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SOURCE: KREMLIN.RU

4 February 2019

SECHIN WANTS FURTHER RELIEFS FOR RUSSIA'S LARGEST OIL FIELD

Russian state-run oil giant Rosneft hopes to be granted some tax reliefs while exploiting the Priobskoye field, as indicated by a letter submitted to President Vladimir Putin by the company CEO Igor Sechin. Everything seems now to indicate that his request will be positively considered, meaning that the state budget will lose a total of 460 billion roubles in a ten-year period. This confirms that Sechin's company runs under special conditions while enjoying support from the Kremlin authorities. Yet it is not only about the firm's CEO personal influence but rather Rosneft's role in Russian politics, as evidenced by some oil ventures in Venezuela.

Igor Sechin has asked President Putin for additional allowances for the country's largest oil deposit in the Priobskoye field. The letter sent in December 2018 is another request of Rosneft's boss for specific tax breaks for the firm. If Russian authorities accepted Sechin's application, a new tax break for Rosneft would cost the state budget a sum of 460 billion roubles within 10 years. Sechin claims that thanks to state support his company will be able to boost oil output in the deposits that comes as unprofitable.

The question emerges what such tax breaks should consist in. It should be a significant deduction in Mineral Extraction Tax (MET), while the same mechanism had been earlier applied in the case of the Samotlor field. Back in 2017, Rosneft was granted ten-year tax breaks for a total sum of 350 billion roubles for exploiting the Samotlor oil deposit. Oil extraction from both deposits is slowly decreasing, amounting to 19.5 million tonnes per year in the Samotlor field and 25 million tonnes in the Priobskoye field.

Igor Sechin asked for further reliefs for Western Syberian deposits back in the summer of 2018 when he promised to boost oil output while increasing revenues to the state budget by more than 1 trillion roubles by 2024. His request was subsequently backed by Russian Energy Minister Alexander Novak and Deputy Prime Minister Dmitry Kozak. Nonetheless, Finance Ministry is now against tax deduction for the Priobskoye field as Rosneft already enjoys a number of tax breaks, mainly MET rates, while carrying out works in this area. For the time being, Russian Energy Ministry refrains from commenting on the issue. The Priobskoye field was discovered in 1982. Its geological reserves total 2.4 billion tonnes, making the deposit a crown in the jewel of Western Siberian oil resources. It is located in the Khanty–Mansi Autonomous Okrug of Western Siberia, along both banks of the Ob River. Resources on the left bank started to be exploited in 1988 while those on the right bank – in 1999. Rosneft is in charge of controlling the northern and central part of the field while Gazpromneft exploits the southern one.

Everything seems to indicate that Putin will give a positive answer to Sechin's request as former deputy minister, who is now heading the country's most influential oil firm, enjoys the Kremlin's full support. Back in 2014, Sechin asked a 1.5-trillion loan from the National Prosperity Fund, an amount that eventually rose to 2.4. trillion roubles. This was followed by further reliefs, including those that applied to the Samotlor field. Interestingly, other oil firms sought to ask for tax breaks to exploit difficult deposits yet they all failed to receive such concessions. Even complaints to Prime Minister Dmitry Medvedev were in vain as it is the Kremlin that has the last word in all oil-related issues. Nonetheless, President Putin stated explicitly that Rosneft is the only firm that desires to be granted such substantial concessions.

4 February 2019

PUTIN ANNOUNCES NEW MISSILES AS RUSSIA AND US GET INVOLVED IN ARMS RACE

This was to be expected: U.S. decision to withdraw from the landmark INF Treaty was followed by the Kremlin's same step. Russian President Vladimir Putin informed on February 2 that this country intends to suspend its obligations under the arms control deal while saying he had recommended expanding Russia's medium-range missile arsenal, including advanced works on a brand-new supersonic nuclear missile system. Final results of a joint meeting of the Kremlin officials and foreign and defense ministers are first and foremost of propaganda character. Putin needed to take a firm stance, which is both a signal for the Russian public and an element of his game with the West. While making an attempt to scare the world with a new arms race, the Kremlin seeks to embolden discrepancies between Washington and some EU states that still call for saving the arms control deal even though they apparently accepted the U.S. step.

As we wrote a few days ago, last-ditch talks, which were held in Beijing to save the landmark INF treaty, failed to bring any results. The Trump administration announced

SOURCE: KREMLIN.RU

on February 1 its intention to launch a procedure to quit the deal starting from February 2. Now the Russian side needs to return to comply with the agreement within the six-month withdrawal period. Naturally, Moscow does not intend to do so as the Russian army has already been equipped with 9M729 Novator nuclear-capable cruise missiles that constitute a blatant breach to the INF deal. Also the same day, President Vladimir Putin convened a meeting of the Security Council of the Russian Federation, during which specific decisions on how to deal with U.S. current activities needed to be made. The public was informed only the next day when President Putin announced Russia's plan to quit the agreement, a statement that came during a meeting with Sergey Lavrov and Sergei Shoigu. He also urged both ministries not to initiate U.S.-Russian talks on this matter; instead, Russia will start working on its medium-range missiles, which is a lie as Moscow has long developed such plans.

During the meeting, the Russian officials announced it had already launched further works on a supersonic medium-range ground-based missile. President said also he agrees with Shoigu's proposals to create a land-based version of the Kalibr launchers. Much more is said about Moscow's intention to build a new medium-range hypersonic missile. Russian army may revive the upgraded versions of the famous SS-20 missile and the 3M22 Zircon hypersonic missiles as well as conduct further works on the RS-26 Rubezh ICBM or build new variants of R-500 and Kinhzal missiles, Russian media quoted experts as saying. Creating of a new missile may take up to a year and a half, experts claim.

SOURCE: KREMLIN.RU

5 February 2019

RUSSIA OFFERS TO MEDIATE BETWEEN HAMAS, FATAH AND ISRAEL

Russian diplomatic activity boosted as the country decided to interfere in the Middle East's most sensitive conflict. Russia's Foreign Ministry offered to host a meeting between Hamas and Fatah leaders, a step aimed at reconciling Palestine's two parties. But that is only the first stage as it is much more important to come up with an appropriate mediation plan between Palestinians and Israel. The Kremlin intends to assume the hitherto role of the United States, yet its initiative seems already doomed to failure.

Moscow has voiced its readiness to hold a meeting of representatives of Fatah and Hamas to resolve the hostility between the two main Palestinian political parties. All attempts to restore a reconciliation dialogue eventually came to a deadlock following the bomb attack that hit the convoy of the Palestinian Authority's prime minister and head of the Palestinian intelligence services on their way to the Gaza Strip in March 2018. The Palestinian government accused Hamas of standing behind the blast while the latter denied all accusations. All efforts to mediate that have been made by Arab countries failed to bring any satisfactory results, though.

Russia's Foreign Ministry has invited Hamas Chief Ismail Haniyeh to visit Moscow, where he was to meet Fatah representatives. Haniyeh finally decided to accept the invitation. Palestine's Fatah expressed its eagerness to implement its agreement with Hamas, which was sealed in October 2017 after a meeting in Cairo, and to restore a dialogue that was eventually halted following the assassination of the Palestinian Prime Minister. Russia's recent undertakings to host reconciliation talks between the two main Palestinian political parties are nothing new: back in June 2015, the Kremlin had volunteered to arbitrate between the two blocs, an idea that remained just a futile initiative. Over the past few months, a number of Palestinian delegations paid a visit to Moscow, including those of the country's Foreign Minister and of the country's organizations: Palestinian Islamic Jihad (PIJ), Hamas and Popular Front for the Liberation of Palestine.

