

# RUSSIA MONITOR

MONTHLY

March 2019



**W** WARSAW  
INSTITUTE

# CONTENTS



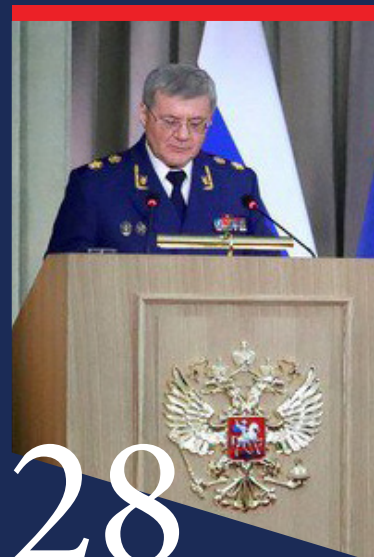
9

GAZPROM FACES SHARP  
DECLINE IN GAS EXPORTS



20

PUTIN'S ULTRAS SAY  
"NO" TO THE "REGIME"



28

RUSSIA'S SILOVIKI RULE  
THE COUNTRY

3 THE COST OF PUTIN'S SOCIAL  
PROMISES

4 "INTERNAL ENEMY": PUTIN GIVES  
NEW TASKS TO INTERIOR MINISTRY

5 RUSSIA IMPOSES FOREIGN SAILING  
RESTRICTIONS ON NORTHERN SEA  
ROUTE

7 "EXTERNAL ENEMY": PUTIN  
GIVES NEW TASKS TO FSB

8 PUTIN'S APPROVAL RATING KEEPS  
DECLINING DESPITE RECENT  
ADDRESS

9 GAZPROM FACES SHARP DECLINE  
IN GAS EXPORTS

11 RUSSIA PLANS TO CUT ITSELF  
OFF FROM THE GLOBAL INTERNET

13 RUSSIAN PARLIAMENT GIVES NOD  
TO CONTROVERSIAL CENSORSHIP  
LEGISLATION

14 U.S. STRATOFORTRESS JETS PERFORM  
A SIMULATED ATTACK ON RUSSIA'S  
BALTIC FLEET

15 POMPEO CRITICIZES ROSNEFT CEO  
SECHIN FOR BUYING OIL FROM  
VENEZUELA

17 RUSSIA'S GOVERNOR RESHUFFLES:  
PUTIN'S TRUSTED MEN TAKE POWER

18 NOT ALL RUSSIAN OLIGARCHS  
PAY HOMAGE TO PUTIN

20 PUTIN'S ULTRAS SAY "NO" TO  
THE "REGIME"

21 RUSSIA MOVES ITS S-300 SYSTEMS  
AFTER U.S. STRATEGIC BOMBERS  
HEAD TO THE BALTIC SEA

23 GASOLINE PRICES IN RUSSIA REMAIN  
FROZEN UNTIL MID-2019

24 U.S.-SOURCED LNG GIVES GAZPROM  
SLEEPLESS NIGHTS

26 RUSSIA OPTS FOR  
CONFRONTATIONAL COURSE IN  
VENEZUELA

28 RUSSIA'S SILOVIKI RULE  
THE COUNTRY

29 RUSSIAN CRUDE OIL: HOW  
MUCH AND FOR HOW LONG?

31 ROSNEFT'S SECHIN GAINS SPECIAL  
POSITION IN THE KREMLIN





SOURCE: KREMLIN.RU

2 March 2019

## THE COST OF PUTIN'S SOCIAL PROMISES

**Vladimir Putin's presidential address to Russia's Federal Assembly paved his way to make social promises intended to improve the standard of living in the country. This came as a consequence of the falling approval ratings attributed to unpopular decisions to raise pension age and increase the value-added tax rate, both of which transformed into a permanent tendency. Nonetheless, little is known whether his latest commitments will manage to halt and reverse this trend while it will certainly go over Russia's budget.**

**A** week after Putin's state-of-nation address, Russian Finance Ministry claimed that the government will need to spend about one third more than initially assumed. At a meeting held between Putin and members of the cabinet on February 27, Finance Minister Anton Siluanov said that in order to bankroll all social priorities the federal budget will need to cover overall expenses amounting to 900 billion roubles over the six-year period, or 150 billion roubles per annum, until 2024. Meanwhile, right after Putin's speech, Siluanov estimated that to implement the initiatives it will be necessary to allocate 100–120 billion roubles from the federal resources while maintaining that there is enough money to provide for all the above needs even after the

sum was augmented. These are only official estimates, though: to fulfill all promises, there must be increased funding, which seems difficult, all the more so that mortgage reliefs and subsidies average 50 billion roubles per year.

Given the fact that the government has tightened the belt over the last few years, restricting social expenditure, it will be now able to designate enough funds to keep Putin's promises. The federal budget is to a great extent determined by money coming from the Russian National Wealth Fund and the reserves of the central bank. The former totals over \$58 million that derived from all the extra oil and gas incomes yet this sum is

set to rise in 2019 as the Fund will receive the surplus from raw material revenues in 2018. Russia's foreign currency and bullion reserves amounted to \$478 billion, which represents an increase of over \$45 billion over the last year. As seen above, the Kremlin has enough money to keep the presidential promises aimed at calming social moods. The problem is not the lack of adequate funds but priority given to a social policy that prompted the authorities to abandon other important objectives. The

Kremlin will, therefore, be forced to deplete federal reserves it had amassed in case U.S. sanctions against Russia are extended. This will translate into less considerable amounts spent on armaments, or Moscow's top priority so far. Last but not least, less money will be allotted to satisfy all needs of members of Putin's inner circle, including Igor Sechin, who regularly asks for tax reliefs and subsidies from the Fund to protect highly indebted Rosneft.



SOURCE: KREMLIN.RU

7 March 2019

## “INTERNAL ENEMY”: PUTIN GIVES NEW TASKS TO INTERIOR MINISTRY

After an annual meeting of the Interior Ministry Board, the Kremlin has lost all hopes to regain popularity by adopting the “carrot approach,” pushing forward more straightforward solutions instead. Russian President urged the Interior Ministry to take a hard line against extremist crimes, taking into account that fulfilling even a part of his promises will trigger no major changes. The Putin regime has entered a new phase, in which power and control are to be executed by more restrictive measures.



Speaking at the annual gathering of the Interior Ministry Board on February 28, Vladimir Putin devoted much attention to discussing counteracting extremism and economic crimes, referring to the latter as “the main strategic direction.” As he announced, Article 282 of Russia’s Criminal Code, which provides criminal liability for “incitement to hatred or social hostility” should be partially decriminalized yet “applied when such a need arises.” Putin stressed the importance of taking resolute measures to counteract extremism “among youth in the first place.” The state administration is, however, unlikely to soften its policy towards citizens who openly express their dissatisfaction online, a blatant example of which was new legislation adopted by the State Duma on March 7 to ban the spread of fake news and penalize all those who insult the state authorities online. Both new laws will provide for blocking prohibited Internet content at the initiative of the prosecutor’s office yet with no prior court ruling. Putin gave the green light to fight against both the political opposition and, more broadly, to popular discontent with the government, allowing state apparatus to hit also social

activists, including those who struggle against Russia’s growing waste management problem and defend the natural environment.

Also, he stressed that the Interior Ministry should try its utmost to make the business environment most advantageous for entrepreneurs; earlier, the President had claimed that business should not remain defenseless against activities carried out by siloviki. This was only illusionary, though, all the more so if to take into account a growing number of cases related to economic crimes. A clear example of how Putin’s declarations do not comply with actual activities carried out by his subordinate service is a recent blow to Baring Vostok, one of the largest and the longest operating investors in Russia. In spite of ever-increasing protests from business representatives, Putin expressed his full confidence in the Federal Security Service (FSB). Addressing the audience at the meeting, Russian leader called for “surging efforts with a view to fighting corruption,” prompting his trusted group of siloviki to launch a further attack on businessmen on the pretext of preventing corrupt practices.

