its position in the Far East – particularly towards China – as Moscow is perfectly aware of the Mongolian reluctance to its southern neighbor.



SOURCE: MIL.RU

29 October 2018

MORE TENSIONS IN THE SEA OF AZOV: RUSSIA TO SCARE ON EASTERN FLANK

Russia responded to joint EU and NATO allegations go blocking the sea passage to Ukrainian ports with the ever-increasing military activities in this region. The state's Black Sea Fleet launched military drills while Foreign Minister Sergey Lavrov reiterated that Russia would never agree to let any NATO vessels to enter the Sea of Azov.

The military drills of Russia's Black Sea Fleet began on October 26 in its base in Novorossiysk. According to official data, maneuvers, led by the Commander of the Black Sea Fleet, Vice Admiral Alexander Moiseyev, were attended by over 2,000 servicemen, backed by the naval infantry, who had at their disposal missiles boats, anti-submarine vessels, landing ships, coastal missile systems (Bal, Bastion and Bereg), aircraft, and helicopters. During the five-day drills, the Fleet sought to conduct both terrestrial and offshore maneuvers. The activities of the Black Sea Fleet intensified tensions in the area of the Kerch Strait that connects the Black Sea with the Sea of Azov.

On October 24, NATO Secretary General Jens Stoltenberg declared that the North Atlantic

Alliance was concerned about the situation in the Sea of Azov, expressing his full support for maintaining free sea lines of communication by Ukraine. He also pointed out that it would be important not only for the country but also to NATO allies. Recently, High Representative of the European Union for Foreign Affairs and Security Policy Federica Mogherini announced that Russia had controlled more than 200 vessels over the last six months. Ukraine called on the EU and NATO to impose further sanctions against Russia in response to its aggressive actions in the region.

On October 18, Russia's Foreign Ministry Sergey Lavrov overtly declared that Moscow would not allow NATO vessels to hold joint military drills with Ukraine in this water reservoir. Under the Russian-Ukrainian

treaty, any third-country ships need to be granted a consent of both states in order to enter the Sea of Azov. On the same day, two of the Canadian fighter jets, which stationed in Romania as part of the NATO mission, intercepted a Russian military aircraft that was approaching the Alliance's airspace over the

Black Sea. The CF-18s were scrambled after NATO had detected the Russian Su-27 aircraft in the vicinity of Romania where Canada has had at its disposal five fighter jets and 135 military personnel. Its participation within the framework of the Reassurance operation will end in December this year.



SOURCE: KREMLIN.RU

29 October 2018

RUSSIA TO “LAUNDER” IRANIAN OIL?

In April this year, it became clear that the United States would impose severe sanctions against Iran's oil sector. Since that time, Tehran sought to circumvent the blockade of its black gold exports to the outer markets. Naturally, Russia is perceived as the country's greatest ally in this respect. Moscow has always emphasized its reluctance towards U.S. sanctions while offering help to Iran. At the same time, the head of Russia's largest state-owned oil company has threatened the global markets with price spikes being results of the American restrictions. Unofficially, there are already some speculations on how Russia would possibly help Iran to gain oil revenues.

The chairman of Russia's largest oil company and one of the country's most influential people expressed his criticism towards the U.S. sanctions against Iran and

Venezuela, warning that they might lead to some “serious imbalances in the oil market”. It is all about U.S. sanctions against Iran's oil sector that are scheduled to be introduced on

November 5. Washington does not conceal its intention to zero out Iran's oil exports and it will push other states not to buy its raw material.

On October 25, Rosneft's CEO, Igor Sechin, delivered a speech at The Eurasian Economic Forum in Verona. He forecasted a rise in oil prices accompanied by a reduction in its global output, claiming that the price increase will be most suffered by Western consumers. Since President Trump's announcement to withdraw from the Iran nuclear deal, oil prices have hit 80 dollars per barrel. At the same time, Iran's oil exports dropped by almost half from April to October, from 2.5 million barrels a day to approximately 1.2 million barrels. Tehran is currently making the best of a bad job, pointing out that even though exports have fallen by a half, the profits remain at the same level. Such a state of affairs may be explained by the fact of the growing prices of the raw material. Saudi Arabia, OPEC's largest oil producer, has already

promised to cover any market deficiencies that resulted in U.S. sanctions against Iran. The state has the intention to achieve its goal by increasing its output by 1.5 million barrels a day. Yet Sechin commented that OPEC's output reserves could not compensate for the loss of Iranian oil in the global market. Rosneft's CEO argued that U.S. sanctions were to serve the country's domestic economic interests while constituting a direct threat to other countries, also those that were not subject to the restrictions. In his opinion, such an example may be Germany as the state may suffer considerable losses due to American sanctions against Russia. According to the "Times of Israel", back in September, Iran and Russia managed to reach an agreement on a special mechanism that would allow the U.S. sanctions to be eventually circumvented. The Russians would receive the Iranian raw material in order to process it and sell to global purchasers. Such an undertaking may be perceived in terms of Iranian oil "laundering".

30 October 2018

MOSCOW HOPES FOR IRAQ'S NEW GOVERNMENT

Following the recent parliamentary elections, Iraq has still to face a long and complicated process of forming its government. It seems that the country's ruling team will pursue even a more open policy towards Russia than the previous one. Speaking of Moscow, it hopes to deepen its military and economic partnership with Iraq as there has even emerged an offer to set the Russian permanent military presence on the state's territory.