Moscow may play only an auxiliary role towards Egypt's position in the Palestinian issue, experts were quoted as saying. If Cairo, which may exert pressure on both Fatah and Hamas, was not yet able to bring about a breakthrough, it is hard to expect Moscow to succeed in this matter. Instead, Russian initiative should be treated in terms of an element of a larger role to be played in the Israeli-Palestinian negotiations. In late July, Russia made an unsuccessful attempt to hold a meeting between Palestinian President Mahmoud Abbas and his Israeli counterpart Benjamin Netanyahu, the latter of whom turned down the invitation. Russian diplomacy intensified its activities in this part of the Middle East after the Palestinian government and the U.S. presidential administration had experienced a deep crisis in their bilateral relations in December 2017 after by Trump's controversial decision to recognize Jerusalem as the capital of Israel. Palestine's Foreign Minister visited Moscow in late December while President Abbas made two trips to the Russian capital. Nonetheless, there is little chance for Russia-mediated Israeli-Palestinian talks to be ever initiated: Israeli leaders find direct negotiations pointless until the United States presents a new peace plan. Many Israeli officials claim that Moscow seems to act in favor of the Palestinian side, as exemplified by Russia's December veto against a U.N. resolution condemning militant group Hamas for firing rockets into Israel that expressed sharp criticism over Hamas leader invitation.

6 February 2019

CENTRAL ASIA MAY HOST NEW RUSSIAN MILITARY BASE

Moscow is paving its way for making a final decision to launch another military base in Kyrgyzstan. Such a step came as an aftermath of Sergei Lavrov's recent visit to Bishkek. Despite previous behind-the-scenes talks, none of the sides seems eager to play the role of an initiator. Nonetheless, deploying additional Russian forces to Kyrgyz soil is part of the Kremlin's aggressive policy of fielding troops in some strategically important regions of the world. The stakes are high concerning another area where Russia has long competed with the United States, which is due to Afghanistan as the country neighbors with former Soviet republics of Central Asia.

Russian Foreign Minister paid a visit to three Central Asian countries, with Kyrgyzstan as his first stop on a trip. Speaking to students on February 4, Lavrov was asked whether Russia was prepared to open a second base in the Central Asian country. The Russian official, who had earlier met with senior officials, claimed that "this is the first time he heard about this," yet adding that "this is not our [Russia's] initiative." "We will be ready to discuss with our Kyrgyz friends their ideas regarding security.", he argued. Kyrgyzstan hosts Russia's air base at Kant that operates in the northern part of the country. It was inaugurated in 2003 under the auspices of the Collective Security Treaty Organization (CSTO), which includes Russia, Kyrgyzstan, Armenia, Belarus, Kazakhstan, and Tajikistan. In 2017, the Kant airbase and three other Russian military facilities in Kyrgyzstan,

SOURCE: ENG.MIL.RU

including a fleet communication point, seismic station, and torpedo testing center located at Issyk Kul lake in Karakul, were formally combined into a single base. Russia's lease of the Kant military air base is bound to expire in 2032. A U.S. air base outside the capital, Bishkek, began hosting U.S. troops in 2001, playing an important logistic role during the military operation in Afghanistan. Nonetheless, it was shut in 2014 under Russia's pressure.

Rumors about Russia's second military facilities to be installed in Kyrgyzstan have been circulating for a long time. Back in February 2013, Kyrgyz press reported on Moscow's intention to establish a base in the Osh province which is of crucial strategic significance. Former Kyrgyz President Almazbek Atambaev was in favor of boosting Moscow's military presence in the country. Back in 2017, he claimed that Russia could deploy troops in the Batken region on the Kyrgyz-Tajik border. In December 2017, Russian Deputy Foreign Minister Grigory Karasin admitted that there is no need to establish a new military base as the Kant airbase is able alone to counter all possible threats. In March 2018, new Kyrgyz President Sooronbai Jeenbekov said that the idea of a second Russian base was discussed before he was elected president in October 2017, yet that no decision was made. He claimed that Moscow has not made a final decision on setting new military facilities on Kyrgyz soil. In December 2018, Sooronbai Jeenbekov said that Bishkek was not negotiating with Moscow on the possible opening of another Russian military base. Now Lavrov clearly communicated Moscow's intention to launch new military facilities provided that the Kyrgyz authorities give green light to such an undertaking.

It should be expected that Russia will be keen to increase its interest in expanding military presence in Central Asia, which is due to the current situation in neighboring Afghanistan where the U.S.-Taliban peace talks are currently underway. Kyrgyzstan is the most pro-Russian country in the region, as evidenced by the fact that 90 percent of the population considers Moscow in terms of an ally. Although Russian minority accounts for 6 percent of Kyrgyzstan's total population, Russian maintains its position of the country's second official language. Kyrgyz people watch almost exclusively Russian television whereas President Vladimir Putin enjoys greater popularity than local politicians. Russia's Federal Security Service (FSB) is in charge of taking control over Kyrgyz special services while Gazprom has declared its intention to increase stakes in the local gas sector, from 22 to 69 percent. Moscow is against Kyrgyzstan's plans to develop rail connections with China so the Kremlin may be satisfied with anti-China protests that sparked in the country.

SOURCE: ENG.MIL.RU

11 February 2019

RUSSIAN-TURKISH TIES FACE DIFFICULT TIMES OVER SYRIA'S IDLIB

On February 9, military branches of the Kurdish-Arab SDF alliance, backed by the U.S.-led international coalition, launched an armed offensive against ISIS's last remaining stronghold east of the Euphrates River. This means that Turkey and Russian and Iranian-backed al-Assad's regime need to refrain from initiating armed operations against Kurds and the rebel-held Idlib province respectively. Ankara and Moscow have continued to hold bilateral talks on regulating the situation in northern Syria after Washington decided to pull out of the country.

The massive influx of refugees from other rebel-controlled enclaves changed proportions within a group of the fighters in the Idlib region. Earlier the region had been kept by moderate Free Syrian Army and Turkey-loyal Islamist fighter while it is now occupied by a jihadist group from Hayat Tahrir al-Sham (HTS), previously known as al-Nusra Front. The HTS managed to gather almost all Syrian-based Al-Qaida groups under its banner, which emerged as a handy excuse for both al-Assad and the Kremlin to take over the rebellion's last stronghold. In September 2018, Ankara voiced its harsh criticism over the issue. Russian President Vladimir Putin and his Turkish counterpart Recep Tayyip Erdogan agreed to set up a demilitarized zone as a buffer between the Syrian army and the separatists at a bilateral summit in the Black Sea resort of Sochi on September 17. The 15-25 km zone would protect the Idlib province against al-Assad's military aggression while keeping Islamist fighters inside the zone. Nonetheless, radicals have recently seized control over the province's territory, which popped up as a convenient excuse for both Moscow and the al-Assad government to mount an offensive that had been suspended in autumn 2018. Russia holds an interest in destroying the rebel-held province as among its forces are 900 Russian-speaking Islamic fighters, mainly from Chechnya, Uzbekistan and Kyrgyzstan as their return to their countries is worrisome for Moscow.

Nevertheless, attacking the Idlib province without Turkey's consent will act to the detriment of the ever-closer ties between Ankara and Moscow. Interestingly, the latter has the intention to persuade Turkey to withdraw from the North Atlantic Alliance. In addition, the Turks keep defending the truce in the Idlib region as they are afraid of Syrian Kurds who seem to have entered in cooperation with the government in Damascus. A Turkish delegation, featuring Foreign Minister Mevlut Cavusoglu, Defense Minister Hulusi Aka and National Intelligence Organization Chief Hakan Fidan, recently paid a visit to Moscow. The Kremlin voiced its dissatisfaction over seizing power in the Idlib province by jihadist forces while the Turkish top officials flew particular attention to the threat posed by the Syrian Kurds. Following the U.S. withdrawal from the country, they are likely to reach an agreement with al-Assad, thus putting Turkey's southern border at risk. No formals details were detailed after the talks in Moscow; it was announced that both sides agreed to pursue further actions under the 1998 Adana agreement with Syria, in accordance to which Syria is obliged to prevent any activities from being carried out on its territory that would bolster the PKK-related Kurdish military branches. It is noteworthy that Turkey regards the YPG as the Syrian arm of the PKK. Undoubtedly, this emerged as a temporary solution that did not satisfy any of the parties concerned: Ankara claims that Kurds are still strong and armed, Moscow is afraid of Islamists' ever-growing influence in the Idlib province while Damascus cannot seize power in the region and reaching an agreement with the Kurdish-led SDF forces might be badly received.