8 March 2019

## RUSSIA IMPOSES FOREIGN SAILING RESTRICTIONS ON NORTHERN SEA ROUTE

**The Russian authorities have announced its plan to introduce foreign sailing restrictions on the Northern Sea Route. In consequence, Moscow will be de-facto able to impede non-Russian ship passage through its strategically important Arctic sea route in the framework of Russia’s isolation and militarization policy that seeks to embrace the Arctic region in particular.**

The Russian government has dressed up a set of rules for foreign warships sailing through the Northern Sea Route obliging non-Russian vessels to notify about their voyage along the Northern Sea Route 45 days in advance. However, these may be refused access to navigate through the Route. The

foreign state is expected to provide the name of the vessel as well as its main parameters such as deadweight, draft and type of engine power. The name of the ship captain must also be listed. All naval vessels allowed to sail along the route must also have a Russian maritime pilot onboard. In case of emergency



SOURCE: STRUCTURE.MIL.RU

or complicated ice conditions, foreign warships must inform the nearest Russian port or military base to be led through the ice by Russian icebreakers if necessary.

Already in November 2018, the head of the National Defense Management Center Mikhail Mizintsev informed that non-Russian vessels will be authorized to navigate along the route after being granted a go-ahead from Russia while Deputy Prime Minister Yury Borisov declared that the administration will issue a temporary permit to use the Route by non-Russia vessels starting from January 1, 2019. Russia insists that the route is “within its territorial waters” while the United States submitted comparable restrictions back in the 1920s.

The Northern Sea Route is the shortest sea

route between Russia’s European part and the Far East, constituting the most convenient alternative to the one running through the Suez Canal. It covers waters of the Kara Sea, the Laptev Sea, the East Siberian Sea and the Chukchi Sea. The route is navigable throughout the year due to the increased activity of Russian ice-breaking vessels. In a May 2018 presidential decree, President Vladimir Putin set the goal to increase annual goods volumes shipped along the Northern Sea Route to 80 million tonnes by year 2024. Yet this is unlikely to happen; as estimated by the government, the total turnover will reach no more than 52 million tonnes per year. The Northern Sea Route is playing a major role in Russia’s energy policy, allowing LNG shipments to the Asian markets.



SOURCE: KREMLIN.RU

9 March 2019

## “EXTERNAL ENEMY”: PUTIN GIVES NEW TASKS TO FSB

Vladimir Putin’s address at the Federal Security Service Board meeting confirmed the regime’s eagerness to further sharpen its domestic policy. The president praised Russia’s counterintelligence officers for its effectiveness, warning against antagonistic activities from the outside. Particular attention should be drawn to Putin’s words about a growing number of foreign cyberattacks, which are a blatant example of his response to the West’s renewed accusations of Russian activity in cyberspace. Vladimir Putin dedicated a part of his speech to the need to counteract corrupt practices, giving a hint that one of the FSB’s priorities will still consist of executing the Kremlin’s orders to destroy Russian politicians and businessmen. Lubyanka is set to remain a key tool for Putin, allowing him to continue his “divide and rule” strategy that is gaining momentum in the context of the tense economic situation and the regime’s dropping popularity.

The annual Board meeting of the Federal Security Service (FSB) took place only a week after the Interior Ministry conference, at which President Vladimir Putin urged his trusted “siloviki” to reinforce measures aimed at easing social discontent. Addressing the senior FSB staff at the conference on March 6, Putin put emphasis on different aspects, drawing attention to Russia as a “besieged fortress”. Putin naturally referred

to Russian siege by hostile foreign forces but in fact, the nub lies in the current regime. Also, the Russian leader admitted that foreign intelligence services strived to access classified data yet Russian counterintelligence performed both “efficiently and aggressively” last year. The FSB would conduct successful special operations to cut short the activities of 129 career officers and 465 agents of foreign intelligence services, the president said. He



also stressed that the activities of the latter have recently intensified and mentioned the issue of “expanded NATO infrastructure in close proximity to the Russian border” as a challenge and threat to the state security. Not incidentally, these words came from Putin at the FSB meeting, and not that of “traditional” intelligence services, which may give a signal to develop their foreign operations beyond the zone of the former Soviet Union. The FSB, which so far has considered also Estonia, Latvia and Lithuania as the “near abroad”, could now be able to operate in Poland and Romania. A day after his address delivered

at the FSB Board Meeting, Putin broached the topic of “the increasing concentration of foreign spying and military activities in close proximity to Russia’s borders” at the Security Council meeting, thus stressing its profound importance for the Kremlin

In a speech to the FSB top officers, Putin also insisted to “take more proactive measures against corruption” to intimidate external investors in Russia, as illustrated by the February arrest of Michael Calvey, American founder of private equity fund Baring Vostok that has operated in Russia since the 1990s.

11 March 2019

## PUTIN’S APPROVAL RATING KEEPS DECLINING DESPITE RECENT ADDRESS

**Vladimir Putin’s social promises made in his annual speech to Russia’s Federal Assembly failed to increase the president’s approval ratings. A recent poll carried out after Putin’s State of the Union address showed that popular support for the Russian leader has slumped, which may prompt him to sharpen his domestic and foreign policy. It is to be expected that the Russian authorities will intensify repressions against all those who will criticize the current regime. At the same time, there has emerged an increasing threat of Moscow’s aggressive activities on the international arena aimed at rebuilding Putin’s decreasing popularity.**

A survey published on March 7 by the WCIOM agency said that Putin’s trust rating slipped to 32 percent to hit a new historic low since 2006, compared to 33.4 percent in January this year. Importantly, the WCIOM is a state pollster while its poll was carried out between February 25 and March 5, so after Putin’s annual speech to the Federal Assembly delivered on February 20. It could come as an effort to bolster the president’s public image denounced in 2018 as an aftermath of two unpopular state decisions to hike the value-added tax rate and increase the retirement age.

Initially, the speech had been set to be held in

March to mark the fifth anniversary of Moscow’s annexation of Crimea, Russian “Vedomosti” newspaper quoted a Kremlin source as saying. The presidential administration decided, however, to move the address to an earlier date in a bid to stop the fall of the rating. As it later turned out, the speech purposefully tackled social and domestic issues, which might have hinted Kremlin officials not to connect these matters with Crimea’s annexation and Moscow’s foreign policy. Russian Dozhd TV channel reported it the Kremlin sought to find positive topics to be included in the president’s speech because “people have grown weary of missiles”, citing one of its sources as saying.





SOURCE: KREMLIN.RU

To make matters worse, Putin's speech did not particularly attract popular attention, denoting the worst result since 2014, while fewer and fewer Russians believe that a single decision of the president, referred to as a "good tsar", will exert a positive influence on their lives.

Putin has in the past needed to grapple with falling trust ratings while making attempts to regain popularity: back in 2000, the president enjoyed high public support after Russia's Chechen war, additionally backed by both state and private TV channels. A few years later, Putin's popularity flourished amid

a significant and long-lasting increase in oil prices, which in turn translated into growing income of the Russian population. After a massive wave of social unrest in late 2011 and early 2012, the president fell back on starting a war with the West, first annexing Ukraine's Crimea. This step eventually rejoiced the society, resulting in Putin's extremely high approval levels. This is yet over while the Russians need to struggle with hiking taxes, higher pension rage and a drop in real income, all of which may inspire Putin to break out a "small yet victorious" war to restore his past popularity.

