

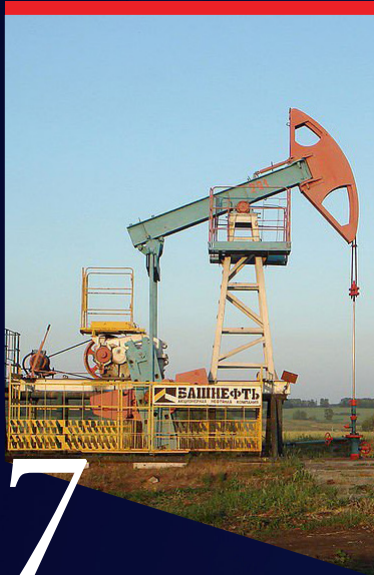
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SOURCE: ROSVALD.RU

6 August 2019

RUSSIAN REGIME ONTO MOSCOW'S "MAIDAN": THE END OF NAVALNY?

Latest Saturday rallies in downtown Moscow, brutally dispersed by Russian authorities, showed the Kremlin's attempt to see the pre-election protests as a CIA-inspired "color revolution". Russian opposition activist Aleksei Navalny and his anticorruption foundation, until now tolerated by the regime, may fall first victim to the Kremlin's counterattack. Targeting at Navalny's project confirms that the regime is prone to steer an ever-sharper course in its domestic policy.

Police forces and Russia's National Guard personnel violently put down the Saturday rally, detaining hundreds of people, of whom many were well-known opposition activists. The next round of Moscow's August 3 protests ended exactly like a week before. Rallies in the Russian capital broke out in response to election officials' refusal to register independent and opposition candidates for Moscow city-council elections in September 2019, on the invented pretext that some of the signatures collected to support their candidacies were faked. Given a drop in the popularity of the ruling United Russia party,

which also happens to control Moscow's legislation, opposition candidates running for the 45-seat city hall would be likely to secure the majority, triggering devastating effects for the whole country. The Kremlin could not allow this to happen. What may be disturbing for Russian authorities is that a large-scale rally took place even if most of the local opposition leaders had been placed in detention for seven up to 30 days for having participated in the July 27 march. Although the August 3 rally was attended by fewer people than that of July 27, Russian opposition activists have said they plan another rally on August 10.

But the demonstrations are gradually changing their character, from local rallies against the refusal to prevent independent activists from running in the elections to nation-wide protests against the brutality of the authorities. Not incidentally, the Kremlin-related media suggested, either directly (state-run TV channels) or indirectly (media outlets run by companies and businesspeople holding close to Putin), that Moscow's latest rallies were both inspired and bankrolled by Western countries. On August 2, the U.S. Embassy in Moscow warned U.S. citizens saying in Moscow against a risk related to an unregistered rally and an increase in the number of police forces on the streets of the capital and urging them to avoid the protest route. The embassy posted on its website a Russian-language map that depicted a detailed

city map. Russian Foreign Ministry saw this move as Washington's attempt to meddle in Russia's internal affairs. The Kremlin will try its best to prove that the Moscow protests are part of a foreign plot, and Aleksei Navalny will play the role of the top agent targeted by the authorities. The regime's most prominent critic is to remain in custody for more than half a month, yet Russia's Investigative Committee opened on August 3 a criminal investigation into Navalny's anticorruption foundation, claiming that it obtained money by unlawful means. Both Navalny and his allies said that they receive transparent public donations. The regime will in fact seek to punish or maybe even close Navalny's foundation on a money laundering charge.

8 August 2019

NEW MISSILES, NEW INF TREATY: WILL PUTIN SHARE GORBACHEV'S FATE?

Shortly after Washington's pullout of the INF Treaty, U.S. President Donald Trump said he wants a new nuclear pact to be signed also by China. But this is now out of the question as Beijing has made its medium-range missile weapons a crucial part of its war strategy in the event of a conflict with the United States. So Russia may in the future need to sign a new nuclear disarmament deal.

After the deal's collapse, Russia seeks to burden with responsibility the United States for all what happened. But in fact, there is no doubt that Moscow has been in material breach of the nuclear deal when deploying its INF-banned Novator 9M729 cruise missiles, known as SSC-8 by NATO, to at least four units of its strategic missile forces. The Kremlin is now in search of an excuse to accuse Washington of seeking a new arms race in the class of medium-range missiles.

Three days after U.S. withdrawal from the arms control accord, on August 5, Russian President Vladimir Putin said that "if Russia obtains reliable information that the United States has finished developing these systems and started to produce them, Russia will have no option other than to engage in a full-scale effort to develop similar missiles." But Moscow's decision to develop a nuclear component of its arsenal will meet with a prompt reaction from the other party. When declaring that Russia bears



SOURCE: KREMLIN.RU

sole responsibility for the demise of the treaty, the North Atlantic Council announced its readiness to respond to the risks posed by the Russian medium-range weapons. Though no details were provided how this could happen, it is believed that the United States may field its newest medium-range weapons – still being in the design phase – on European soil. Consequently, this may resemble what took place in Europe in the 1980s when Western countries responded to Soviet SS-20 missiles by placing U.S.-made Pershing weapons in Europe. Once set by Ronald Reagan, the pace of the arms race appeared too frantic for the Soviets who massively feared that American weapons are capable of reaching Russian cities within a few minutes, and Mikhail Gorbachev had to sign the Intermediate-Range Nuclear Forces (INF) Treaty. Just like many years ago, Moscow has an initial advantage that can yet be quickly eliminated, especially that Western allies will stand together as they did thirty years before.

Back then, even François Mitterrand, France's socialist president, agreed to bring U.S. missiles to French soil. Washington enjoys now full support from its European allies, also Germany, an essential asset in the face of tightening ties between Berlin and Moscow. German Foreign Minister Heiko Maas blamed Moscow for the INF's demise, saying that it "failed to do what was necessary to save the [INF] treaty." Naturally, it cannot be ruled out that – while facing such a decision – Berlin may eventually refuse to have U.S. weapons fielded on its soil. But Washington has in Europe new reliable allies, all of whom will be glad to host U.S. missiles, seeing this step as an extra safeguard against Russian aggression. Among such countries is Poland whose Foreign Ministry voiced full support for all actions taken by NATO and the United States aimed at ensuring both "reliable and efficient deterrence and defense policies pursued in response to the threats posed by Russia."



SOURCE: TRANSOIL.BY

13 August 2019

BELARUS AND RUSSIA GET CLOSER TO AGREEMENT AFTER DRUZHBA CONTAMINATION CRISIS

Seen as most affected by the Druzhba contamination crisis, the Belarusian section is said to have been thoroughly cleaned up of dirty oil. But the country has suffered massive financial losses after Russian-sourced crude flows were dramatically reduced, both in transit and for local refineries. Despite Minsk's severe announcements, Moscow seems to be the one to dictate at least partial compensation for the failure.