13 February 2019

PUTIN DISMISSES NINE HIGH-RANKING GENERALS

Russian President Vladimir Putin has signed a decree on dismissing nearly a dozen of senior military officials that held governmental positions. Most changes affected Russia's Ministry and the Investigative Committee of Russia (ICR) where sacked officials were in charge of conducting high-profile investigations. Massive purges are likely to come as an immediate aftermath of arresting Russian officials, "siloviki" (members of security services police and armed forces) and businessmen on corruption charges, an example of which was detaining people who had close links to the Arashukov family.

Subject to a presidential decree published on February 8, 2019, Vladimir Putin replaced senior officials who held high-level positions in the Investigative Committee and ministries of Interior and Emergency Situations, as a result of which nine generals and two colonels were sacked. Most importantly the chief of the directorate to prevent corruption in Moscow's police force has been fired while the further list of dismissed officials includes General Sergei Solopov who earlier had been forced to retire as he had refused to assume a different position. Similarly, General Irina Zeibert has been relieved from the post of a senior aide of the Chairperson of the Investigative Committee of Russia, Alexander Bastrykin, and Sergey Umnov, who has served as chief of St Petersburg and

SOURCE: KREMLIN.RU

Leningrad region police since March 2012, was recently appointed aide to Interior Deputy Minister Vladimir Kolokoltsev. Further, Putin replaced the Head of the Main Directorate of the Ministry of Internal Affairs for Countering Extremism, Major General Timur Valiulin with General Oleg Ilinykh, which was due to an undeclared property in Bulgaria owned by the former. As for acting Russian Interior Ministry's Migration Department General Valentina Kazakova, she has been officially assigned to the post while a month earlier, she had been appointed to replace Olga Kirillova. Particular attention should be paid to a designation of Colonel Edouard Filippov to a position of First Deputy to the Head of General Administration for Economic Security and Combating the Corruption of the Russian MIA; as a commander of the Moscow Region Spetsnaz unit, Filippov was awarded for conducting special operations in the North Caucasus.

Also, the Moscow Region head of the Investigative Committee of Russia Andrei Markov left his post after 11 years as he was transferred to a less influential position in the Committee headquarters. A promotion was awarded to Sergey Novikov, who so far was responsible for leading investigation in the high-profile corruption case in the General Administration for Economic Security and Combating the Corruption of the Russian MIA. Interestingly, Denis Sugrobov, the former head of the institution and its youngest general, is the main defendant in the case. In this manner, General Novikov was assigned to a post of senior investigator accounting for top cases in the Investigative Committee. With the decree, Vladimir Putin sealed twenty personnel changes in the Ministry of Interior, seven in the Investigative Committee and several substitutions in the Ministry of Emergency Situation and the prosecutor's office.

SOURCE: ENG.MIL.RU

14 February 2019

RUSSIA HOLDS LARGE-SCALE MILITARY DRILLS

Russia has launched what it called its largest military drills this year, with thousands of troops taking part and hundreds of equipment involved. Even if all eyes are on the Southern Military District, Russia is holding its war games across the country, also in the direct vicinity of the NATO borders.

Russia's Airborne and Air Force servicemen arrived on February 13 at two operational airfields in the Pskov Oblast, thus giving a signal for military drills to start. Under the drills' scenario, paratroopers are supposed to practice air trooping to a place where the conventional battle is to take place, carrying out a mock airborne assault. As estimated, the maneuvers involved 2,000 airborne troops, 300 pieces of combat and specialized equipment, more than 20 aircraft and transport, assault and operational-tactical helicopters. Large-scale war games began the same day in southern Russia; they are attended by 7,000 servicemen who have at their disposal 2,000 pieces of military equipment. The drills are being held in a total of 15 training grounds in the country's Southern Military District, also those that are located by the Russian-Ukrainian border, in Crimea, the North Caucasus and Russian-occupied republics of Abkhazia and South Ossetia. Some 50 aircraft and helicopters, assisted by 20 teams of unmanned aerial vehicles, were sent to the spot along with land-based units of the Black Sea Fleet and the Caspian Flotilla. One of the drills' largest component encompassed infantry maneuvers carried out by the Army Corps of the Black Sea Fleet that included both defensive activities as well as airborne assault at the rear of the enemy's military units. Among the participants were air forces of the Southern Military District and 500 troops of motorized subunits of the coastal defense brigade that used 100 pieces of military gear (including T-72 tanks and BTR-80 amphibious armored personnel carrier).

Inaugurated on February 13, the drills seem to have inaugurated the season of what is called Russia's large maneuvers that will be intensified, Russia's Defense Minister

Sergei Shoigu said. They are to test combat experience achieved by Russian Armed Forces when participating in a number of "contemporary armed conflict", including first and foremost the military offensive in Syria. Artillery units, as well as motorized and armored brigades, were deployed to the site to conduct a series of joint tactical maneuvers along with engineering departments, Spetsnaz units, and air-aircraft defense branches. Also, the drill scenario provided for using chemical and biological defense units as well as those tasked with conducting radio-electronic warfare activities.

SOURCE: KREMLIN.RU

15 February 2019

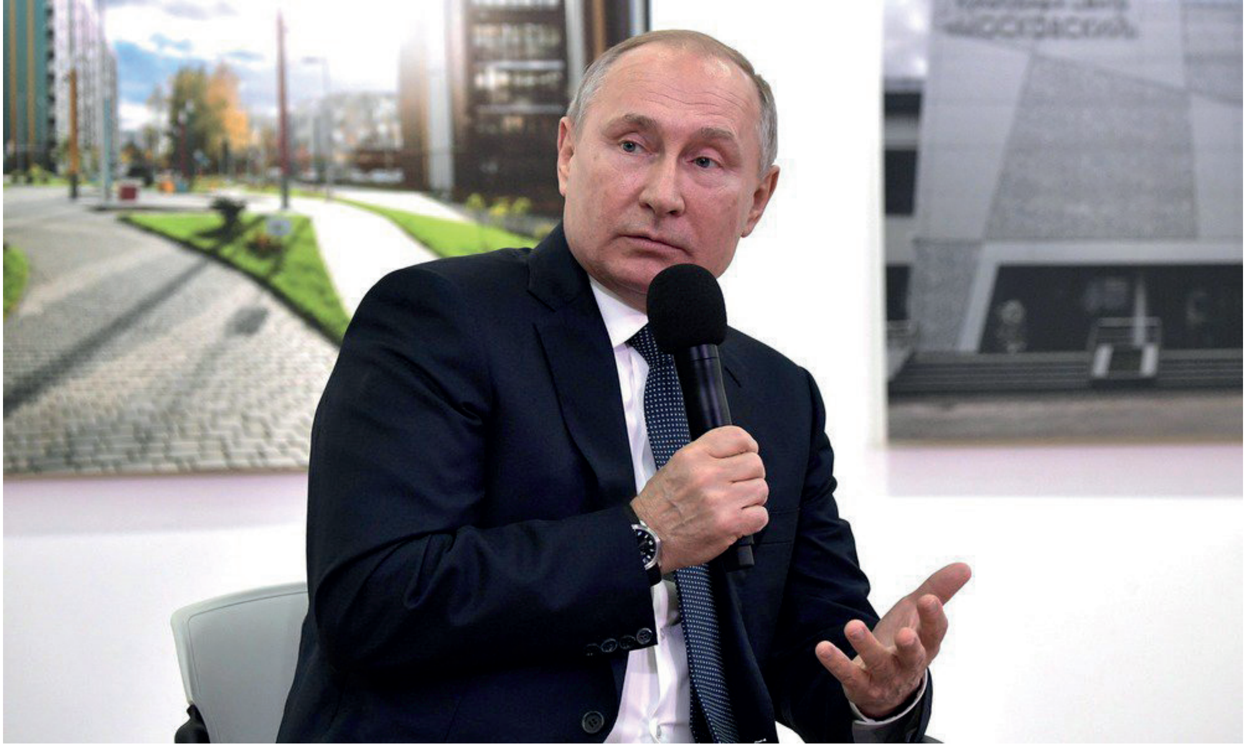
PUTIN VERSUS ERDOGAN, OR THE SOCHI SUMMIT

A trilateral meeting held in the Black Sea resort city of Sochi was expected to break the deadlock over Syria's thorniest problems, including the presence of terrorists in the rebel-held province of Idlib and the future of the Kurd-controlled zones following the U.S. withdrawal. However, the Astana triangle with the presence of Iran, Russia and Turkey, did not bear fruits, meaning Putin's failure. Russia seems most interested in settling both disputes as soon as possible as they increasingly damage Moscow-Ankara cooperation.