## 14 March 2019

# GAZPROM FACES SHARP DECLINE IN GAS EXPORTS

**As reported, Russian state-run gas giant Gazprom may find it difficult to realize its 2019 budget, which is due to lower gas prices than initially anticipated by the Russian firm. To make matters worse, sales of Russian-sourced energy have recently slumped while export figures, which began to drop sharply in the autumn of 2018, keep reflecting downward tendency. This is a significant blow to Gazprom as it is now supposed to finance its large pipeline endeavors.**

**I**n February this year, total gas shipments to the European Union diminished by 13 percent. It was a blow also to Russian

Gazprom that was prevented from delivering comparable gas volumes as those last year. This came as an aftermath of mild weather



SOURCE: KREMLIN.RU

condition in Europe and an economic crisis in Turkey. In the first half of February, Russian gas exports decreased by 8 percent and gas sales to Turkey via the Transbalkan pipeline curbed by 82 percent within the first twenty days of the months. In early March, Europe-based gas storage facilities utilized no more than 43 percent of their total capacity, compared to 33 percent in the corresponding period last year. The drop in gas exports has aggravated the already tense situation of Gazprom's budget that has now to finance the costly construction of gas pipelines to China, Turkey and Germany. Moreover, at the beginning of 2019, gas prices in European hubs dropped much below the level assumed by Gazprom's annual estimates. In late February, day-ahead gas prices on the Dutch TTF hub fell below \$200 for 1,000 cubic meters. Compared to August 2018, prices slumped by one third, hitting its record low levels since 2017. Russian government's official forecast set the price at \$233 that is even higher under Gazprom's estimates. In December 2018, Alexander Medvedev, who served as the company's deputy chief executive, said it stood at \$248. Gas prices in Europe are also shaped by the current situation in Asia, where weather conditions are also mild while due to China's reduced gas demand, some of the LNG carriers need to be redirected to other markets, mostly European ones.

At the end of February 2019, Director General of Gazprom Export Elena Burmistrova said that average export price for Gazprom gas may stand at \$230-250 for 1,000 cubic meters in 2019. She asserted that the firm was ready to achieve the historic result it obtained back in 2018 when Gazprom's total exports figures reached over 200 billion cubic meters (bcm). The problem is that Gazprom's actual figures were much lower than what the firm officially reported. As it later turned out, the gas giant's report, according to which the firm sold 201.7 bcm to foreign recipients, proved unreliable as it scored no more than 196.8 bcm. To "boost" statistics and exceed the boundary of 200 bcm, Gazprom was forced to sell blue fuel supplies to itself. Back in June 2018, Gazprom's CEO Alexei Miller the Russian gas exports may exceed a record-high result of 200 billion cubic meters before the end of the year. Miller based his optimistic forecast on excellent results Gazprom got in the first six months of 2018, trading 101.2 bcm outside Russia. The situation deteriorated last autumn when Gazprom experienced a large drop in gas exports in the second half of 2018 that decreased by 6 percent in October and 12 percent a month later. Turkey's gas purchases have halved and the company's December figures were also too weak to make Miller's forecast reliable. Surprisingly enough, on December 27, Gazprom managed to hammer out a deal to sell gas volumes worth a total of 1.2 billion euros to Austria



and the Netherlands where the Russian gas giant has large storage facilities. The gas stocks have never reached their recipients, though; as informed, a total of 1.1 bcm of gas (compared to 2.6 bcm a year before) and 0.99 bcm (compared to 1.7 bcm) were sold from the Dutch and Austrian facilities respectively to Gazprom Marketing&Trading, one of Gazprom's subsidiaries. Given the overall financial amount, it was about selling 4.9

billion cubic meters of raw material and if to deduct the above sum of 201 bcm of gas, actual export figures amounted to 196.8 bcm so only 2.2 bcm, or 1.2 percent, more than in 2017. Gazprom has intentionally set its results at an artificially high level, fitting into the Kremlin's information policy, according to which Europe needs more and more Russian-sourced energy.



SOURCE: DUMA.GOV.RU

16 March 2019

## **RUSSIA PLANS TO CUT ITSELF OFF FROM THE GLOBAL INTERNET**

**A gradual loss in popularity incited the Russian authorities to tighten control over the Internet. In fact, it is not about increasing Russia's censorship activities but disconnecting the Russian internet segment, also referred to as Runet, from the World Wide Web. The Russian army is simultaneously conducting works on designing a type of Runet that will be both fully controlled by the regime and isolated from the rest of the world.**

**R**ussian Defense Ministry has begun to build the Multi-service Transport Network System (MTSS), or “sovereign

Internet”, Russian media informed on March 12. The system is scheduled to be fully operational within two years, with the first



stage completed by the end of 2019. MTSS is to be outfitted with its own search engine, an electronic action log and a dedicated user identification system. Completely cut off from the World Wide Web, the network will have no exchange points. All data amassed will be then transferred to internal servers administered by Russian Defense Ministry that has already begun to set up data distribution centers subordinated to the territorial key area. In fact, efforts are being made to generate a gigantic programme managed and controlled by the army.

On February 12, the State Duma adopted a draft law on “defending the Russian Internet against threats from other countries” in its first reading. The bill, which was submitted by senators Andrei Klishas and Lyudmila Bokova on December 14, 2018, provides for cutting Runet off from the World Wide Web. An explanatory note to the proposal said it was drafted in response to the “aggressive nature” of the U.S. National Cyber Strategy, approved in September 2018. Russia’s lower parliamentary chamber passed the bill 334 votes for and 47 against. Also, the law is backed by the government whose representatives estimated that its implementation would require additional expenditure annually worth up to 130 billion roubles, or nearly \$2 billion. So far, it has been neither specified how costly the project would be nor what financial and economic reasons stand behind. Russian lawmakers are now planning to pass legislation setting measures to ensure the proper functioning of the Russian internet segment after it disconnects from the outside world. Proponents say the bill will increase the security and stability of Russian Internet in the event of an emergency.

The second reading is expected to take place in the State Duma soon. Thousands of Russian citizens gathered on March 9 in

several Russian cities to protest against the introduction of the bill. An estimated 15,000 people mobilized at the streets of Moscow and 28 people were detained: they now face a fine of 300,000 roubles (\$4,500) while some of them – even up to 30 days of prison.

The army’s ambitions to develop the MTSS network and works conducted by the State Duma have little in common as the act applies to already existing infrastructure. It provides for the tools that will be handed to the Russian telecom supervisor Roskomndazor and operators, permitting them to more efficient network filtering while giving them control over exchange points and cross-border internet traffic transitions. Once established, the dominance over the domestic Internet will empower the regime to exert full control over social discontent. With the regime-dominated traditional media and limited coverage of its few independent equivalents, the Internet remains the only objective source of information, as exemplified by the Kremlin’s attempts to block Russian-speaking online media operating outside the country. Yet it seems vital to prevent citizens from using online resources, including social media, as a tool for horizontal communication, or at least seriously impede such procedures. It is only through online media that common initiatives may come up, leading to potential demonstrations, as evidenced by massive anti-regime events organized by Alexey Navalny that prompted Russian citizens to publicly voice their discord in a number of Russian cities. Also, gigantic protest rallies that sparked in Russia in late 2011 and early 2012 were possible thanks to information available online. Russian opposition, whose members accused the authorities of vote-rigging during both parliamentary and presidential elections, drew thousands of people to the streets, which resulted in a vivid image that Vladimir Putin may have in mind until now.