The Belarusian part of the Druzhba oil pipeline has been fully cleared of contaminated oil, Belarusian media reported on August 8. The process of cleaning up the Surgut-Polotsk oil pipeline has completed, and so have all clean-up works along the Belarus part of the Druzhba pipeline. Earlier tainted Russian oil had been removed from the Unecha-Polotsk oil pipeline and the pipeline's southern stretch, operated by the Belarusian company Gomeltransneft.

No formal settlements have yet been made as for Moscow's compensating for all losses incurred by Belarus as a fuel producer and intermediary in gas transit. Still the same day, Deputy Head of the Federal Antimonopoly Service of Russia Anatoly Golomolzin said that Russia and Belarus reached an agreement to increase the tariff on oil transportation across the territory of Belarus by 3.7 percent. The new oil pumping tariff is set to enter into force on September 1. This is equivalent to the victory of Russia as the country rebuffed the June

proposal of the Belarusian Druzhba pipeline operator to boost oil transit tariffs by 21.7 per cent, claiming it too high.

Russia is basically the sole supplier of oil and gas to Belarus and owns the Druzhba pipeline, through which – and the Belarusian territory – Moscow continues to ship a quarter of all its crude exports to Ukraine, Belarus and the European Union. Russian oil supplies are a major source of income for Belarus. Reasonably cheap, Russian raw material is shipped to the Belarusian refineries of Mozyr and Novopolotsk

while petroleum products are sold further to Europe yet at a market price. Belarus is a transit country for some 39 billion cubic meters of gas shipped from Russia to the European Union. Minsk annually purchases as much as 20 billion cubic meters of Russian-sourced gas. As reported on April 19, oil shipments via the Druzhba pipeline were tainted with high levels with organic chlorides that largely exceeded the norms. Belarussian refineries were forced to halve oil production while Polish PERN and Ukrainian Ukrtransnafta halted crude flows.

13 August 2019

LUKOIL–ROSNEFT 1:1. BUT THE GAME IS NOT OVER YET

There has been an unexpected shift in a quarrel between Russia's two largest oil firms over the price of using an oil terminal in the Arctic. After Russia's antimonopoly watchdog had given a favorable verdict for the state-owned oil firm Rosneft, a court issued a ruling in favor of Lukoil, an oil company the remains in private hands. But this does not bring to a halt the long-lasting spat between the two energy giants, with more clashes to be soon expected in the courthouse. The struggle may negatively affect Russian oil exports that are experiencing a tough time at the moment.

An arbitration court in Moscow invalidated a decision made by Russia's Federal Antimonopoly Service (FAS) that Lukoil overprices oil transshipment services at its Arctic maritime terminal. After Bashneft had become Rosneft's subsidiary in 2017, a dispute broke out between Russian oil companies Rosneft and Lukoil over the cost of transshipment in the Varandey terminal. But this seems Lukoil's initial victory as the FAS intends to challenge the court's ruling.

Since 2017, Russian oil firms Rosneft and Lukoil have been embroiled in a conflict over the transfer price at the Varandey terminal, seen as the sole facility that allows further oil

shipments from the Trebs oilfields. Located relatively far from a Transneft's oil pipeline, they are not connected to a shipping system. Lukoil charges \$38 per ton to store oil at the Varandey terminal, which is about 20 times higher than an annual price of \$2–3 per ton.

The Trebs oilfields are being developed jointly by Lukoil and Bashneft, the latter of which became Rosneft's subsidiary in 2016, as a joint venture Bashneft-Polyus. Rosneft claims current tariffs to be inflated by a factor of three times but Lukoil, for its part, considers the fees justified. The overall costs of the oil transshipment are of great importance for Rosneft because Bashneft-Polyus sells all of



SOURCE: WIKIPEDIA.ORG

its raw material to a trading company Litasco – and Lukoil’s subsidiary – at a price from which that of loading is deducted. The spat between the two oil giants attracted Russia’s antimonopoly watchdog FAS. In the autumn of 2018, Bashneft and Basneft-Polyus filed a complaint to the institution to check whether an oil transshipment tariff could be referred to as economically viable. In March, the FAS took Rosneft’s side while addressing Lukoil to have acted in violation of the antitrust law and ordering the firm to set its transshipment tariffs in accordance with Competition Protection Law.

The court rebuffed this decision, but the dispute between Rosneft and Lukoil will be brought further to the Presidium of the Supreme Court. What seems to confound the entire case is the participation of the Federal Antimonopoly Service, all the more so that the regulator body is unlikely to withdraw from its attempts to prove that its earlier ruling is legal. Worse enough, the conflict may curb oil production at the Trebs and Titov oilfields, making them frozen and ultimately leading to minimizing oil transshipments at the Varandey terminal.

15 August 2019

CRIMEA, GANGSTERS AND OPPOSITION: PUTIN AT BABYLON’S SHADOW SHOW

Russia’s official propaganda has made efforts to ignore or disregard Moscow’s most massive opposition protests in many years, and so did the authorities. Russian President Vladimir Putin went to Crimea to meet with the representatives of the Night Wolves motorcycle club, known for its allegiance to the Kremlin. The event got broad media coverage for apparent reasons, as an attempt to show that Putin does not seem bothered by Moscow protests and a signal to calm down strained moods among his actual collaborators: officials, siloviki and all fraudsters and gangsters holding close ties to them.



SOURCE: KREMLIN.RU

As Moscow saw the biggest anti-government demonstration taking place in the least eight years, with 50,000 people said to have taken part, Vladimir Putin arrived in Crimea to attend the Babylon's Shadow motorbike show at the foot of Mount Gasfort in the Crimean city of Sevastopol. Wearing a black leather jacket, the Russian leader led the column of motorcyclists, riding himself a motorbike with the head of the Republic of Crimea Sergei Aksenov in his sidecar. Putin was seen alongside the leader of the nationalist motorcycle group Aleksander Zaldostanov, better known as "The Surgeon." Also, the president went to Chersonesus to watch Griffin, a play based on a play created by Orthodox Metropolitan Tikhon.

Putin's trip to Russia-occupied Crimea met with a harsh reaction of Ukraine's Foreign Ministry that claimed that the president's visit was portrayed as "domestic".

Putin's well-publicized trip to Crimea should be seen both in its internal and external

contexts. As for the latter, his stay in the occupied territory must have further exacerbated Moscow's strained relation with Ukraine, especially in the wake of the latest clashes in Donbas. And this is all the more that Putin flew to Crimea to hold various meetings for three consecutive days. But more importance should be drawn to the internal context. Putin's latest visit to Crimea is not the first time that he flees the capital in the time of a large opposition rally taking place in Moscow. On July 27, he dived to the bottom of the Gulf of Finland aboard a bathyscaphe.

But more importantly, having Zadolstanov and Tikhon as the trusted people by his side, Putin sought to show all kleptocrats having ties to the Russian president that his problems are their problems. Therefore they should lend with joint and persistent support, enabling the Kremlin to struggle with such "temporary inconveniences" as were Moscow's recent events – after all, the regime has managed to overcome much worse obstacles.