Russia, Turkey and Iran agreed that the U.S. pullout from Syria will have a positive effect, Russian President Vladimir Putin said on February 14 after trilateral talks with his Iranian and Turkish counterparts. In fact, it was the only issue towards which all three countries managed to develop a common stance. Moscow and Ankara cannot reach a consensus over Syria's rebel-held enclave of Idlib and Kurd-controlled areas. The Kremlin is striving to destroy the last rebel stronghold, which is also due to a stronger position of radical Islamic terrorists that hold close ties to al-Qaeda. Putting Idlib under siege could pass for the end of the civil war and the victory of Bashar al-Assad who enjoys support from Russia and Turkey. The latter stands against an armed operation in Idlib, claiming that a potential military intervention threatens to trigger a humanitarian catastrophe and entail a risk of refugee influx across Turkey's borders. Most importantly, Erdogan intends to use the Idlib issue as an argument to neutralize a threat from the Kurds.

Following the U.S. withdrawal from Syria, lone Kurdish military units will seize control over a huge area east of the River Euphrates. Turkey claims that such a situation may pose a threat to its borders, demanding to establish a buffer zone in northern Syria. However, the idea was dismissed by Putin and Rouhani during the Sochi summit, both of whom told Turkey it had no right to create such a safe zone unless it sought and received the consent of Assad. Russia and Iran refused to be intermediaries so theoretically Turkey needs to address al-Assad to discuss the matter. Such a solution seems unacceptable to Ankara that ceased to maintain diplomatic relations with the Syrian regime in 2011 while Bashar al-Assad will almost certainly not give his consent. Instead, under the Syrian-Russian-Iranian plan, the Kurds, threatened by a plausible Turkish invasion, will be more prone to recognizing al-Assad's sovereignty while letting the government forces infiltrate strategic places, a price of which would be promises of both security and some indefinite autonomy. Since some time, it has been already known about cooperation between the Kurds and forces loyal to al Assad's regime, fuelled by a report that the former allegedly sold oil extracted on the controlled zones to the government in Damascus.

Russia intends to settle disputes in the Idlib region and the northeast of the country as soon as possible as the Kremlin fears that the Trump administration could ultimately withdraw the decision on the U.S. pullout from Syria. In its turn, Turkey is in no rush: Erdogan is facing local election in March while the U.S.-Turkish negotiations are still underway. The Astana Triangle is undergoing the most acute crisis since the initiative was established; so far it has conferred some benefits to Russia and Syria, though Moscow does not want to risk a potential conflict with Turkey for other reasons. Profiting from a political rapprochement on the Syrian issue, Moscow is capable of exerting a stronger influence on Ankara's policy towards the West and the country's position in NATO and in its relations with the United States. Putin's success would be greater if Moscow managed to persuade Turkey to withdraw from the North Atlantic Alliance, while their mutual ties are additionally fostered by gas and armaments cooperation As evidenced by the Syrian case, political rapprochement between Turkey and Russia acts to the detriment of Europe and the West.



SOURCE: KREMLIN.RU

17 February 2019

PUTIN INTRODUCES AMENDMENTS TO "THIEVES IN LAW" REGULATION

Russian President Vladimir Putin submitted a draft law to introduce a new article of "taking the highest position in the criminal hierarchy" to the Criminal Code of the Russian Federation. This aims at targeting "thieves in law" and leaders of organized criminal groups (OCG, Russian: OPG) who may face from 8 to 15 years in prison and a fine of up to 5 million roubles.

Under Putin's draft enactment, criminal liability is also foreseen for participating in illegal gatherings held by criminal bosses (or "authorities") to make decisions on committing crimes qualified as a serious offense. In the light of new legislation, it is a crime threatened with 12 to 20 years in prison. Furthermore, Putin proposed to increase fines to five million roubles under a legal article on participating in a criminal group. Importantly, all individuals condemned by the virtue of the articles above can neither be subject to a suspended prison sentence nor can they pledge for leniency. An offender convicted pursuant to more than one articles from the above may be imprisoned for a maximum period of 30 years.

In addition, Vladimir Putin made a proposal to exempt leaders of organized crime groups from criminal liability if they deliberately terminated their membership within criminal groups and contributed to the discontinuation of their activities.

The situation of the regime is no longer conducive to Putin's rules as social moods ceased to act in favor of the president and his inner circle. The Kremlin seems to be aware that some rebellious Moscow's officials might make an attempt to give Putin and his close friends to the citizens in an effort not to establish real democracy in the country. This was also evidenced by Surkov's famous article on the future of the regime. Not surprisingly, Putin intends to anticipate such moves by taking adequate steps. The recent detainments of the Arashukov family members so far have been the most spectacular show, incomparable to those of Ulyukayev and Belykh, serving as a warning for potential rebels. Putin's latest proposals may be thus interpreted in the same way. Since the emergence of the post-Soviet Russia, organized criminal groups have had close ties to country's special services while such an alliance and mutual interrelations between the security apparatus and criminal structures became an element of Putin's state policy. The Russian mafia is often tasked with performing activities commissioned by the services, which come in useful in various European countries. Interestingly, despite lowering approval ratings for the president and the government, Russian citizens tend to assess the army positively, meaning that the military is likely to get a decisive role in the event of a potential palace coup.

17 February 2019

RUSSIA'S GAZPROM DICTATES ITS OWN TERMS IN CAUCASUS

Russian Gazprom uses its dominant position in the region to enforce improper trade conditions for Georgia and Armenia. These two issues seem to be closely linked as gas shipments to Armenia, a Russian ally, need to flow through Georgia that has been in conflict with Moscow. Further, conducted against the Kremlin's will, the change of the government in Yerevan will result in higher gas tariffs by 10 percent. Facing disputes with Azerbaijan, its top supplier, Tbilisi has no real possibility to renegotiate an unfavorable transit agreement concluded with Russia's gas giant two years ago.

Armenia has no natural gas reserves: all the country's resources come from Iran and Russia. In 2013, Gazprom signed a contract with its subsidiary Gazprom Armenia on natural gas supplies in 2014-2018, according to which it was bound to deliver up to 2.5 billion cubic meters (bcm) of gas every year. As late as in 2018, gas price was $150 for thousand cubic meters. In autumn, Armenia's officials said they were holding bilateral talks with Moscow to reduce tariffs. This issue was addressed by Armenian Prime Minister Nikol Pashinyan during talks with Russian President Vladimir Putin on December 27, 2018.
A few days following the meeting Gazprom announced its plan to raise the price for the gas it sells to Armenia by 10 percent. In 2019, Russia will sell gas to Armenia at $165 per thousand cubic meters. Russia attempted to demonstrate its critical approach towards Armenia's current ruling team while taking advantage of being the only energy supplier in addition to Iran. Meanwhile, U.S. officials are calling on Armenia to limit economic cooperation with Tehran.