SOURCE: COUNCIL.GOV.RU

16 March 2019

## RUSSIAN PARLIAMENT GIVES NOD TO CONTROVERSIAL CENSORSHIP LEGISLATION

A controversial law adopted recently in Russia is a milestone step towards restricting freedom of speech in the country. Passed on March 13 by Russia's upper parliamentary house, two bills establish financial punishments for the way how the legislation was drafted leaves much room for the prosecutor's office that was given greater competences in this respect, enabling it for a more efficient fight against those who voice criticism over the regime while nipping all negative judgments in the bud. This is yet another evidence of the Kremlin's ever-tightening course in the state's domestic policy, confirming that the authorities no longer count on restoring social trust by financial means that proved effective in the past.

Russia's Federation Council passed the legislation on March 13; earlier, both laws had been adopted by the State Duma, the parliament's lower chamber. The draft act on disseminating fake news defined it in a comparable way to its global definition. Spreading such news will be punished with fines whose amount will depend on how dangerous such information is. Individuals will face fines up to 100,000 roubles (\$1,500) while legal entities – up to 500,000 roubles

(\$7,500). The legislation will establish penalties for spreading information that “exhibits blatant disrespect for the society, government, official government symbols, constitution or governmental bodies of Russia.” Refusal to comply with the law is punishable by fines between 30,000 and 300,000 roubles, thus lower than those submitted by the fake news act, yet it also provides for 15 days in custody. Attention should be paid to a powerful position of the

prosecutor's office that will be now entitled to making decisions on whether and how the law should be applied, pushing aside courts. Both new laws will provide for removing prohibited Internet content and prosecuting its authors at the initiative of the prosecutor's office yet with no prior court decision.

Russia's human rights council called on the upper house of parliament to reject the law. Its members argued that the fake news legislation empowers the prosecutor's office and the state internet watchdog Roskomnadzor to oversee "absolute truth." The council said the bill on showing disrespect to the authorities violates freedom of speech indicated in the Russian constitution. Naturally, the council's opinion was dismissed, meaning that it has little political influence in the Kremlin. Kremlin spokesman Dmitry Peskov said that the new legislation does not constitute an attempt to introduce censorship in the country.

Both laws may be interpreted in various ways,

entitling the authorities to portray all kinds of uncomfortable information as fake news. The same can be said about the second act, under which printing a cartoon joke might be punished by prison. Proponents of the new legislation do not hide that the recent law will be employed to impose censorship on any reports that may trigger criticism of the regime. This was the case of online rumors circulating around such disasters as a fire in a shopping mall in the Russian town of Kemerovo, according to which unofficial death toll exceeded that announced by local authorities. That new legislation is of both repressive and censorship nature is evidenced by introducing unclear criteria for removing undesirable content from the Internet and severe financial fines. Non-compliance with the fake news bill is punishable with fines up to \$1,500 for individuals while \$4,500 in the case of the second legislation. Critical of new laws passed by the state parliament, Russian press noted that penalties for drunk-driving amount to no more than \$500.

17 March 2019

## U.S. STRATOFORTRESS JETS PERFORM A SIMULATED ATTACK ON RUSSIA'S BALTIC FLEET

**U.S. Air Force B-52 bomber jets have recently arrived in Europe, at least a pair of which approached the Baltic Sea region while flying from its home base in Louisiana to the British base in Fairford. They first appeared in the region in 2017, with one of B-52 Stratofortress aircraft performing a simulated attack on military facilities in the Russian region of Kaliningrad. This coincided with the official launch of a new set of S-400 air defense system in the Russian exclave.**

**A**s reported, up to eight U.S. B-52 strategic bombers began touching down at RAF Fairford on March 14. Deploying B-52H jets in the United Kingdom is part of the operation Atlantic Resolve campaign aimed at showing U.S. commitment to its allies concerned with Moscow's ever-growing aggressiveness. The first U.S. bomber traveling to Fairford headed to the Baltic Sea, though, while another jet

performed the same operation on March 15. Also, a B-52H Stratofortress plane conducted a mock attack on a Russian naval base. The aircraft approached Russia's border closer than 160 kilometers. The "strike" occurred on the same day the Baltic Fleet announced that a new set of the S-400 Triumf defense missile system, which was offered to the Fleet at the beginning of March, had entered combat





SOURCE: WIKIMEDIA.ORG

service. It was preceded by a ceremony held in the anti-aircraft rocket regiment. No details on the S-400 dislocation were provided, though. Russian Defense Ministry confirmed on March 16 that a U.S. bomber flew over the Baltic Sea.

The B-52H aircraft belongs to the 2nd Bomb Wing of Barksdale Air Force Base in Louisiana. U.S. Stratofortress jets are rarely to be expected in the post-Cold War Europe; Fairford was the U.S. Air Force's forward station for them when they attacked targets in Iraq in 2003, Yugoslavia in 1999 and during the Gulf War in 1991. The bombers

are supposed to operate in Europe and the North Atlantic due to an increased presence of Russian naval vessels and aircraft; they will take part in military drills held jointly with the local U.S. forces and NATO allies. The B-52 bomber jet is one of the U.S. oldest aircraft models still in service: Stratofortress jets have participated in all armed conflicts that involved the United States since the war in Vietnam. The current modified version of the B-52 is intended for long-range low-level flights and conventional air strikes. They can be outfitted with ballistic and maneuvering missiles, also equipped with nuclear warheads.

18 March 2019

## **POMPEO CRITICIZES ROSNEFT CEO SECHIN FOR BUYING OIL FROM VENEZUELA**

**U.S. Secretary of State Mike Pompeo openly accused Russia of backing Venezuela's Maduro regime. In response, Russia's state-run oil company Rosneft, which administers a number of oil investments in the country, said it will sue Pompeo to the court. What was said about Venezuela is one of many reasons for Moscow's outrage, and so is Pompeo's declaration to launch a more aggressive energy policy and a U.S. plan to enter markets that so far were chiefly dominated by Russia.**



SOURCE: KREMLIN.RU

In an address made on March 13 at the annual CERAWEEK conference in Houston, Pompeo called on U.S. oil companies to back Washington's current foreign policy by supporting ventures in Asia and Europe. U.S. Secretary of State said recently discovered shale oil and gas deposits have provided the U.S. with a unique opportunity to conduct a more robust foreign policy. As he said, rich deposits and technological advancement allowing their development are conducive to catering for resource needs of the allied countries, also those that so far purchased energy from U.S. competitors, mainly Russia. Pompeo made it clear that the United States has no intention to look at Russia's energy offensive in Europe; Washington hopes to sell its own energy to the Old Continent. Also, the U.S. Secretary of State said Moscow's aggression against Ukraine was motivated by the Kremlin's desire to take over extraction, storage, and transportation of both oil and gas

in Ukraine.

Furthermore, Pompeo announced a new batch of restriction to be imposed on Venezuela. Also, he lambasted Russia's Venezuelan allies, saying that "Igor Sechin continues to throw a lifeline to the regime." He also voiced criticism over Moscow helping the Maduro regime turn the country's gold reserves into cash. "PDVSA is today now a personal ATM for the Maduro regime and for Russian oligarchs and kleptocrats," Pompeo said. In the latest press release, Rosneft officially responded to Washington's accusations, commenting on Pompeo's words on buying oil from Venezuela's PDVSA state-run firm while circumventing sanctions. The Russian firm considers all its deals with Venezuela compatible with provisions of international law. Rosneft said both parties may go to court, claiming that Pompeo's groundless allegations could hamper the company's interests.