SOURCE: WIKIPEDIA.ORG

15 August 2019

NOTHING NEW UNDER THE SUN: RUSSIA SENDS ITS STRATEGIC BOMBERS TO CHUKOTKA

Two Russian Tupolev Tu-160 strategic bombers performed an eight-hour non-stop flight from their Saratov home base to Anadyr airfield in Russia's Chukotka Region near the U.S. State of Alaska, covering over 6,000 kilometers, the Russian Defense Ministry informed on August 14. Russia's regime press outlets have widely publicized this mission, drawing particular attention to a threat posed by strategic aviation to U.S. military facilities in Alaska. What we are here dealing with is just using the mundane military drills for propaganda purposes in a bid to push aside a recent series of fatal incidents both in the Russian army and the domestic arms industry.

The ministry said the maneuver was part of a scheduled tactical flight drill involving about ten aircraft, including Tu-160 and Tu-95MS strategic bombers and Il-78 air-refueling tankers. The maneuvers are expected to last until August 28. The flight was intended to check the capability to transfer combat resources from their home bases to operational airports. Considering where the Tu-160 was exactly sent to, a conclusion is that Russia practiced the use of its long-range aviation in the event of an armed conflict with the United States. Such was the interpretation of the Russian government's official daily Rossiyskaya

Gazeta whose journalists emphasized that the drills showed Moscow's ability to base nuclear bombers within 20 minutes flight time from U.S. territory. The distance from Anadyr to Alaska is less than 600 kilometers. Russia says that if necessary, the bombers' target could be radar stations and the positions of interceptor missiles that are part of the U.S. missile defense system in Alaska.

Military drills have been staged shortly after the recent military aerial incidents that stirred up tensions between Moscow and the West. On August 13, Moscow informed that two

of its Sukhoi Su-27 jets chased away a NATO F-18 fighter jet from an airplane carrying the Russian Defense minister Tuesday above neutral waters in the Baltic Sea. A day later, NATO said in its turn that its fighters had intercepted a pair of Russian Su-27 to make visual identification because they had been traveling over the Baltic Sea without a flight plan and with their transponders shut off. On August 9, the U.S.-Canadian North American Aerospace Defense Command (NORAD) said its fighters had intercepted two nuclear-capable Russian Tu-95 long-range bombers off the coast of Alaska. The action took place after the Russian planes entered the Alaskan and Canadian Air Defense Identification Zones, which extend some 300 kilometers off the western coast of Alaska. Russian Defense Ministry said that the aircraft remained in neutral airspace while their flight near Alaska was part of a 10-hour mission within the framework of the naval exercise Ocean Shield.

By using the Russian press outlets, the Russian army made its mission to Anadyr highly publicized, probably in an effort to divert attention from the latest series of incidents, such as that of a blast of a rocket engine carrying nuclear material. But almost exactly a year ago, Russia fielded its strategic bombers to Chukotka for the first time in history. It can be concluded that the current mission is part of routine drills, which will happen more often in the future. Russian-made Tu-160s are codenamed Blackjacks by NATO. A supersonic aircraft is capable of carrying up to 12 short-range nuclear missiles and of flying 12,000 kilometers without refueling.

Last year Russian used its Tu-160s in Syria to perform a series of raid attacks on the positions of Islamists. Russia is currently upgrading its Tu-160s; by 2027, the Russian Air Forces will have gotten ten modernized machines. The upgrade cost is estimated at \$227 million.

18 August 2019

SYRIA'S REGIME AND ITS RUSSIAN ALLY SLAUGHTER REFUGEES IN THE COUNTRY'S IDLIB ENCLAVE

Though a truce is formally in force, with a Russian-Turkish buffer zone being supposed to protect the region's inhabitants, forces loyal to Syria's Bashar al-Assad are advancing towards further areas of the rebel-held enclave in northwestern Syria. Russian and Syrian air forces are ruthless in implementing their scorched-earth tactics in the country's last rebel-controlled bastion. Once carried out, air raids are supposed to terrorize and intimidate the province's inhabitants while the areas they flee from are being systematically taken by al-Assad's loyalists.

What seems to drastically corroborate the genocidal practices of Russian and Syrian allies was the recent air raid on a refugee camp in Idlib province. It is worth

noting that the last rebel-held stronghold has received for the past two years hundreds of thousands of refugees and rebel fighters who had escaped from other regions of



SOURCE: МУЛЬТИМЕДИА.МИНОБОРОНЫ.РФ

Syria, destroyed one after another by the Syrian-Russian-Iranian coalition. Air strikes performed on Friday, August 16, by Syria's regime and its Russian ally claimed the lives of at least 17 civilians, of which six children, who were at that time in a refugee camp, the Syrian Observatory for Human Rights has informed. About 30 people were injured.

Intensified air raids are related to al-Assad's struggle for taking control over the M4 and M5 motorways. On Wednesday, August 14, Syria's regime forces were reported to inch closer towards Khan Shaykhun, a strategically important point located in the southern countryside of Idlib. The town attracted international attention in April 2017 after it had been hit by a chemical attack carried out by the regime's forces. Khan Shaykhun lies just 350 meters off the main highway linking Aleppo and Damascus. If forces loyal to the regime manage to capture the town – in an effort they have been trying since 2014 – then they will be able to encircle the remaining part of rebel-held territory in neighboring Hama province. This will enable them to cut the Hama rebels from their main forces in Idlib. Government forces are within a few kilometers from Khan Shaykhun whose inhabitants are fleeing north.

Since late April, President Bashar al-Assad's forces, backed by Russian jets, have carried out

a series of air assaults against rebel-controlled Idlib in northwestern Syria and neighboring provinces. The offensive seems to go in line with what al-Assad promised while saying that he intends to remove all rebels and jihadists from this part of the country; Idlib province is the last rebel-controlled foothold. Much of Idlib region and neighboring areas in Aleppo and Hama remain in the hands of al-Qaida affiliate Hayat Tahrir al-Sham (HTS). The increased bombing began in April, along with ground attacks. More than 820 civilians have lost their lives since the beginning of the offensive while over 400,000 people have been displaced. In the past four months, Russian and Syrian warplanes have struck more than 400 hospitals, clinics, and health care facilities in Idlib.

Since July 26 only, there have been more than 500 air raids, which killed more than 800 civilians.

U.N. agencies compared the attacks to a “scorched-earth policy” implemented by al-Assad and his Russian ally.

For its part, the U.N. will even probe into whether the GPS coordinates provided by the organization to Russia have been used to target the hospitals.



SOURCE: TATNEFT.RU

19 August 2019

RUSSIA REDUCES OIL EXPORT DUTIES

Starting on September 1, 2019, Russia will apply a new adjustment reducing its crude exports duties by \$3.4 per ton, the Russian Finance Ministry has informed. The government has decided to minimize duty tariffs from petroleum products while remaining at zero these for liquefied gas. These changes have come in the aftermath of applying further changes in relation to a so-called tax maneuver. Its vital purpose is to introduce a change of how the oil sector depends on the budget, with oil extraction being prevalent over its exports. This gives priority to the country's biggest crude exporters, with state-controlled Rosneft at the helm.