Gas shipment to Armenia is only possible through land routes running through Georgia. Since 1992, Gazprom paid Tbilisi for the shipment of gas to Armenia with a portion of this energy fuel: Georgia was receiving 10 percent of the Russian gas of every thousand cubic meters. Such a scheme was more profitable for Georgia as it remained independent of global gas prices and exchange rates. Some claimed even that this was the world's most costly transit fee. Gazprom forced Tbilisi to adopt a monetized transit fee model, which was compatible with the two-year deal sealed in January 2017. As a result of new cash settlements, Georgia was able to acquire fewer gas volumes while paying the same price owing to the fact that the rate is linked to the price for the gas Gazprom

SOURCE: ARMENIA.GAZPROM.RU

sells to Armenia.

In 2006, the Russian energy firm announced that it would raise gas prices for Yerevan and Tbilisi starting from 2007, from $110 to $230 for thousand cubic meters. In addition, to receive gas volumes at the previous price both Yerevan and Tbilisi would be expected to transfer their domestic gas distribution systems to Gazprom that would thus become their sole owner. Armenia agreed while Georgia decided to decline the offer. Not incidentally, Armenia profits from a lower gas tariff while the recent 10 percent hike is not bound to alter the existing situation. As for Georgia, it will receive 10 percent of transit fee yet the country cannot purchase of same gas volumes as before because the gas rate for Tbilisi is higher than that for Yerevan.

If the parties do not break the contract, its prolongation occurs automatically. Talks are currently underway on renegotiating Gazprom's deal with Georgia, during which Georgian Energy Minister Georgy Kobulia assured that the government will try to "improve the contract." The ruling team does not have the resources to terminate the contract with Gazprom so it will be extended until the end of 2019. It is doubtful that Tbilisi would resort to the threat of bringing gas transit to Armenia to a halt. What is more, facing Georgia's conflict with Azerbaijan's state oil company SOCAR (the company provides the former with 90 percent of all gas supplies), Gazprom may demand the contract to be changed, making its provisions even less profitable for Tbilisi.

SOURCE: KREMLIN.RU

19 February 2019

RUSSIA'S SILOVIKI VISIT MIDEAST CAPITALS

Encouraged by a military victory, Russia is now attempting to retrieve its diplomatic status in an effort to relegitimize al-Assad's regime worldwide in talks with Arab and Sunni countries. It appears that Moscow's priority is to restore Syria's full partnership in the Arab League, as exemplified by recent visits of Russia's high-ranking security officials to the Middle East.

The Kremlin is lobbying the Arab League to readmit Syria as a member, which is going to be discussed at the organization's summit scheduled for March 31 in Tunis. The 22-nation Arab League suspended Syrian membership in 2011 in retaliation for brutal repression of a Sunni Muslim-driven revolt. In late January, the Kremlin launched a diplomatic offensive in the Middle East. Russia's top siloviki flew to Saudi Arabia, the United Arab Emirates and Egypt to hold talks on Syria and Libya.

Russian Foreign Intelligence Service (SVR) Director Sergey Naryshkin met with Saudi Arabia's Crown Prince Mohammed bin Salman and the head of the kingdom's intelligence services (GID) Khalid bin Ali Al Humaidan on January 21 in Saudi Arabia to discuss counteracting terrorism and efficient solutions to regional conflicts. On January 29, Russian Federation Security Council Nikolai Patrushev took part in bilateral Russian-Egyptian consultations in Cairo. The talks tackled such aspects as the situation in Libya and Syria, fight against terrorism and all issues related to so-called "color revolutions" that is now taking place in Sudan. Russia, Egypt, Saudi Arabia and the United Arab Emirates jointly agree to keep the country's president Omar Bashir in power: Sudan is a key ally of the Arab coalition that fights against the Iran-backed Houthi Shiite rebellion in Yemen. Sudanese troops constitute a large part of the land forces that fight in the war while suffering the greatest losses. Bashir's demise and Sudan's withdrawal from Yemen would be a massive blow to a joint coalition of the

United Arab Emirates and Saudi Arabia. In its turn, Moscow keeps deepening military and political ties with Khartoum, intending to employ the Sudanese military ports by Russian navy vessels and Russian mercenaries are training local armed forces and security services.

On January 31, Patrushev paid a visit to Abu Dhabi to hold talks with the National Security Advisor of the United Arab Emirates Sheikh Tahnoon Bin Zayed Al Nahyan. Both parties exchanged views on the situation in North Africa and the Middle East, paying special attention to development assessment in Libya and Syria. The Russians may have made an attempt to find out more about provisions under which Cairo, Riyadh and Abu Dhabi will normalize their ties with Damascus and facilitate Syria's readmission to the Arab League. Among these conditions are probably limiting Iran's influence in Syria and preventing Turkish armed forces from performing operations, as evidenced by a lack of consent to establish a buffer zone. Moscow is clearly in search for an alternative for Turkish aid in Syria-related issues as it aims at cooperating with Egypt, the United Arab Emirates and Saudi Arabia, all of which compete with Turkey and Qatar in the Middle East. Further, these three countries have long supported the Syrian Democratic Forces (SDF) in northern Syria. A possibility of deploying Egyptian, Emirati and Saudi Arabian peacekeeping units cannot be ruled out while such an option would be criticized by the government in Ankara. In a bid to befriend Egypt, the UAE and Saudi Arabia in Syria Russia may provide its military support to Marshal Khalifa Haftar, backed mostly by the two first countries and to a lesser extent also by the third one. In late January, media reported that Russian contractors from the Wagner Group are helping to train the Libyan National Army (LNA) in the southwestern region of Fezzan in southwestern Libya. and they were involved in another offensive of Haftar's units in Sabha. Their presence is not a surprise as the main goal of the military assault is to seize control over Libya's biggest oil field El Sharara.

21 February 2019

RUSSIA'S LUKOIL INTERESTED IN KAZAKH SHELF

Russia's oil company Lukoil is close to signing a contract with Kazakhstan's oil and gas monopoly KazMunayGas to explore the Zhenis field located in the Kazakh part of the Caspian shelf. This is Lukoil's other investment in the region as the company endeavored to extend its scope of activities in Kazakhstan. According to the plan, geological exploration of the Zhenis field will take up to nine years, a period after which more will be known whether any oil was discovered and in what quantity. Moreover, Lukoil's participation in the venture largely depends on Kazakhstan's tax regulations.

The Zhenis block is located in the southern part of the Kazakh shelf at the depth of 75–100 meters, next to other fields operated jointly by Lukoil and KazMunaiGaz: Tsentralnoye (with Lukoil and Gazpromneft holding 25 percent stakes each) and Khvalynskoye (where Lukoil disposes of 50 percent of all shares). The distance to the coast is 80 kilometers and to the Kazakh port of Aktau is 180 kilometers. The field's total area is 6,800 square kilometers.

Bilateral negotiations between Lukoil and KazMunaiGaz have been on for a long time –

SOURCE: LUKOIL.COM

according to some initial assessments of the former, investments in geological exploration could be worth up to $270 million. The Russian firm has declared its eagerness to invest $350 million in the block exploration. As informed by Lukoil CEO Vagit Alekperov, his company will be provided by oil resources if such deposits are eventually discovered. Joint-venture stakes will be distributed equally between both the Russian and Kazakh companies. To enter the project Lukoil has been told to pay $5 million “subscription bonus”. Geological exploration at the field will take from 7 to 9 years, Alekperov informed. The venture may eventually bring profits even if small oil deposits are found, provided that the Kazakh authorities alter the tax system. At the peak of oil prices between 2011 and 2012, the Kazakh government introduced some adjustments to the country’s tax policy, making it less advantageous for foreign investors. In consequence, a number of Western firms withdrew from developing the Kazakh-located oil fields, including France’s Total that ultimately abandoned the project.