SOURCE: KREMLIN.RU

20 March 2019

## RUSSIA'S GOVERNOR RESHUFFLES: PUTIN'S TRUSTED MEN TAKE POWER

**A new wave of large-scale personnel changes took part in the second part of March when Russian President Vladimir Putin replaced four governors within just a several dozen hours. This exemplifies the Kremlin's effort to increase the control the state federal authorities over individual regions. Such centralization processes are part of Moscow's tightened domestic course while constituting a strategy to prevent serious social and political unrest.**

**R**egional reshuffles began on March 19 after Chelyabinsk Oblast's Governor Boris Dubrovsky handed in his resignation. He was later replaced by Chelyabinsk-born Aleksey Texler, who earlier had served as Deputy Energy Minister. Dubrovsky's dismissal coincided with the departure of Murmansk governor Marina Kovtun. Both Dubrovsky and Kovtun are members of Putin's United Russia party. Dubrovsky had worked as Chelyabinsk's Oblast Governor since January 2014. In August 2018, he was convicted of financial frauds in state tenders for constructing a new road in the region. Appointed acting Governor of Murmansk by the then President Dmitry Medvedev in 2012,

Marina Kovtun won elections in September 2014.

On March 20, Putin made Batu Khasikov the acting regional governor of Kalmykia. He has taken on responsibilities of Alexey Orlov who had overseen the region since 2010. On the same day, Alexander Berdnikov, who had been the head of the Republic of Altai, announced his intention to terminate his mandate. In consequence, Putin named Oleg Khorokhordin as the acting governor of the Republic of Altai. Earlier, Khorokhordin had been the chairman of the GLONASS Union board and the deputy head of the secretariat of Deputy Prime Minister Maksim Akimov.



An Altai native, he had worked in the business industry until the beginning of the previous decade before joining the presidential administration in 2012. However, more personnel reshuffles are soon to be expected. Up to six regional governors may lose their hitherto positions, the Russian news daily Kommersant reported on March 18, quoting an anonymous source in the Kremlin as saying. Besides Dubrovsky, Orlov, and Kovtun, the list of names allegedly included also Governor of Orenburg Region Yury Berg and Volgograd Oblast Governor Andrei Bocharov.

The latest reshuffles come as a continuation of the process launched during the presidential campaign over a year ago that has accelerated only recently, emerging as an unprecedented wave of personnel changes in Russia's contemporary history. Their momentum is comparable only to those that took place among Soviet regional leaders in the second half of the 1980s, initiated by Mikhail Gorbachev. Unlike what happened in the past,

current changes ignore the interests of local elites and the regions' public opinion. This is a considerable step in ensuring greater state centralization. By naming Moscow-related politicians and Kremlin-friendly federal representatives and hold close ties to state financial and industrial groups, Putin hopes to introduce an element of novelty to the local elites while attempting to employ Moscow's administrative and repressive resources. Putin has thus used those politicians that had either proved discredited or had no chance of winning regional elections later this year, replacing them with their younger peers who sometimes hold ties to the state special services. These are first and foremost local politicians, whose carriers developed in Moscow, appointed only to keep up appearances of respect for the interests of a given region. Personnel reshuffles have fitted into the Kremlin's tactics ahead of regional elections to be held in eighteen oblasts in September this year.

21 March 2019

## NOT ALL RUSSIAN OLIGARCHS PAY HOMAGE TO PUTIN

**Representatives of Russian business industry may feel particularly unhappy with the situation worldwide, with particular regard to the Russian-Western conflict. Only a part of Moscow-friendly oligarchs, including Timchenko and Sechin, and state-run giants are compensated for by losses triggered by sanctions the West had imposed on Russia while other firms, especially those owned by private entities, are expected to deal with the situation on their own. Russian President Vladimir Putin is in need of money to revive the country's economy so the government's policy is essentially aimed at forcing big business to invest in the domestic market while bringing back all financial assets from the outside. This is also fuelled by a number of repressions from Putin's trusted siloviki, causing sleepless nights to entrepreneurs. Forced to struggle with the lowering approval ratings, Putin decided to depict how the authorities and the business are able to unite, with representatives of the latter showing full loyalty to the Kremlin. It did not succeed adequately, though.**

**O**n March 14, an event of the Russian Union of Industrialists and

Entrepreneurs (RSPP) was held in Moscow, aimed at showing to the public and the West



SOURCE: KREMLIN.RU

that Russian authorities and business go hand in hand while no sanctions can hinder Russian interests. Also, Putin sought to convince the oligarchs, saying at the meetings with management of the federal force structures that the state and its service should take efforts to ensure proper functioning of the business. Naturally, this is only an empty statement, as exemplified by siloviki's attempts to target entrepreneurs on the pretext of fighting against financial fraud and corruption.

A day ahead of the congress, the head of the Russian Union of Industrialists and Entrepreneurs Alexander Shokhin said that business milieu expects U.S.-Russia mutual relations to be finally regulated, adding that Western restrictions against Moscow will only intensify, with no possibility to mitigate their impact or even to lift all sanctions. The recent event was also held to demonstrate friendly ties between the state and business circles, which is to prove that no sanctions are capable of blocking Moscow's interest. When addressing the audience, Putin voiced his expectation that the Russian business will provide Russian funds to fuel investments in the country. In exchange, entrepreneurs require the government to offer better operating conditions, mostly those of siloviki,

due to omnipresent corruption in the country.

The president later held a private meeting with members of the RSPP bureau board. It was attended by twenty-eight businessmen, including Shokhin, presidential aide Andrei Belousov, deputy prime minister Anton Siluanov and Dmitry Kozak, ministers Denis Manturov and Maksim Oreshkin and head of Russia's central bank Elvira Nabiullina. Of Russia's top ten richest oligarchs and members of the RSPP, according to Forbes, four failed to arrive at the conference, among whom were Lukoil's CEO Vagit Alekperov, head of Interros Holding Vladimir Potanin, Alfa Group chairman Mikhail Fridman and USM Holdings' founder Alisher Usmanov. Also, other Russian billionaires and RSPP members were absent, including Leonid Mikhelson, Gennady Timchenko, and Roman Abramovich. Interestingly, among absent oligarchs was also Alekperov who had not missed any of the RSPP meetings before. They all excused their absence with business trips outside Moscow that day, which, however, may also be interpreted as their distrust to the regime. In other words, Putin's ambition to show loyalty and respect of the business milieu to the Kremlin appeared unsuccessful.



SOURCE: KREMLIN.RU

21 March 2019

## PUTIN'S ULTRAS SAY "NO" TO THE "REGIME"

**A group of Putin's staunch supporters, whose members expressed bitter disappointment over "betraying" most imperial elements of the president's policy, has recently intensified its political activities. Although their meetings so far have attracted little attention from the public while members refrain from attacking Putin directly, it cannot be ruled out that this milieu may soon appear problematic for the regime.**

**H**eld on March 17 in Moscow's Suvorovskaya Square, a rally gathered a total of several hundred people dissatisfied over the Kremlin's social-economic, foreign and domestic policies. Its organizers referred to the event as a "unification of all Russian patriots representing both left and right-wing groups." Among members of the organizing committee are Sergei Udaltsov, a leader of the anti-Kremlin Left Front movement, Igor "Strelkov" Girkin, a former Defense Ministry of the so-called Donetsk People's Republic, a publicist Maksim Kalashnikov and Vsevolod Chaplin, a representative of the Russian Orthodox Church. Earlier, the association had pushed forward similar initiatives, standing behind protests against the possibility of Russia handing over the Kuril islands to Japan.

Among protesters' main demands are also forcing the authorities to withdraw from the controversial pension reform and to resign, increasing the minimum wage of up to 30,000 roubles and recognizing the so-called people's republics in Donbas.