On October 25, the Iraqi Council of Representatives approved the ministers of finance and petroleum whereas the vote to select subsequent candidates for other ministerial position is supposed to be held at a later date. Starting from October 2, Adel Abdel Mahdi will have exactly 30 days to form his cabinet and present it to the parliament. This 76-year-old economist enjoys wide support from the Fatah Alliance, a political coalition that came second in the May

parliamentary elections. The organization is allied with a Shiite paramilitary organization Popular Mobilization Units (PMU). Interestingly enough, Iraq's new PM started his political carrier in the Iraqi Communist Party whose members cooperated with the Soviets and the KGB security agency.

The government formation process is closely monitored by the Kremlin whose decision makers apparently seek to intensify



SOURCE: KREMLIN.RU

cooperation with Iraq ruled by a new government. Mohammed al-Halbousi, Iraq's new pro-Iran parliament speaker, has already met Russian Ambassador Maxim Maximov and has been invited to visit Moscow by the Chairman of the State Duma Vyacheslav Volodin. Such rapprochement between the two countries has been caused by their attitude towards the ongoing Syrian conflict. On October 14, Iraq's Foreign Minister Ibrahim al-Jaafari paid a visit to Damascus where he held meetings with his Syrian counterpart and President Bashar al-Assad. According to Iraqi politicians, the country's stability may be granted only if they show the Americans and Iranians that Baghdad can always count on Moscow's support. In this case, Russia is considered Iraq's emergency partner.

On October 4, 2015, the military from Russia, Iran, Iraq, and Syria agreed to establish a joint coordination and information center whose essential aim was to exchange knowledge and to solve substantial problems in their fight against the so-called Islamic

State. Such a venture has been depicted by Moscow as a positive example of military partnership between the two countries. In addition, Russia's Defense Ministry and the state-owned arms exporting agency, Rosoboronexport, have close cooperation with the Iraqi government, as evidenced by the establishment of a special intergovernmental commission. Iraq is the world's second largest importer of Russian arms in terms, taking place only to India. During a ceremony at the Iraqi embassy in Moscow, held in late September, Special Presidential Representative in the Middle East and the African Countries and Deputy Foreign Minister Mikhail Bogdanov did not rule out the possibility of deploying Russian servicemen to the country provided that Baghdad would give its consent to perform such a task. Furthermore, the Russians have recently raised the issue of deploying their troops to Iraq, thus referring to the Syrian civil war. Such an idea may suggest that the Kremlin is already taking into account one or more military bases in the Middle East, though this time on the Iraqi territory.



SOURCE: GAZPROM.RU

31 October 2018

GAZPROM AND UKRAINE FACE ANOTHER LITIGATION OVER GAS SUPPLIES

Russian state-owned gas giant Gazprom has filed an appeal against Ukraine to an international arbitration tribunal. It was about a fine imposed on Russia's firm almost three years ago by the country's Antimonopoly Committee for allegedly abusing its position in the gas transit through Ukrainian pipelines. This is yet another episode of the legal and financial wrangle between Russia's Gazprom and the Ukrainian authorities. Earlier, the court in the Swedish capital considered complaints from both parties related essentially to the provisions and further implementation of two large gas deals, both of them dating back to 2009. They provided for the purchase of gas by Kiev as well as the transit of Russian gas to Western countries, via Ukraine's territory.

Gazprom has lately announced that it had filed a complaint to the Stockholm arbitration tribunal in regard to the penalty imposed by Kiev's Antimonopoly Committee in 2016. In the light of its ruling, Gazprom was expected to pay a total of \$6 billion fine for abusing its monopoly position on the market for transmitting gas through Ukraine. According to Gazprom, such penalty can be referred to as unfair and unjustified while any steps undertaken by the Ukrainian side seem

to disrespect the company's rights under a 1998 investment treaty between Russia and Ukraine.

In January 2016, Ukraine's Antimonopoly Committee said it imposed a fine of \$ 3.5 billion on Gazprom for abusing its monopoly position on the market for gas transit services. In 2009-2015, the Russians allegedly violated the terms of their contract with Ukraine's Naftogaz as well as they had ignored any

requests to adjust both the volume and value of gas supplies to economically justified indicators. Back in December 2016, a court in Kiev ordered the amount to be paid off. Until now, it was possible to secure no more than 3.8 dollars due to the arrest of Gazprom's assets on the territory of Ukraine.

Gazprom's decision translates into the opening of a new legal dispute between Russia's state-owned gas giant and the Ukrainians to be eventually resolved by the international arbitration tribunal. In February 2018, the Stockholm court ruled that Naftogaz would pay off its gas for all gas that had been earlier supplied to Ukraine. Later, the arbitration

decided that Gazprom should pay Naftogaz 4.64 billion dollars as compensation for the shortage of gas under the transit agreement. Naftogaz announced that after deducting the sum owed to Gazprom, the Russians should pay 2.56 billion dollars. However, Gazprom disagrees with the ruling. The Russians first asked the decision to be partially abrogated; later, they claimed the ruling to be completely repealed. Naturally, they had no intention to pay the fine. Facing such a situation, Ukraine's Naftogaz sought to force Gazprom to reimburse all costs by filing lawsuits in Western European countries that aimed to secure the arrest of the gas giant's assets on their territories.

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