The average price of domestic oil Urals was \$61.4 per barrel, or \$448.5 per ton, for the period from July 15 to August 14, 2019. Starting on September 1, 2019, Russia is expected to fall to \$90.1 to \$94.1 per ton. The duty rate on oil for a number of oilfields in Eastern Siberia will remain at zero, which goes in line with the new level of the duty as agreed within the so-called tax maneuver in the domestic oil industry. The duty on high viscosity petroleum will be down to \$9.0 from

\$9.4 per ton. The duty on light oil products and oils is foreseen to drop to \$27.2 from \$28.2 per ton, and on heavy petroleum products – to \$90.7 from \$94.1.

The duty on gasoline exports will drop from \$28.2 to 27.2 per ton. Export of a ton of naphtha will be dutiable at \$49.8 per ton, contrary to the current rate standing at \$51.7. Also, the coke duty will decrease from \$6.1 to 5.8 per ton. Starting from September 1, 2019, the cu-

stoms duty on liquefied natural gas (LNG) and LPG clean fractions will be still zero.

Earlier the government of the Russian Federation had introduced new adjustments to how oil exports duties were calculated while including their being at zero as part of the so-called tax maneuver. A relevant decision was signed on December 14, 2018, by Russia's Prime Minister Dmitry Medvedev. The document has provided for setting different ways of calculating customs duty rates from January 1, 2019. It stipulates a factor of gradual zero customs tariffs to be imposed by 2024. The tax maneu-

ver in the oil sector simultaneously provides for a gradual hike in the mineral extraction tax (MET, or NDPI in Russian). Such a strategy envisaging zero-rate duties to be set on crude and petroleum products and an increase in the mineral extraction tax has been in place since 2015 when oil tariffs were reduced by up to 30 percent per barrel, a step that decreased margins of the refineries. In 2017, oil companies protested against the complete elimination of duty. They were supported by Russia's Ministry of Energy whose representatives argued that such a decision ought to have been delayed by seven years, by 2024.

19 August 2019

TRANSNEFT SEEKS GREATER CONTROL OVER OIL DELIVERY SYSTEM

Nikolai Tokarev, the head of Russia's state-controlled pipeline operator Transneft, has suggested Prime Minister Dmitry Medvedev make his company responsible for operational control over raw material supplies being admitted into the pipeline system. The proposals concern greater control over crude oil delivery and acceptance points (CODAP), most of which remain in the hands of the oil companies. Transneft, for its part, has argued that while it is incapable of overseeing what kind of oil is injected to the system, it can no longer take responsibility for damages such as those incurred by the Druzhba contamination crisis in April 2019. But there is no knowing how oil firms will receive Tokarev's demands. Given mounting tensions in a conflict between Transneft and Rosneft, it is to be expected that the latter's chief, Igor Sechin, along with his peers will try their utmost to prevent Tokarev's company from growing stronger at their expense.

In addition to having a monopoly on oil pipeline infrastructure in Russia, Transneft oversees the country's export pipelines. This makes the firm capable of specifying an oil transport schedule, a step which is taken in cooperation with oil firms. But as for the Druzhba pollution crisis, Transneft has no operational control over what kind of oil is

admitted into the entire system. This is why the oil operator seeks to gain power and manage crude oil delivery and acceptance points where crude gets into the pipeline in a bid not to lead to a situation similar to that of April this year when the operator's clients injected into the system significant amounts of tainted oil. In a letter to Russian Prime Minister Dmitry



SOURCE: LUKOIL.COM

Medvedev, Transneft's CEO Nikolai Tokarev suggested transferring operational control over such points to Transneft.

There are about 150 crude oil delivery and acceptance points, the majority of which is operated by oil firms and some private-held companies. Though Transneft's representatives have accreditation there, they are unable to run these points in full accordance with their set of rules. While saying so, Tokarev argues that his firm seeks to take control over the points while not entering into their possession. Also, Transneft aims to take the necessary steps to minimize risks related to the operation of the system by solving the problems of accreditation and certification for chemical and analytical laboratories. Like crude oil delivery and acceptance points, issues have also come up with respect to facilities that analyze oil quality. They operate under their rules, with their chemicals, as a result of which their results differ.

Tokarev also informed that Transneft is still working with its partners to reimburse the firm's clients for any damages caused by the Druzhba failure. In doing so, the pipeline operator remains in tight cooperation with Russian Deputy Prime Minister Dmitry Kozak who is in charge of the domestic fuel industry. There has already been a breakthrough in talks between Transneft and some of its clients, among which is Belarus. The tariff for oil transportation through the Belarusian territory is set to increase by 3.7 percent from September 1, 2019.

Once adopted, the higher rate will remain in effect until the end of 2019, followed by fee indexation to be set as a result of joint Russian-Belarusian talks. An increase in transit fees is aimed at giving Belarus extra financial resources as part of the compensation for losses it has incurred. Earlier Minsk had wanted to boost oil transportation tariffs by as much as 21.7 percent.



SOURCE: KREMLIN.RU

20 August 2019

FRANCE'S MACRON AND GERMANY ARE COMPETING FOR RUSSIA'S FAVOR

France seeks to replace Germany in the role of the top European participant in the Donbas peace talks. This is how recent events can be interpreted, with both a meeting between Macron and Putin and trilateral phone calls on Donbas held between French, Russian and Ukrainian leaders. In his bid to gain the most crucial position in Europe, Macron seeks to emerge as an author of a peaceful solution to the Russian-Ukrainian clash. The Kremlin seems to have nothing against, hoping that Macron's decisive participation and Zelensky's stance, eyed as much softer than that signaled by his predecessor, will altogether lead to bring about peace in Donbas, albeit on Russian terms. With both Poroshenko and Merkel in office, such an option remained impossible. Bringing a conflict in Ukraine's east to a halt could facilitate Russia's return to the G7 elite club after it had been kicked out over its annexation of Crimea. And this would make Europe take a step towards lifting sanctions on Russia. Macron has probably promised Putin that he will prove far more effective than Angela Merkel has even been.

Macron received his Russian counterpart for talks in his summer retreat on August 19. The French leader said that he hoped his talks with Putin would lead to a summit on peace prospects in Ukraine in the coming weeks.

Macron confirmed his willingness to participate in celebrations in Moscow on the occasion of the 75th anniversary of victory over Nazi Germany in World War II to be held in May 2020.

But the two leaders gave priority to discussing the conflict in Ukraine. For its part, Putin voiced support for the Normandy format for negotiations aimed at putting an end to the war in Donbas. Not surprisingly, recent months have brought some changes to the format, making it much more advantageous for the Kremlin. First of all, Ukraine has now a new president who seems determined to bring about peace, possibly by making some concessions to Russia. In doing so, Macron may offer his help while Germany's authority over the format is gradually relaxing.