Udaltsov, who earlier had been imprisoned for carrying out opposition activities, said what his ambition is to show an alternative to both Putin and "pro-Western opposition liberals." Except for Udaltsov, they all emerge more Putin-like than Putin himself and are convinced that a new war needs to break out soon. Their mission is to fight a battle for traditional values, the land and "the liberation of Ukraine's fraternal brotherhood to the fascist junta." The movement aims at



uniting people disappointed with Putin's policy over recent years. After Great Russian nationalist and imperialist attitudes erupted in 2014, it, however, turned out that the regime no longer needs ardent ideological supporters. Not surprisingly, nationalists and imperialists who staunchly called for rebuilding the Stalinist regime might have even felt betrayed. Putin's regime does not need followers who remember exactly what the leader had said and promised, hoping instead to form a loyal army of people that are intellectually, morally and politically capable

of adapting their views to the Kremlin's official standpoint. Furthermore, such people may reorient their orientation towards a more liberal approach to the West provided that Putin's administration opts for a new reset in relations between Moscow and the West. Nonetheless, both Girkin and Udaltsov are unlikely to adopt a different approach than that they already represent. This, however, does not always emerge as a political asset, which is particularly true in the context of contemporary Russia.

24 March 2019

## **RUSSIA MOVES ITS S-300 SYSTEMS AFTER U.S. STRATEGIC BOMBERS HEAD TO THE BALTIC SEA**

**Dislocated in Britain's RAF Fairford base, U.S. B-52 bombers regularly visit the Baltic region, which causes concerns in the Russian exclave of Kaliningrad. The authorities in Moscow said their fighters managed to intercept one of the U.S. jets, claiming also that Russia also strengthened the anti-aircraft defense of the Baltic Fleet's main naval base of Baltiysk where it had moved parts of its S-300 long-range surface-to-air missile systems from farther parts of the region.**

**T**he U.S. Air Force has sent six B-52 long-range bombers to the United Kingdom from Barksdale Air Force Base in Louisiana. The aircraft and over 450 airmen arrived at Royal Air Force base Fairford on March 14 and 15. "This is a routine deployment, but it shows that the US nuclear umbrella protects Europe and demonstrates the unique capabilities the US could bring to Europe in a crisis. The B-52 deployment is yet another sign that the United States is strongly committed to NATO," the North Atlantic Alliance spokeswoman Dana Lungescu said. For instance, the U.S. Air Force in Europe and Africa said on March 18 that "four U.S. Air Force B-52 Stratofortresses conducted flights from RAF Fairford, England, to several places in Europe including to the Norwegian Sea, the

Baltic Sea (Estonia) and the Mediterranean Sea (Greece)." However, Russia seems most concerned about U.S. bombers flying in the Baltic Sea zone, where they have recently been quite active.

According to Russia's National Center for Defense Management, aircraft of the U.S. strategic air force have carried out seven flights over the Baltic Sea in the ten-day period since March 14. As informed by the U.S. Air Force in Europe and Africa, four B-52 bombers were scrambled on March 22 to maintain the presence in the Baltic airspace uninterruptedly for 24 hours. This served to demonstrate the U.S. ability to uphold increased combat readiness for a prolonged period of time while flying in the Baltic



SOURCE: AEMIL

Sea enables the B-52 crew to learn more about the region and to confirm U.S. allied commitments.

Russian social media released on March 20 images allegedly showing intercept of a U.S. jet, with a pair of Russian Sukhoi Su-27 jets forcing an American B-52 bomber to move away from the Russian border, Russian Defense Ministry informed on March 21. The U.S. Air Force in Europe and Africa spokeswoman Renae Pittman on March 21 denied Russian claims that a pair of Russian Sukhoi Su-27 fighter jets intercepted an American B-52 bomber. “On March 20th, the B-52 had a routine interaction with a Russian Su-27 while conducting operations over the Baltic Sea. The pilots were using transponders and operating in conformity with international law. The Russian aircraft did not chase the B-52 away, and the bomber was able to complete its mission,” she informed. On March 23, the Russian Defense Ministry reported that its Sukhoi Su-27 fighter jets were scrambled twice within 24 hours to intercept U.S. B-52H Stratofortress bombers. “Two US aircraft had been detected by the Russian

airspace monitoring system at a considerable distance from the state border of the Russian Federation and then were taken to escort,” its press release said. According to Moscow, Sukhoi Su-27 aircraft prevented U.S. bombers from violating Russian airspace.

An intensified activity of U.S. B-52 aircraft in the Baltic Sea might have prompted Moscow to move components of its S-300 long-range surface-to-air missile systems from Gvardeysk to Baltiysk, westernmost town in Russia and the headquarters of the Baltic Fleet. A U.S. strategic bomber that performed a simulated attack from the air might have targeted the Baltiysk base. Finish military expert Petri Mäkelä, who was the first to inform about Russia’s decision to move the S-300 long-range systems, said that this might better protect military assets of the Baltic Fleet. There is no doubt that the presence of U.S. strategic bombers in Fairford and their activity in the Baltic Sea will force Russia to take extra steps to secure its military assets in the Kaliningrad region while limiting the scope of Russian activity in the region.



SOURCE: GAZPROM-NEFT.RU

26 March 2019

## **GASOLINE PRICES IN RUSSIA REMAIN FROZEN UNTIL MID-2019**

**The Russian government has decided to extend an agreement with oil companies on regulating gasoline prices in the country. Fuel prices will be thus frozen until late June, Russian Deputy Ministry Dmitry Kozak has informed. He also said that the government is currently working on a draft bill on introducing licenses on oil products. Despite previous declarations, after it comes into force, the authorities will be obliged to pull out of their earlier contract with oil producers as the current price regulating mechanisms exert a negative impact on the market.**

**G**asoline prices in Russia began to rise sharply in the spring of 2018, which was due to a drop in the Russian currency and hiking oil prices on global markets. Although in June, the government and oil companies concluded a deal aimed at fighting against further price increases, these began to rise only three months later. They were eventually frozen on November 1, 2018, after a meeting held between Prime Minister Dmitry Medvedev and representatives of oil companies. In mid-November 2018, the government and oil firms ultimately allowed stabilizing gasoline prices. Under the deal,

enterprises committed themselves to maintain gas charges until the end of 2018 at the same level as in May and June that year while indexing them accordingly to the average annual inflation rate by March 2019. At the same time, wholesale gas prices plummeted by 12,000 roubles per tonnes below the export alternative. This was due to oil companies that were awaited to raise overall sales by 3 percent in 2019, compared to 2018. To prevent further increases in prices, the state authorities came up with a mechanism, under which it committed to recompensing oil companies for part of the difference between high export and



low domestic prices while firms will return part of their profits to the state budget if Russian prices prevail over that of anticipated export ones.

In December 2018, shipping firms, fuel suppliers and retailers sent a joint letter to Dmitry Medvedev, in which they warned against increased prices of basic commodities resulting from frozen gasoline prices. Oil companies, they said, seek to make up for all losses that were brought about by freezing retail prices with increases in prices for business customers whose subsequent activity translated into higher prices of their own products and services. For instance, in November, some shipping firms complained about Gazpromneft's decision to liquidate all discounts. At the Russian Investment Forum held in mid-February 2019, Dmitry Kozak said that the government will try its utmost to withdraw from the coerced regulating mechanism. The Russian authorities

announced their plan to work on a new tool aimed at countering rising prices, which is possible thanks to introducing permits on petroleum products. Once adopted, the new mechanism will require companies that produce oil products to prioritize supplies to the domestic market. If companies fulfill the requirements, they will obtain a license that gives them the right to export oil products abroad. The government intends to discuss the mechanism both with oil firms and member states of the Eurasian Economic Community. The draft bill will then be submitted to the parliament, with the earlier deal being in force until the project is ultimately adopted. The government has given its go-ahead for the contract to be prolonged until the second quarter of 2019 before a new mechanism is implemented, which will presumably prompt the authorities to extend the settlement for the third quarter if there emerges a threat of further hikes.