Kazakhstan recently started to focus on developing oil projects on its shelf, which is due to a dropping oil output in the country’s main onshore fields. In Kazakhstan, LUKOIL owns stakes in three oil projects of Tengiz (5 percent share), Karachaganak (13.5 percent) and Kumkol (50 percent). Lukoil’s total output in Kazakhstan amounts to 3 million tonnes of oil annually. Over the past few years, Lukoil has performed its activities in the Russian part of the Caspian Sea exclusively where it could benefit by considerable tax reliefs from the government in Moscow. Since 2006, Lukoil has invested a total of 10 billion dollars in several Caspian projects.

SOURCE: KREMLIN.RU

22 February 2019

PUTIN'S PRESIDENTIAL ADDRESS FULL OF PROMISES AND THREATS

Not surprisingly, Putin's recent presidential address seemed similar to the one delivered a year before. In his annual speech to Russia's Federal Assembly, President Vladimir Putin paid most attention to the country's economy and social matters, compiling an exhaustive list packed with concrete promises. This should satisfy the majority of Russian citizens who seem bored with the Kremlin's strong rhetoric on foreign policy. A more aggressive part of the address should be seen as a message to foreign recipients rather than domestic ones. Like last year, Putin threatened the United States with new weapons, yet the Russian leader apparently toughened his discourse. This stems from recent turmoil over the INF Treaty while showing that all threats so far proved highly ineffective. Facing such a failure, Putin can only strengthen his war rhetoric.

Russian President gave his word to implement a wide range of social activities aimed at raising the standard of living the country or at least at preventing it from any further decline. Naturally, all of them come as a response to the falling approval ratings of both the president and the government triggered by some unpopular decisions, including those to raise pension age and increase the value-added tax rate. Putin's social commitments involve providing various reliefs, subsidies and deliberate support, all of which have been warmly welcomed by society. Nonetheless, there emerges a question of whether this will ultimately translate into preventing the regime's popularity from a further drop. This is doubtful for two main reasons: first, in order to fulfill all promises the Russian administration needs to proceed smoothly, which is unlikely to happen due to ubiquitous corruption and incompetence. Secondly, such an undertaking needs considerable financial efforts. Russian Finance Minister Anton Siluanov said all actions announced by Vladimir Putin will require additional funds from the state budget, amounting to even $1.5-2 billion dollars per year. Interestingly enough, the said information intends to demonstrate the credibility of all the promises. Theoretically, this is not a large amount yet its considerable part will be spent on other purposes. These measures are intended to mitigate the outcomes of the crisis instead of eliminating its reasons. They all aim at maintaining Putin's popularity at a satisfactory level until the end of his presidential term.

Russian President paid less attention to foreign affairs, focusing first and foremost on criticizing the United States. Putin accused Washington of ignoring "Russia's legitimate interests" while conducting "constant anti-Russia campaigns." As last year, weapon emerges as Putin's only argument – Russian President mentioned the same types of weapons he had presented a year before to demonstrate swift progress that has already been made. The problem is that these statements are underpinned by doubts and propaganda claims rather than precise details, as exemplified by what was said about the development of the Avangard strategic hypersonic glide vehicle. In his address, Vladimir Putin announced its serial production, thus repeating what he said a year ago and then during another address in December 2018. Speaking of the Tsirkon hypersonic missile, Vladimir Putin said it would be capable of developing the speed of March 9 (instead of Mach 6, as previously informed) while having a range of 1,000 kilometers, and not 400 as initially announced. In addition, he spoke about the Burevestnik nuclear-powered cruise missile, bragging about its unlimited range. However, the problem is that of thirteen combat tests conducted so far, only two could be referred to as "partially successful". Also, Putin referred to the INF Treaty, telling the audience nothing more than just a pack of lies. "Russia will be forced to create and deploy weapons that can be used not only in the areas we are directly threatened from, but also in areas that contain decision-making centers for the missile systems threatening us," he said adding that "Russia does not intend to take the first step in deploying such missiles in Europe." Nonetheless, it is widely known that Moscow disposes of 9M729 cruise missiles stationed in the European part of the country.

25 February 2019

IRAN WORRIED OVER SAUDI-RUSSIAN OIL ALLIANCE

Although Russia does not fulfill its commitment to reduce oil output as indicated by Saudi Arabia, the OPEC+ organization is not yet deemed to collapse. At the same time, a renewable agreement is unlikely to transform into a fully permanent structure while Moscow's reluctance to take such steps is triggered by its own internal calculations, and not fears of Iran, Russia's key ally.

On February 19, Vladimir Putin held a telephone conversation with King Salman ibn Abdulaziz Al Saud of Saudi Arabia. The Kremlin later said that both leaders addressed the current situation on the global energy market, reaffirming their readiness to continue cooperation between their countries. The Saudi monarch could have

SOURCE: KREMLIN.RU

raised the issue of both strengthening and giving an institutionalized character to the OPEC+ organization.

Riyadh has for some time been working to develop a new structure aimed at regulating the global oil market that could be created on the basis of the "Vienna Agreement" of 2016. This committed ten non-OPEC members to curb oil production in order to stabilize the market and end a downturn in oil prices. The deal has been extended several times since that time yet Saudi Arabia is no longer satisfied with the present situation, apparently striving to provide the organization with a more formal character. Riyadh has long sought to probe into Moscow's plans to establish a forum tasked with monitoring the situation on the market while taking adequate steps to regulate the oil output level. Naturally, the new structure will remain under the leadership of Russia and Saudi Arabia as the organization's top oil producers.

Nonetheless, some of the OPEC+ members, mainly Iran, are afraid of such a scenario: Tehran claims that Moscow and Riyadh will ignore the oil interests of less powerful parties to the agreement. This is also underpinned with a purely political question; for Iran, the Saudi-Russian rapprochement is extremely dangerous. Iran is convinced of being betrayed by the Kremlin that may revise its alliances in the Middle East. Tehran already accused Russia and Saudi Arabia of making attempts to profit from the U.S. sanctions to downgrade Iran's role in the global oil market.

It is however unlikely that a structure, led by Russia and Saudi Arabia, will eventually be established to regulate the global oil market. Moscow has so far avoided engaging in this type of firm commitments, finding it more convenient to prolong the OPEC+ deal. all the more so that the Russian authorities are forced to seek a compromise between commitments to curb oil output and safeguarding interests of the country's oil companies. Ultimately, it needs to be assumed that Vladimir Putin will fall back on annoying Russia's Saudi partners to prevent them from impeding the ambitions of Rosneft CEO Igor Sechin.

SOURCE: GAZPROM.COM

26 February 2019

GAZPROM CONFIDENT OF ITS POSITION IN EUROPE

Russia's gas giant does not fear competition and it intends to retain its market shares in Europe, company officials told investors in Hong Kong. With its recent optimistic assumptions and bragging about incomplete results achieved in the previous year, which prompted that the company management sought to announce them as soon as possible, Gazprom probably aims to reassure both investors and markets after announcing that two deputy heads in charge of the firm's strategic activities had been relieved from their obligations.

The head of Gazprom Export, Gazprom's most important subsidiary, Elena Burmistrova gave a presentation in Hong Kong on February 26. In 2018, Gazprom delivered 201.8 bcm of gas to the EU and Turkey, which enabled the firm to increase total market shares from 34.2 to 36.6 percent. "We will maintain a similar level in coming years," Burmistrova said. The firm seeks to retain market share in Europe of no less than 35 percent, expecting an average gas export price to hit $230-$250 for 1,000 cubic meters in 2019. In 2018, Gazprom's average gas price in Europe rose by 24.6 percent, amounting to $245.50 per 1,000 cubic meters. In the first nine months of 2018, Gazprom's revenues from gas exports were 2.14 trillion roubles, or $32 billion. If the firm maintains the price of $250 for 1,000 cubic meters of gas while retaining market shares in Europe of no less than 35 percent, its total revenues will hit $50 billion in 2019. This goal can, however, be difficult to attain because gas spot prices dwindled to $210 owing to mild winter weather. As estimated by analysts from various financial institutions, the average price of Russian gas in Europe is expected to hit $230-$240 this year. Also, Gazprom faces a possible rise in U.S.-sourced liquefied natural gas (LNG) supplies to Europe, as a result of which Russian exports may drop to 190 bcm of gas by 2020.