France's president took advantage of both Berlin's problems at home and the aftermath of last May's European elections to boost relations with the Kremlin. Macron's goal may even consist in stripping Berlin off status of Moscow's key European partner. Macron can promise Putin that he will be more effective and unscrupulous in rebuilding Russia's relations with the EU and easing sanctions imposed so far.

Naturally, the French president has his own calculations, with his widely-known ambitions to emerge as a top European leader and an informal EU representative in talks with Russia, China, and the United States. Macron intends to go down in history as a politician who managed to overcome a major worldwide crisis and a leader capable of setting a new international deal, as exemplified by his words about

the need to transform security architecture in Europe.

In this case, the interests of Macron and Putin seem to converge; the Russian president aims to put an end to Moscow's isolation, also in relations with Europe. But it is also essential to keep in mind Russia's strategic objective, which is to weaken ties in the Euro-Atlantic allies. The Kremlin can therefore deliberately shift the focus of European policy towards relations with France.

Germany may remain the leading economic partner, but the prospects for strengthening bilateral relations are no longer as rosy as they were a year ago.

While the Nord Stream energy pipeline project has encountered some obstacles, the political future in Berlin remains unclear, with the declining importance of both the Christian Democrats and the SPD party. Berlin has also failed to meet Moscow's expectations regarding the Ukrainian problem, and Merkel has not put enough pressure on Kiev to implement the Minsk agreements. Alongside the defeat of Petro Poroshenko, German influence in Ukraine can be considered as weakening. Not incidentally, Zelensky spoke on the phone with Macron – and not with Merkel – as the fights in Donbas escalated, yet being aware of the Fort Bregançon meeting.



SOURCE: МУЛЬТИМЕДИА.МИНОБОРОНЫ.РФ

20 August 2019

CENTRAL ASIA IN THE CROSSHAIRS: RUSSIA BRACES FOR TSENTR-2019 DRILLS

Russia's Defense Ministry has announced that around 128,000 people, over 20,000 military vehicles, 600 aircraft and choppers, and up to 15 ships will be employed in the Tsentr-2019 exercise (also referred to as Center-2019) this September. Soldiers from the People's Republic of China, the Islamic Republic of Pakistan, the Kyrgyz Republic, the Republic of India, the Republic of Kazakhstan, the Republic of Tajikistan, and the Republic of Uzbekistan will be engaged in the drills together with the Russians. The declared goals of the exercise, its scale, and the level of engagement of some Central Asian countries confirm the growing interest of Russia in this region. Over the past year, Moscow has clearly intensified its diplomatic, military, and economic initiatives in its relations with the post-Soviet countries of the region. One of the effects of this is the participation of soldiers from Uzbekistan in Tsentr-2019. There are two main reasons for Russia's return to Central Asia. First of all, Russia wants to play an important role in Afghanistan, and secondly, it attempts to halt the growing Chinese influence (demonstrated for instance in the joint military exercises of China and Tajikistan in the Tajik Pamirs).

Tsentr-2019 is an example of the most significant annual military drills of the Russian Armed Forces. They take place every year (in rotation) in one of the four of Russia's strategic directions. A year ago, they

were launched in the East (Vostok-2018). In previous years, they were organized as Zapad-2017, Caucasus-2016, Tsentr-2015, Vostok-2014, Zapad-2013, etc.). The summer season of exercises of the Russian Armed

Forces began on June 3, 2019. Tsentr-2019 is planned to be its culmination. Strategic command post drills will take place on September 16–21, 2019.

The drills will be held in two stages. In the first one, command officials will be simulating the directing of troops in the fight against terrorism, repelling aerial attacks, and conducting intelligence, search, and defense activities. Stage two will concentrate on the management of subunits in a massive enemy offensive and the attacks on the enemy. The main parts of the exercises will be carried out on eight proving grounds: six all-military (Totskoye, Donguz, Adanak, Cherbakul, Yurginsky, Alyeskiy) and two anti-aircraft grounds (Ashuluk and Safakulevo). Separate “episodes of fighting illegal armed groups” are to be implemented on the proving grounds of partner countries. In addition, the drills will also include the Caspian Sea basin, where the cooperation of

the fleet with land forces, defense of maritime transport, and economic activity at sea will be exercised.

The exercises will engage commanding authorities and units not only of the Central Military District, but also the Caspian Fleet belonging to the Southern Military District, part of the forces of the Eastern Military District, units of the Airborne Troops, transport aviation, and long-range Aerospace Forces. Up to 13,000 soldiers, including 10,700 Russians, up to 250 tanks, 450 BMP and BTR, up to 200 artillery, and rocket systems will participate in practical operations in the Donguz, Totskoye, and Adanak proving grounds in the European part of Russia. The emphasis will be to check combat readiness of the Russian Army in Central Asia. The exercises will be conducted under the command of the Chief of General Staff of the Armed Forces of Russia, General Valery Gerasimov.

20 August 2019

FUEL, SHIPS, MISSILES? RUSSIA SENDS SUPPORT TO VENEZUELA

Scheduled for August 21, a working visit by Venezuela’s Vice President Delcy Rodriguez to Moscow is yet another sign of ever-tightening cooperation between Russia and Venezuela. Only a few days before, Venezuelan Defense Minister Vladimir Padrino had made a trip to the Russian capital. A bulk of further agreements are being inked, also in relation to Russian-Venezuelan military partnership, while Moscow keeps sending economic support to Maduro’s regime. The Kremlin has no intention to step back from Venezuela; the harder Washington pushes, the higher is Moscow’s resistance. Vladimir Putin is aware that the demise of Venezuela’s Chavist regime would be a significant failure for Russian geopolitics. So he will send support to the Caracas government as long as possible. And if he has to withdraw one day, he will surely ask for a high price to be paid. This should explain the growth in Moscow’s involvement on Venezuelan soil.



SOURCE: ДЕЯТЕЛЬНОСТЬ.МИНВОРОНЫ.РФ

Venezuelan Vice President Delcy Rodríguez arrived in Moscow on August 21, where she was received by Russian Foreign Minister Sergey Lavrov. The central topics at the meeting were joint projects in the areas of the economy, advanced technologies, and culture. However, the talks were largely devoted to questions connected to cooperation between the two countries on the global stage. On August 15, Russia and Venezuela signed an agreement governing visits by the countries' warships to each other's ports.

This coincided with Padrino's visit to Moscow. A landmark deal allowing the Russian navy to extend its operational capabilities south of the Caribbean Sea was sealed a week after Nicolas Maduro had announced at a rally in downtown Caracas that Venezuela stood ready to resist the U.S. "imperialist blockade." Earlier a spokeswoman for Russian Foreign Ministry Maria Zakharova had accused the United Kingdom of building a military facility in neighboring Guyana, intended as a starting point for sabotage groups.