28 March 2019

## U.S.-SOURCED LNG GIVES GAZPROM SLEEPLESS NIGHTS

**Russian state-run gas giant makes it difficult to at least secure its gas supplies to Europe as recorded last year. Gazprom's huge challenge is related, in addition to the drop in gas demand and plummeting gas prices, also to growing import of liquefied natural gas into the European market. This comes as an aftermath of changes in the Asian market and U.S. ever-increasing export capabilities. Experts say that Gazprom's exports to Europe will drop, and not increase, as the gas company earlier announced.**

Russia's gas firm has officially admitted that U.S.-sourced liquefied natural gas (LNG) poses a threat to Russian gas supplies to Europe. This marks a revolution around the firm's standpoint as Gazprom's managers so far had downplayed the American energy competition, repeatedly claiming that U.S. LNG supplies are too expensive for Europe, and therefore not competitive for Russian natural gas shipments. Russian Vedomosti daily quoted Gazprom's internal paper

written by Sergei Komlev, head of contracts structuring of Gazprom Export, in which he admitted that the firm will face tough challenges this year. According to his analysis, Gazprom's position on the European market may be endangered by mounting competition from the U.S. LNG segment that is set to become the main rival for Russian-sourced energy provided by Gazprom. In 2018, its exports to Western Europe rose to 201.7 billion cubic meters (bcm) of gas and so did



SOURCE: NOVATEK.RU

the firm's shares in overall gas consumption in Europe, reaching a total of 36.7 percent. Last year, Europe's gas demand slumped for the first time in a three-year period, though, reaching 550 bcm. Also, the LNG imports have recently boosted: an all-time record high of 9.9 bcm of LNG was exported to Europe in December 2018, a tendency that continued also in January next year. Gas supplies came from Russian-based Yamal LNG plants yet operated by a private gas firm Novatek.

Before, Russia's firm approach did not change since the beginning of the U.S. shale revolution, with Gazprom officials claiming that the price of American LNG supplies was much higher than Russian natural gas. Also, the share of U.S.-sourced LNG is marginal in the European gas sector, which means that American firms will be never able to compete with their Russian peers in terms of shipment volumes. Interestingly, Oleg Aksyutin, a member of Gazprom's management committee, said at the annual Investor Day in Hong Kong in February that "Gazprom's position in Europe is not at risk." The United States makes more profit from trading gas to Asia, and not to Europe, the Russian gas firm said. This might have been possible if the situation on the global

market was not favorable for redirecting LNG purchases from Asia to Europe, an idea put forward by Sergei Komlev. Two aspects will be crucial in this respect: an amount of the premium for fuel exported to the Asian market and short-term rates for sea shipment. As far as in early March, both of these factors acted to the benefit of redirecting U.S.-sourced LNG supplies to Europe. The premium for gas sent from Russia to Asia has almost completely dropped while current prices cover the full cost of sending gas to Europe across the Atlantic. All in all, U.S. firms find it much more practical to sell LNG to the Old Continent while Moscow may be hit by negative consequences provided that the Chinese economy experiences an abrupt slowdown, a solution that results with an even greater quantity of LNG available on the market. Furthermore, there is a prospect of boosting U.S. LNG export capacities, with up to 50 bcm of liquefied gas to be produced, a large part of which is to be shipped to the Old Continent. In February, the U.S. administration issued a permit to construct another LNG export terminal to dispatch raw material to the European market, permitting American gas companies to double their hitherto trade volumes to Europe.



SOURCE: STRUCTURE.MIL.RU

29 March 2019

## **RUSSIA OPTS FOR CONFRONTATIONAL COURSE IN VENEZUELA**

**Sending Russian forces in Venezuela served a dual purpose: on the one hand showing Moscow's full support for the Maduro regime while discouraging its enemies from launching a military intervention, and, on the other, carrying cybersecurity specialists to Venezuelan soil. This came as a response to Venezuela's recent blackouts that, according to the government, were caused by hacking attacks on the country's power plants. The Kremlin announced that the appearance of its troops in Venezuela is in line with a bilateral intergovernmental agreement while servicemen have not been tasked with any offensive missions. Announced by Caracas and Moscow, the arrival of Russian troops in Venezuela intended to show the ever-closer cooperation between the two countries. In this way, the Kremlin has committed itself to provide both military and economic assistance to the Maduro regime.**

**R**ussian Energy Minister Alexander Novak said on March 29 that the governments of Russia and Venezuela will plan to discuss ways to increase oil exports from Venezuela. His Venezuelan counterpart Manuel Quevedo soon intends to pay a visit to Russia to discuss the plan to divert oil originally bound for the United States to Russia or other destinations due to U.S. sanctions imposed on PDVSA by

the Trump presidential administration. For his part, Nicolas Maduro has decided to move the European office of the state-run PDVSA oil company from Lisbon to Moscow. "Europe can't give us the necessary guarantees," Venezuela's vice president Delcy Rodriguez said. Caracas is afraid of losing control over its foreign-based resources as a result of subsequent U.S. restrictions to be imposed on



the Venezuelan authorities. In late January, the U.S. Treasury Department introduced a new batch of sanctions on exporting oil by the PDVSA oil firm. They provided for barring the company's assets worth a total of \$7 billion, triggering further annual losses of around \$11 billion.

More attention was, however, paid to a visit to Venezuela of a pair of Russian aircraft on March 23, which carried a group of 100 servicemen led by the head of the mobilization directorate of Russia's armed force General Vasily Tonkoshkurov. Two days later, the arrival of Russian aircraft was confirmed by the President of Venezuela's National Constituent Assembly Diosdado Cabello and the second person in the country. An anonymous source in the U.S. administration told Reuters that Russia's military contingent might consist of representatives of special forces, including also cybersecurity personnel. Part of their missions may consist in carrying out surveillance activities while protecting the state cybernetic infrastructure. The matter became urgent after several massive power outages, as a result of which most regions of the country were stripped of electricity supplies. The regime claimed them to have emerged from cyber attacks carried out on Venezuelan power plants.

On March 25, the U.S. Department of State condemned Russia's decision to deploy

military personnel to Venezuela. In a telephone conversation with his Russian counterpart Sergei Lavrov, the U.S. State Secretary Mike Pompeo said that the United States and its regional allies "will not sit idly by while Russia exacerbates the tensions in Venezuela." The Organization of American States (OAS) has already rebuked Moscow's military presence on Venezuelan soil while the European Union reprimanded the Kremlin's recent steps. On March 27, President Donald Trump urged Russia to pull out its troops from Venezuela, saying that "all options" were open to make that happen.

Russian Foreign Ministry spokeswoman Maria Zakharova said on March 28 that "Russian specialists" were in Caracas in accordance with the bilateral intergovernmental agreement on military-technical cooperation between Moscow and Caracas. Russian presidential aide Yuri Ushakov later confirmed that Russian planes arrived in Venezuela "within the framework of normal relations with the legitimate government." This statement was, however, criticized by the Acting Secretary of Defense Patrick Shanahan who said that he does not accept Moscow's explanations in this respect. On March 29, U.S. National Security Advisor John Bolton warned Russia against sending troops to Venezuela, saying the United States would view such actions as a direct threat to the region's security.



SOURCE: KREMLIN.RU

30 March 2019

## RUSSIA'S SILOVIKI RULE THE COUNTRY

**Recent detentions of a former minister Mikhail Abyzov and an ex-governor Viktor Ishayev were aimed to undermine Russia's "liberal" camp while warning regional elites, fitting into the Kremlin's ever-tightening course in its domestic policy. Not only does the regime suppress the opposition but it is also capable of hitting potential weak links within its own milieu. State coercive bodies, referred to as power structures, are gaining an increasingly strong position under the current regime.**

**I**n late March, two former senior officials were placed under arrest: the ex-Minister for Open Government Affairs Mikhail Abyzov and the longtime head of Russia's Far East region of Khabarovsk Viktor Ishayev, who was arrested only two days later. Both men were detained under corruption allegations.