At the Hong Kong presentation, Burmistrova negatively assessed the competition from the United States, saying that non-Russian LNG deliveries covered no less than 13 percent of Europe's total demand in 2018, down from 17 percent in 2011. Gazprom Export CEO noticed that since then the LNG facilities have been significantly expanded, which means that European countries prefer to purchase Russian blue fuel, despite considerable diversification possibilities. The U.S. administration recently issued a permit to construct the Calcasieu Pass LNG export facility in Louisiana from where U.S.-sourced liquefied natural gas may be exported to Europe. It is scheduled to become operational in 2022. The facility is to be built and operated by Venture Global LNG. In 2018, the United States shipped 15 million tonnes of liquefied natural gas to Europe, hoping to double volumes by 2023.

Since 2014, Elena Burmistrova has headed Gazprom Export, an exporting arm of Gazprom in charge of selling Russian gas to foreign market. After Alexander Medvedev, Gazprom's deputy chief executive and de-facto head of exporting business, has left, Burmistrova may be responsible for overseeing this sensitive field of the company's activity. Her main rival, Mikhail Sereda, is a close aide to Gazprom CEO Alexei Miller. Final decisions in this respect are soon expected to be made.

26 February 2019

PRO-RUSSIAN PARTY WINS MOLDOVA PARLIAMENTARY VOTE

As expected, the pro-Russian Socialist Party took a lead in parliamentary elections in Moldova while the pro-European ACUM bloc came second in the ballot. The ruling oligarch-led Democratic Party trailed in third place. A new electoral system will yet enable a political grouping led by Vlad Plahotniuc to retain power even though a stronger position of the Socialist Party will result in a blatant change of Moldova's geopolitical course. A snap election comes as yet another option. Russia seems to be a winning party in either case, though Plahotniuc's defeat would mean an overt confrontation between Moldova's pro-Russian party and the pro-Western coalition, thus meaning that the current state of affairs seems to be favorable for the Kremlin. Even though the Socialists are formally an opposition party while pro-Russian Dodon is involved in a play-acting conflict, the ruling Democrats will foster further corruption and ever-increasing in the country while guaranteeing no real rapprochement with the European Union and the North Atlantic Alliance.

In the parliamentary vote held on February 24, the Socialist Party close to the incumbent president Igor Dodon took about 31 percent of all votes. The pro-European ACUM bloc, which emerged as an alternative to Plahotniuc and Dodon, came second with 26 percent. Led by a powerful oligarch, the Democratic Party of Moldova (PDM) won only 24 percent of all seats, taking third place in the ballot. Nonetheless, Plahotniuc will eventually keep power in the country due to three predominant reasons. A populist political party close to a businessman Ilan Shor will enter the Moldovan parliament, forming an unquestionable coalition partner for the PDM profiting from a newly-

SOURCE: KREMLIN.RU

introduced electoral system. It stipulates that half of the deputies are chosen under a proportional representation system–which ended up in the third place of Plahotniuc's party– while the other half of Moldovan MPs are elected by individual constituencies, which provided the PDM, Socialist Party and ACUM bloc with 16, 12 and 10 seats respectively. This signifies that the Democratic and Socialist parties will have a similar number of seats in the parliament yet only the former is deemed to gain a coalition partner. Moreover, Plahotniuc is likely to enter into an informal agreement with Dodon and the Socialist Party; some even speculate about forming a socialist-backed minority government or a possible transfer of some of its MPs to the ruling coalition.

If the next parliament fails to form a government within 45 days after the election results, a new vote should be called. Moldovan President Igor Dodon said that "this risk that it could come to a snap election] is high." His declaration could be recognized as a part of negotiations with Plahotniuc; An impressive result of the anti-establishment ACUM bloc, which won a landslide victory in Chisinau, came as an unpleasant surprise for Plahotniuc and Dodon, both of whom so far have dominated Moldova's political scene while backing one another. The current political context may further strengthen Moldova's pro-European faction while worsening Plahotniuc's uncomfortable situation. One might thus expect that Dodon will take advantage of the oligarch's uneasy position whereas his peers from the Socialist Party will be given a high price for sustaining the present state of affairs, creating a favorable environment for Russia to further expand its sphere of influence in Moldova.

SOURCE: GAZPROM.COM

27 February 2019

GAZPROM FIRES TOP DEPUTY MANAGERS

On February 25, Russia's gas company Gazprom issued a laconic statement announcing personnel reshuffles within the firm's top management. The dismissal of two deputy chairmen of Gazprom's management committee, Alexander Medvedev and Valery Golubev, puts an end to a particular period in Gazprom's long history. Vsevolod Cherepanov, released from the post of head of the gas production department, will move to another role, a decision that served as a smokescreen striving to moderate the tone of the message.

Both Medvedev and Golubev assumed top offices in Gazprom management committee shortly after Vladimir Putin dismissed Rem Vyakhiriev, who had run the state-owned gas firm under Yeltsin's rules, replacing him with Alexei Miller, his former associate from St. Petersburg. Medvedev, energy specialist and probably a former secret KGB collaborator, and Golubev, Putin's former colleague from KGB and the office of St. Petersburg mayor, later joined the company as deputy managers. None of them has ever belonged to Miller's inner circle; instead, they closely monitored his activities, aiming to restrain his influence in Gazprom, all the more so that Medvedev oversaw foreign market sales while Golubev was in charge of supervising Russia's domestic market. Naturally, Miller may consider their departure as his victory, though it is unlikely that he stood behind such a decision. This was rather an effect of wide consultations in which Putin had the decisive voice. The dismissal eventually turned out to be honorable for Medvedev and Golubev, both of whom are already in their sixties and they avoided being retired.

This paved Miller's way for strengthening his position in the company, all the more so that his future seemed at risk following the infamous Arashukov case. The gas theft case that involved the advisor to the general director of Gazprom Mezhregiongaz could also hit Miller personally because it concerned one of his trusted men who allowed Raul Arashukov to create an adequate mechanism for gas stealing. In January this year, investigators revealed the 30 billion roubles worth gas theft in the company's structures in the North Caucasus. In consequence, Raul Arashukov was taken into custody while his son Rauf, the ex-senator from the Karachay-Cherkess Republic, was suspected of commissioning two murders. As revealed, the gas theft mechanism consisted of overcharging losses by issuing bills for recipients who were unable to pay them back. As a result, the "lost" raw material, considered as a certain surplus, was illegally shipped to facilities and companies that belonged to the members of the group who received supplies for free. Russia's Federal Security Service (FSB) had revealed Arashukov's gas plundering scheme a week before both men were arrested. The Arashukov scandal could have accelerated Golubev's dismissal as he was in charge of overseeing Russia's domestic gas market, including Gazprom Mezhregiongaz. Gazprom's long-lasting deputy manager was dismissed to protect Seleznev from further problems. It will be known whether Miller manages to defend or empower his position after Seleznev retains his position of the head of Gazprom Mezhregiongaz – even if he ultimately takes over Golubev's former responsibilities while Mikhail Sereda, or Miller's close aide, may replace Medvedev. This will in turn exclude the candidacy of Gazprom Export CEO Elena Burmistrova.

27 February 2019

RUSSIAN OIL SECTOR: PRICE FIXING OR ATTACK ON FUEL TRADE?

Fuel prices in Russia are yet again foreseen to rise, which is due to an agreement between the government and producers that is soon set to expire. Not surprisingly, the state authorities hurried to determine who actually accounted for such a state of matters. The plan is to convince Russia's public opinion that it was because of some private intermediaries involved in oil trade while all this situation will eventually result in more expensive petrol and taking over yet another economy sector by the government.