Also, Russia has been a bulwark of economic support for Maduro's regime, with deliveries of both gasoline and other petroleum products aimed at preventing the domestic oil industry from collapsing. In June and July, Venezuela received at least 600,000 barrels of Russian-sourced fuel and a feedstock to produce gasoline, Bloomberg agency has reported. The cargoes sailed from the Black Sea port of Taman to Malta, where they were transferred to other vessels heading to Venezuela. The regime in Caracas has much suffered from a massive fuel shortage because of U.S. sanctions. Earlier large amounts of its fuel were imported from U.S.-based refineries remaining in the hands of a subsidiary of Venezuela's state-controlled PDVSA oil monopoly.

Russia's policy in Venezuela seeks to permanently destabilize this world region close to the United States. Also, it is about weakening Washington's positions while building up Moscow's military influence in the Caribbean region.

Attention should be paid to yet another motive behind Russian strategy as offering support for Maduro goes in line with Putin's struggle against "color revolutions." An example of the latter are all actions undertaken by Venezuela's opposition parties, seen by the Kremlin as targeted at its friendly regime. But there are more obvious reasons. The oil-rich country owes Russia a total of \$17 billion while Russia's military intelligence service GRU de fact control drug trafficking from Colombia via Venezuela.

After the demise of the INF treaty, there has arisen a new, albeit potentially dangerous burning issue between Moscow and Washington. For his part, Russian Deputy Foreign Minister Sergei Ryabkov said that Russia would consider deploying its missile forces close to the United States if analogous U.S.-made rockets were fielded in Europe. What is taking place now may somewhat resemble the Cuban crisis of the 1960s.

23 August 2019

RUSSIA LIES ABOUT 1939. ARCHIVES IN THE SERVICE OF THE KREMLIN

In the run-up for the 80th anniversary of the start of World War II, one should expect an increase in Russian propaganda activities. They consist in whitewashing history and selectively using archives to justify the Molotov-Ribbentrop pact while making attempts to shift responsibility for World War II onto Poland and its 1939 Western allies. Moscow says that the West yet again uses the Molotov-Ribbentrop pact as part of the "information warfare" campaign. The opposite is true, though.

An archive exhibition titled "1939 – The Beginning of World War II" was inaugurated on August 20 at the headquarters of the Federal Archive Agency of Russia, also known as Rosarchiv. Among the exhibits displayed are the original versions of the Molotov-Ribbentrop pact, along with its additional secret protocol. The exhibition serves as a pretext for Moscow's information offensive that basically consists in rewriting history to Russia's benefit. The campaign is taking place with the active participation of both historians who share the Kremlin's vision of the past and state's senior officials. Moscow's World War II exhibition was opened by the Russian foreign minister and the head of the intelligence service. The latter is Sergey

Naryshkin, who simultaneously chairs the Russian Historical Society, a fact that shows how greatly Moscow is attached to the politics of history and their use in current affairs. The head of Russia's Foreign Intelligence Service (SVR) said that the Soviet Union was forced into signing a non-aggression pact with Adolf Hitler in 1939, claiming that the document was critical to the defense of the country. Also, Naryshkin argued that in the years prior to the outbreak of World War II, Moscow had made active attempts to thwart plausible aggression from Nazi Germany. He blamed countries of the West for having pursued an appeasement policy that pushed Nazi Germany towards armed aggression against the USSR. Sergey Lavrov, for his part, considered only Western



SOURCE: WIKIPEDIA.ORG

countries to be blamed for what had happened, accusing them of playing “double game” against the Soviet Union. As a result, and what has been persistently highlighted by Russia, the Soviet Union was forced to ink a non-aggression pact with Nazi Germany.

In an interview for Russia’s government daily *Rossiyskaya Gazeta*, the head of Russia’s Federal Archive Agency advanced the above theses, yet again mentioning a Soviet proposal that Poles let the Red Army march through its territory to “fight Nazi Germany.” Artizov has insisted that Poland’s refusal proves Warsaw’s two-faced policy that ultimately led to a failure in UK-French negotiations with the Soviet Union over forging a possible alliance against Germany. Artizov argues that neither Paris nor London could in fact hold interest in taking up a joint fight with Stalin against Hitler. And while none of them was willing to guarantee military assistance, Moscow was compelled to get along with Nazi Germany in a bid to avoid

being attacked. From Stalin’s point of view and in the then geopolitical situation, a pact with the Third Reich was advantageous, the Rosarchiv director has said. The Soviet Union expanded its sphere of influence, which is how Artizov referred to an actual invasion on Poland on September 17, 1939, embroiled at that time in the fight against Germany and the further violent annexation of the Baltic states, and formed trade and economic ties with the Third Reich. In a historical debate that is likely to gain impetus in the weeks the follow, the Russian side naturally omits all facts it sees as burdensome. For example, the Soviet security apparatus (NKVD) worked closely with Nazi German Gestapo long before inking the Molotov-Ribbentrop pact. What is naturally ignored is the fact that Stalin was an ally of Hitler for two years, and the latter directed at that time his aggression to other European countries while ordering the extermination of occupied nations.



SOURCE: ROSNEFT.DE

26 August 2019

ROSNEFT'S GERMAN SUBSIDIARY EXPANDS ITS ACTIVITIES

Rosneft Deutschland GmbH, the Germany-based downstream unit of Russia's state-controlled Rosneft, launched direct crude imports to Germany after having acquired the relevant license in the second quarter of the year. Until now the firm had been involved in processing crude. Extending business activities of Rosneft's subsidiary shows Moscow's growing interest in developing its energy expansion on the German market.

By independently importing its raw material, Rosneft's daughter company will boost its operational activities, Sechin's firm has said. Indeed, Rosneft Deutschland has already inked a series of deals with airlines on refueling passenger aircraft at the airports in Berlin and Munich. In January 2019, the Germany-based oil firm had begun trading petroleum products in Germany. It deals with all products being manufactured at Rosneft Deutschland's three German refineries, along with its mother company in Russia. Among them are gasoline, diesel fuel, jet fuel, fuel oil, LPG, or heavy oil.

Rosneft Deutschland holds stakes at three German refineries: PCK in Schwedt (54.17

percent), MiRO in Karlsruhe (24 percent) and Beyernoil in Vohburg/Neustadt (25 percent). Rosneft's Deutschland annual output capacity is estimated at 12.5 million tons of processed crude, or 12 percent of Germany's total refinery capacity. Rosneft's German downstream unit trades petroleum products that come both from these refineries and terminals. Delivered oil goods are shipped to clients both by road and rail tankers, as well as by river. Rosneft Deutschland sells its manufactured petroleum products to about half a thousand companies from Germany, Poland, the Czech Republic, Switzerland, Austria, and France. Rosneft's subsidiary is headed by Australian-born Brian Chesterman while Russian Andrey Kislitsyn serves as the firm's Managing Director and

Chief Financial Officer. What seems Rosneft's Deutschland "jewel in the crown" is the PCK refinery in the Brandenburg town of Schwedt that receives Russian-sourced oil through the Druzhba pipeline. Rosneft owns a 54.17 percent share while Shell and End hold respectively 37.5 and 8.3 percent. At the MiRo refinery in Karlsruhe (Baden-Württemberg), Rosneft

has a 24 percent stake, with Shell, ExxonMobil and Philips 66 owning 32.25, 25 and 18.75 percent shares respectively. Finally, at the Bavaria-based Bayernoil refinery, the Russians hold a 25 percent stake while among other shareholders are Varo Energy (45 percent), Eni (20 percent) and BP (10 percent).