From a political perspective, Abyzov's detention will to a great extent isolate Russian Prime Minister Dmitry Medvedev. On the one hand, this undermines the liberal camp within the ruling elite, indicating that its politicians, who are in favor of modifying Moscow's foreign policy and making concessions to the West in exchange for relaxing political and economic sanctions,

will have no say in shaping the Kremlin's strategy in the years that follow. On the other hand, though, a weak position of the prime minister provides him with a greater chance of benefiting from the future reshuffles in the Kremlin. Also, Medvedev may again replace Putin as president when the latter steps down in 2024 so attempts are now being made to weaken his political position and strip him of his solid political background. In 2012, Medvedev's endeavors to build up his network before the 2011 parliamentary elections ultimately led to his removal from the Kremlin.

Ishayev has long been active in the Russian policy: he served as the Khabarovsk governor

from 1991 to 2009. He has belonged to a group of regional leaders who has yet gained a strong position on the domestic political arena, among which are former Moscow Mayor Yury Luzhkov or ex-president of Tatarstan Mintimer Shaimiev. In 2009, Ishayev began to oversee development in the Far East as a presidential envoy and minister. Relieved from his duties only a few years later, he became an advisor to the chief executive of the state-run Rosneft oil firm. His placing under arrest served to punish him after he backed the Kremlin's rival in the regional elections held in Khabarovsk Krai last autumn, which also showed local elites that no politician can feel secure even if he or she no longer wield power in the country.

The recent events marked the end of a two-year period during which no ex-governor nor minister was placed under arrest. Before, a similar detainment took place in the autumn of 2016 when Alexey Ulyukayev, who had served as the economy minister, was taken into custody. The arrests of Mikhail Abyzov and Viktor Ishayev should be viewed in a broader perspective of ever-increasing repressions against business representatives and some members of the ruling elite. Earlier this year, an American investor Michael Calvey and Russian senator Rauf Arashukov had been detained by Russian services, which illustrates how the Kremlin uses its trusted group of siloviki to discipline political elites on the pretext of counteracting corruption in that milieu.

30 March 2019

## RUSSIAN CRUDE OIL: HOW MUCH AND FOR HOW LONG?

**Russia is expected to experience a significant drop in oil production within the next dozen or so years, according to estimates by international agencies, independent energy experts and Russian state institutions. Given the state budget's reliance on incomes from exporting oil, Moscow may soon apprehend unfavorable forecasts for the upcoming years. This is influenced by both external and internal factors, including foreign sanctions and weak competition on the domestic market. Further changes within the national energy sector depend on the government's ability to exploit massive yet deep hydrocarbon reserves.**

Russia's Ministry of Economic Development has recently issued a forecast, according to which oil exports in Russia will hit 256.7 million tonnes by the end of 2019. Nonetheless, this is the end of positive news, as exemplified by the International Energy Agency global forecast that said Russia's expected oil output is believed to drop by 24 percent by 2040, reaching the level it had recorded back in 2016. This is yet to worsen: according to some predictions, Russia may soon need to abandon oil export for the sake of satisfying its domestic needs.

Russia uses currently about 6 million barrels a day. However, it is not known what financial resources will be assigned to the state budget instead. In consequence, Russia may lose up to 40 percent of its annual oil production by 2035 if it does not take measures to stimulate it, Russia's Rosgeologia stated. Resources of cheap and good oil are soon to be completely depleted while Moscow needs to pay much more to exploit all fields that are harder to reach. Speaking of the mining sector, it seems to have been to a great extent hit by its own structural weaknesses, including Rosneft's





SOURCE: KREMLIN.RU

monopoly on drilling most profitable fields while leaving little room for other oil firms. Moreover, Russia lacks a long-term oil strategy as the authorities concentrate on making profits from extracting and selling oil.

According to the optimist scenario, Russia may use its abundant energy resources, all the more so that domestic firms have not commenced exploiting the continental shelf in the Arctic, nor have they extracted large shale oil fields. This decision has yet not been taken due to the attitude of large oil companies that do not bear interest in expanding this area and the lack of cutting-edge technology, which results from the U.S. and European sanctions imposed on Russia in an aftermath of the 2014 events. Despite Russia's huge hydrocarbon reserves, it is said that their exploitation will be only possible after profound political

transformations take place in the country. According to the Russian Ministry of Natural Resources and Environment (Minprirody), the value of domestic crude oil and natural gas reserves amounted to 39.6 trillion and 11.3 trillion roubles respectively at the end of 2017. Also, Russia holds other minerals, among which are coal, iron ores, diamonds, and gold, worth 2 trillion, 808 billion, 505 billion and 480 billion roubles respectively. The total value of Russia's mineral and energy resources amounts to 55.2 trillion roubles, accounting for about 60 percent of the country's GDP in 2017. However, this refers only to the licensed areas yet the total amount of resources is much greater than that. Earlier, Russian Energy Minister Alexander Novak had said that oil reserves would be enough to cater for the country's needs for the next 30 years while those of gas – for even 100 years.



SOURCE: KREMLIN.RU

31 March 2019

## ROSNEFT'S SECHIN GAINS SPECIAL POSITION IN THE KREMLIN

**This is yet another chapter of Russia's oil price-fixing scandal. On March 19, officers of Russian services entered the headquarters of the state's largest oil traders where they carried out searches. As initially expected, these have hit all the entities that were allegedly found guilty of recent drastic increases in oil prices. Not incidentally, they all compete with Russian state-run oil giant Rosneft whose chief executive Igor Sechin requested the Federal Security Service (FSB) and the Investigative Committee to open an investigation and conducted a search at the premises of Petersburg-based Solid fuel trader and those of the Saint Petersburg Commodity and Stock Exchange.**

**R**osneft's CEO accused the head of Solid Ilya Moroz and the chief of A-Oil Mikhail Matyushov of cartel collusion. Four months earlier, Rosneft had blamed Solid for a market conspiracy leading to the further development of Russian fuel crisis in 2018 when gas prices in Russian petrol stations rocketed by 8–9 percent in a year. Sechin's firm published such allegations in November 2018 and since then has had no intention to withdraw them even despite the price freezing agreement, concluded between the government and oil companies. Back in February 2019,

Russia's Federal Antimonopoly Service (FAS) opened an investigation into price fixing between Solid and A-Oil fuel traders in their transactions at the stock exchange in St. Petersburg. The Investigative Committee, in its turn, launched a case against Solid, suspected of restricting competition while the search, conducted on March 19, was tightly linked to the Antimonopoly Service's investigation, carried out jointly with FSB officers. After a "visit" to the offices of Solid, representatives of the FSB and the Investigative Committee conducted a search at the data processing

center, which is where the St. Petersburg stock exchange collected its data. Entities involved in price fixing may face a fine of up to 1 million roubles or even up to seven years in prison. Russian massive operation targeted against fuel traders can hardly be referred to as surprising; earlier, both the government and oil companies had considered them scapegoat

to put all the blame for rising fuel prices. More importantly, though, Rosneft has yet again commissioned state services to perform some tasks aimed at punishing Rosneft's market competitors in the name of defending the Kremlin's interests. As exemplified by the case of Magomedov brothers, Igor Sechin still enjoys noteworthy influence in the Kremlin.

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



© COPYRIGHT 2019 The Warsaw Institute Foundation

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



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

---