Russia's Federal Antimonopoly Service (FAS) said it had managed to establish the guilty part of last year's sharp jump in fuel prices. Registered in April and May 2018, high fuel prices continued to grow until the end of the year, diminishing only after the Russian government achieved to push oil companies for sealing a deal to hinder further increases in prices of petroleum products. But now it actually might be the case that neither the producers nor the state authorities are guilty while intermediaries should shoulder the burden. For the government, it was absolutely vital to make somebody a scapegoat for what happened, all the more so that the agreement that is now in force between the state and oil companies is set to expire on March 31 while further increases in fuel prices can no longer be hindered. Under the deal, producers have the right to boost their tariffs in line with the inflation rate, which is additionally fostered by a number of other factors, including experts claiming that Russia sells the cheapest gasoline in Europe. One may thus expect further price hikes. The watchdog's recent statement on an alleged price fixing among traders comes thus in handy for both the authorities and oil companies as for many, the word "trader" is

SOURCE: GAZPROM-NEFT.COM

little understandable and refers to a speculator. This acts to the benefit of the government, diverting attention from its policy that in fact contributed to greater fuel prices. This includes the so-called tax maneuver and an increase in excise tax on fuels.

Accusing traders of price fixing may considerably affect Russia's fuel trade market, meaning that on the pretext of a smear campaign against intermediaries who purchase fuel supplies directly from producers to sell to the market, they may be called to "regulate" the market. This might even lead to handing control over the oil sector to the state authorities. In the worst-case scenario, only one state-controlled institution will be granted the right to sell fuel on Russia's domestic market, leading to a situation that could potentially pave the way for further frauds and price manipulations. Using traders as a scapegoat may be a blatant signal for the society, warning them against further rises in fuel prices. Of course, these are traders that are to be blamed. At the same time, Russian citizens will be offered to alter the existing state of matters by letting the state to intervene in this economic sector. The question is why the government has fallen back upon such a solution as Russia's watchdog revealed who was to be responsible for recent increases. Both pro-government media and Kremlin officials may provide a simple explanation, saying that new traders who will emerge in the place of their discredited peers can also be involved in price fixing procedures. This is yet another manifestation of the anti-market policy of the state that is in hopes of introducing a centrally planned economy. Naturally, this will bear no fruits to the state while generating profits for the state-backed "regulatory bodies".

SOURCE: KREMLIN.RU

28 February 2019

HEAVILY INDEBTED ROSNEFT HOPES FOR NEW GAS OPPORTUNITIES

Russia's state-run oil company Rosneft has yet again indicated that the Russian authorities should break Gazprom's monopoly on gas pipeline exports. This may be closely linked to the recent shifts within the management board of the latter firm. Igor Sechin is, however, unlike to achieve success in this respect while his company may still receive financial aid from the Kremlin to help the heavily indebted company. Such Rosneft's activity would not be possible but for the government's approval.

A few days after Gazprom announced major reshuffles within its management board, fuelled by speculations on a possibly insecure position of the company's CEO Alexei Miller after the Arashukov scandal, Rosneft reconsiders the issue of its rival's monopoly on gas pipeline exports. The company's Vice President for Commerce and Logistics Otabek Karimov said Russia is able to increase its share in the global gas market after liberalizing domestic legislation on the natural gas export. Although gas production in Russia is still growing, the country's shares keep dwindling, Karimov told delegates at the International Petroleum Week in London on February 27. This is to be solved by amending Russian law to allow independent gas producers to enter foreign markets. In line with the Russian legislation, only Gazprom has the right to export natural gas via pipelines though Rosneft and Novatek managed to obtain a permit to transship liquefied natural gas, thus lifting Gazprom's exclusivity. Now Rosneft is in hopes of increasing shares in Russia's gas market. In its development strategy until 2022, the company indicated that the implementation of a number of gas projects will provide it with 20 percent of Russia's total gas market while raising output to more than 100 billion cubic meters (bcm). In 2017, Sechin's firm sealed a gas cooperation deal with British Petroleum, gaining a powerful partner in the West. BP's CEO Bob Dudley said his company was ready to purchase Russian gas starting from 2019 provided that the government gave its go-ahead.

Meanwhile, Rosneft's overall debt has totaled 5.8 trillion roubles while having increased eightfold in the seven-year period since Sechin became the firm's director. The company's long-term loans and other financial liabilities have nearly doubled over the last year, from 1.78 trillion to 3.4 trillion roubles whereas short-term liabilities dropped from 2.2 trillion to 978 billion roubles. All in all, Rosneft's loans and other financial responsibilities grew from 4.012 trillion to 4.49 trillion roubles. Rosneft still had not paid China's CNPC and Switzerland's Glencore for oil that is still to be extracted. This constitutes a pledge of securities received back at the beginning of the decade. If to take into account all these liabilities, Rosneft's total debts increased by 224 billion roubles, hitting the level of 5.822 trillion roubles in 2018.

Rosneft's debt has experienced continuous growth since the company was established: in 2003, the company owed other business entities a total sum of 100 billion roubles. In 2011, this amount was 748 billion roubles, reaching 3.5 trillion roubles in 2016. And yet Rosneft's management board awards its members with gigantic bonuses, praising them for "effective work". Interestingly, Sechin keeps asking Russia's National Wealth Fund to bankroll the company with credits worth a total of billions of dollars. Rosneft recently sought further tax reliefs for one of its oilfields. Most of Sechin's applications are accepted owing to his friendly relationships with Putin that has the last word, and not the government that remains somewhat reluctant towards Rosneft's CEO. He loses only to Putin's other trusted men, including Chechen leader Ramzan Kadyrov. Once revived, the idea of eliminating Gazprom's monopoly may thus mean that Sechin is aware of Miller's weak position.

28 February 2019

RUSSIA'S SVR IMPROVES ITS PUBLIC IMAGE

After Sergey Naryshkin, a political and official, became the director of Russia's Foreign Intelligence Service (SVR) in 2016, many expected that he would undertake substantial reforms and hoped that he could even liquidate the service. Since then, the service has been doing well while its head has made attempts to alter its functioning, as exemplified by the SVR's latest information policy. This intends to improve the image of both the service and, more importantly, its director.

Naryshkin's visit to Saudi Arabia in January this year would not be surprising but for an official communiqué by the SVR's press office. This introduced an element of surprise, all the more so that never before had the institution conducted any information policy while in its previous statements, the service denied its spying accusations worldwide. This has changed recently, however, as SVR started informing about Naryshkin's trips and various events he frequents. In late December, a Russian TV channel broadcast a documentary that depicted both the service and its director. Earlier last year, Naryshkin was the first to confirm that SVR officers served in Russian embassies.

SOURCE: KREMLIN.RU

Naryshkin, unlike his predecessors, is a well-known public figure and the chairman of the Russian Historical Society that is often hosted by the Russian television, which can to some extent explain SVR's unprecedented media openness. SVR's press office seeks first and foremost to dismiss further speculations while its statements are part of Russia's disinformation activities. The service's recent decision will make it possible to get involved in informational struggles and neutralize potential threats resulting from operational mishaps while drawing attention to the image of the institution. Until now, a lot has been said about SVR's failures, which enabled to inform the public opinion about a less praiseworthy field of its activity. Attention should also be paid to an internal aspect: both the Federal Security Service (FSB) and its heads have been increasingly active in the media. Furthermore, Naryshkin was given a possibility to conduct a public polemic about both the condition and prospects of Russian special services. This may appear vital over the course of the next period of time as any shock to the regime may end up with the will to introduce changes and reforms or to prompt Vladimir Putin to discipline members of the siloviki camp. Having modified the SVR's information policy, Naryshkin's, who in the past served as the chairman of the State Duma, Deputy Prime Minister and the head of the Kremlin's administration, is likely to become a leading player in Moscow.

The Warsaw Institute Foundation
Wilcza 9 St., 00-538 Warsaw, Poland
+48 22 417 63 15
office@warsawinstitute.org