26 August 2019

MOZAMBICAN PRESIDENT VISITS MOSCOW, ROSNEFT REAPS BENEFITS

Russia keeps boosting cooperation with the countries of Africa. Leaders from the Dark Continent pay regular visits to the Kremlin, almost all of which are accompanied by inking bilateral economic deals with Russia. Oil giants benefit from the Kremlin's policy: while Lukoil has recently gained the opportunity to enter the Republic of Congo, Rosneft has its door open to Mozambique. And this will certainly not mark the end of its business chances, with the Russia-Africa summit scheduled to take place in the resort town of Sochi in October.

On August 22, President of Mozambique Filipe Nyusi was received in the Kremlin where he took part in the ceremony of exchanging copies of the agreements between Russia's Rosneft and its Mozambican partners. Rosneft signed a memorandum with Mozambique's National Hydrocarbons Company (Empresa Nacional de Hidrocarbonetos E.P., ENH) to develop offshore natural gas fields in Mozambique. Also, Sechin's firm signed a cooperation agreement with Mozambique's National Petroleum Institute (Instituto Nacional de Petróleo, INP). Under the signed documents, Rosneft will be granted the right to study available geological data to examine the potential of a number of Mozambique's onshore and offshore blocks, with the

opportunity to enter projects on those blocks in the future. "Mozambique is one of the perspective areas of Rosneft's international business. We are keen on further expanding the project portfolio in the country.

I sincerely hope that the agreements signed today will contribute to that," the firm's CEO Igor Sechin said while attending the Kremlin meeting.

In late 2015, Rosneft's subsidiary, RN-Exploration, and the ExxonMobil affiliate in Mozambique won an INP-held tender for the license to develop the three offshore blocks. The companies received permits for the blocks: A5-B in the Angoche River basin and Z5-C and Z5-D in the Zambezi delta.



SOURCE: KREMLIN.RU

In October 2018, a consortium of Rosneft and U.S.-based ExxonMobil signed concession contracts with the government of Mozambique for the exploration and production of hydrocarbons in three offshore blocks.

The firms have already launched geological works, expecting to make important gas discoveries. Besides Rosneft (20 percent) and ExxonMobil (50 percent), the consortium includes Mozambique ENH (20 percent) and Qatar Petroleum (10 percent).

Also, other large firms benefit from Moscow's expansion in Africa. During the visit of the Congolese president to Moscow in late May this year, Lukoil signed a letter of intent with Congo's state-run oil company SNPC. One of Russia's biggest oil giants acquired interests in the Marine XII license offshore in the Republic of Congo for \$800 million. This is how much Lukoil paid for buying a 25-percent stake in

the hydrocarbon project operated by Italian oil and gas company Eni. This is Lukoil's first energy project in the Republic of Congo yet another on African soil: the oil company so far has left its footprint in Cameroon, Nigeria, Ghana, and Egypt. The last of the four countries hosts onshore projects while the three remaining ones are where Russia develops its offshore ventures. Lukoil's expansion in Africa is in line with the Kremlin's active policy pursued on the continent. In addition to armaments deals, Russia is investing in the economy of other African countries, mainly through extracting minerals, or is tightening security cooperation. Moscow's ever-growing appetite for Africa has manifested itself by Vladimir Putin's meetings with local leaders and will be reflected by the Russia-Africa summit planned for October 2019.



SOURCE: FUNCION.MIL.RU

28 August 2019

SHOIGU'S MISSION: RUSSIA HOLDS MOLDOVA FIRMLY IN ITS GRIP

Fears are now being confirmed that Moldova will remain under greater influence from Moscow after latest government reshuffles. Although socialists have taken control over fewer ministries in Moldova's new coalition government, they supervise most of the critical power structures, with President Igor Dodon having gotten actual authority over the Information and Security Service (SIS). The effects came quickly: when visiting Moldova, Russian Defense Minister Sergei Shoigu urged both countries to renew their military partnership. And if this eventually takes place, with socialists being granted full authority in Chisinau, Moldova will find itself in Moscow's tight grip, paving its way for becoming part of its sphere of influence, a step that is likely to dramatically deteriorate Ukraine's strategic position.

On August 24, Sergei Shoigu held a meeting with Vadim Krasnoselsky who serves as the leader of the unrecognized breakaway region of Transnistria. Russia's defense minister met both Russian soldiers and a group of 1,500 separatist troops involved

in so-called peacekeeping missions, the latter of whom have been deployed to Transnistria since the early 1990s. While visiting Bender, Shoigu laid flowers to the monument to Prince Alexander Nevsky, symbolizing the glory of the Russian army. And this is why Dodon's

presence was seen as particularly striking. Moldovan president accompanied Shoigu during his visit to the secessionist region of Transnistria that adamantly rejects Chisinau's political authority. Suffice it to say that it is little fortunate to see the head of a country kowtowing to a minister of a foreign cabinet. But this is nothing new for Dodon who has long been recognized as the Kremlin's puppet. And following recent political reshuffles in Chisinau, a rapprochement between Russia and Moldova is not at all a surprising move.

The Democratic Party of Moldova (PDM), run by the tycoon Vladimir Plahotniuc, was ousted from power while his former silent ally, Igor Dodon, backed by his loyal socialists, obeyed rules from the Kremlin and unexpectedly formed a tactical coalition with the pro-Western ACUM bloc. Apart from the defense ministry, socialists are now in charge of the department responsible for negotiations with Transnistria and the Information and Security Service (SIS), Moldova's only special service. New legislation on intelligence services has de facto given full authority over the SIS to the pro-Russian political camp in Chisinau. The president will be able to "coordinate the activities of the SIS" while the new law will also

empower him to nominate candidates for the service's deputy head. A candidate for the head of the SIS will be proposed to the parliament whose members will make a final choice. But compared to its coalition partners, the ACUM bloc has fewer votes, 26 out of 61 in the 101-seat parliament.

Shoigu's trip to Moldova shows that Moscow has already begun to politically consume recent changes in Chisinau that the West had seemed to warmly welcome. Indeed, Moldova's incumbent prime minister is Maia Sandu while the corrupt tycoon has been removed from power. The problem is that the coalition partner is now an overtly pro-Russian party while the president who hails from it said in an overhead conversation that socialists get monthly financial support from Moscow. Dodon's inner circle is full of presidential aides that had earlier served in Soviet services and no wonder that they all suggest that Moldova forge an alliance with Moscow. Still in Chisinau, Shoigu made a proposal to form a three-year partnership plan between the countries' defense ministries. And this should not be a problem since Moldova's defense ministry is in the hands of the socialists.



SOURCE: KREMLIN.RU

29 August 2019

TURKEY'S ERDOGAN HAS FALLEN INTO RUSSIAN TRAP

Russia has for several months disrespected a ceasefire deal on Syria's rebel-controlled enclave of Idlib, reached earlier with Turkey, and continues to send support for forces loyal to Bashar Al-Assad. There have already been some cases of capturing Turkish observation posts in Idlib while whereabouts of Turkish battalions have been struck by air raids, possibly carried out also by Russian aircraft. The Syrian-Russian-Iranian alliance is consistent in ravaging the Turkish-backed last rebel-held stronghold, with Ankara having its hands tied. Unable to safeguard its closest allies, it exposes its troops to heightened risk. But Turkey's President Recep Tayyip Erdogan seems to have no choice; he has gotten involved in cooperation with Moscow while sparking off a deep crisis in relations with the West, mostly the United States, also by Ankara's latest decision to purchase Russian-made S-400 missile systems. This limited Erdogan's room for maneuver between Russia and Washington, a result visible not only in the Syrian case. What should be expected are Ankara's further defeats in Syria and the Kremlin's mounting pressure on its Turkish ally to ink more and more military deals. This pushes Turkey away from the West and strikes a blow to NATO's integrity, the latter of which is undoubtedly one of the strategic goals of Vladimir Putin.

Recent weeks have seen an increase in offensive activities in Idlib province conducted by forces loyal to the Syrian regime. Pushing rebel fighters out of their positions

ultimately lead to contact between al-Assad's army and Turkish forces. As a result, Syrian troops seized the town of Morek where they encircled a Turkish military post. Turkey

told Russia that Russian-backed Syrian army attacks in northwest Syria violates the regime's ceasefire and threatens Turkey's security. Even though, it failed undertake retaliatory military measures. What happened on Syrian soil prompted Erdogan to pay an unexpected emergency trip to Moscow. Turkish leader flew to Russia to hold talks with Vladimir Putin, though a Russia-Iran-Turkey summit is set to take place in September as part of the Astana peace negotiations.

Following talks with Putin, Erdogan said that Turkish troops found themselves in danger, saying his country will "do everything to ensure tranquility in Idlib" if necessary. But this is nothing more than just a bunch of empty words because this was Putin who succeeded in gaining an advantage over his Turkish counterpart. When addressing his guest's complaints, he argued that this would change nothing as for a military offensive carried out by Russian-backed Syrian government forces, adding that "the terrorists will continue shelling Syrian government troop positions and trying to attack Russian military facilities." Putin made it clear that the ceasefire deal is no longer in force when saying that "we are convinced that the deescalation zone should not serve as a shelter for militants."

Turkish authorities found themselves in a tough position at their request. No details were provided whether Turkish-Russian talks on purchasing S-400s were accompanied by Moscow's promises or it was rather Turkey that filled in the blanks, believing that this would make Putin reduce or withdraw its support for al-Assad's offensive against Turkish-backed Idlib rebels. The fact is that Erdogan is incapable of doing much, and Putin seeks to seize the opportunity to bind a NATO member with its military contracts. During Erdogan's visit to Moscow, Putin said that another batch of S-400 missile systems had been dispatched to Turkey. Putin said he had raised the issue of Russian-Turkish bilateral cooperation in the domain of aviation industry, with these two discussing the deliveries of Russian-made Sukhoi Su-35 fighter jets to Turkey. Earlier Washington had suspended its F-35 military deal after Ankara purchased S-400 systems from Russia. Also, Ankara and Moscow are reported to cooperate closely to develop the Russian fifth-generation multi-role Su-57 warplane. At a joint press conference with his Turkish peer, Putin said that Russia would start sending its gas to Turkey through the first stretch of the Turkish Stream energy pipeline along the Black Sea seabed by late 2019.



SOURCE: KREMLIN.RU

30 August 2019

STIRRING UP A HORNETS' NEST: IS SILUANOV PLAYING A GAME WITH DOMESTIC OIL FIRMS?

Russian oil and gas giants, with Rosneft and Gazprom at the helm, believe that the state will treat them exceptionally, mainly as for taxes, a somewhat dubious expectation that keeps sparking off significant controversies amongst Russian senior authorities. And even President Vladimir Putin seems to have some doubts about it, as evidenced by his latest moratorium on newest forms of state support for developing domestic oil deposits. The moratorium will remain in effect until the end of 2019. What led to such outcry was a proposal submitted by Russia's finance ministry, widely known for its reluctance in granting oil concessions to energy tycoons, suggested that tax reliefs for some companies be equivalent to a tax increase for the entire oil industry.

While Gazpromneft develops the southern bit of the Priobsky deposit, Rosneft is committed to extracting oil from the northern part. Due to the oilfield's geological properties, its resources are seen as relatively hard to be extracted. This is why Putin has given the nod to pushing ahead tax reliefs for both parts of the oilfield. For its part, Rosneft asked for an annual mining tax rate (MET, or NDPI in Russian) in the amount of 46

billion roubles, a solution to remain in effect for ten more years. Gazpromneft is asking for a deduction of 13.5 billion roubles a year starting from 2020. Once granted appropriate tax incentives, both companies said they would remain committed to assigning all funds they can to develop the Priobsky oilfield in a bid to hinder a recent drastic decline in Russia's oil output. Pavel Fedorov, Rosneft's first vice-president, said the oilfield is capable of giving

as many as 70 million tons of crude in the period when tax deductions are in force, or 660 billion roubles more to the federal budget. The problem is yet that – once introduced – tax break exemptions will deprive the Russian federal budget of 600 billion roubles. But tax incentives for Rosneft and Gazpromneft and their Priobsky field ventures may raise the tax burden on the entire oil industry in Russia.

The idea has been suggested by Russia's finance ministry. The ministry has put under consideration a further increase in NDPI on oil and associated petroleum gas (APG), the latter of which is natural gas that accrues at the extraction of crude. Nothing of the sort

exists anywhere in the world, which makes this idea absolutely pointless. Perhaps leaking the finance ministry's suggestion was a well-controlled step aimed at sparking turmoil in the domestic oil industry while employing envy as a crucial factor in the game. Tax incentives will be awarded to two oil firms while the entire oil sector will have to pay taxes. Perhaps the main point is to stir up great controversies around the plan to make it eventually dropped. This is why Rosneft's rapid and sharp response was to the liking of the finance ministry. While commenting on the issue, Rosneft spokesman Mikhail Leontiev overtly labeled the ministry's proposal as "hooliganism".

30 August 2019

RUSSIA WARNS NATO BY STAGING LARGE-SCALE WAR GAMES OFF NORWAY'S BORDER

Long ago did Russia see such massive navy and air military drills off the Atlantic northern coast, close to Norway's border. Norwegians say that their Russian peers carried out activities aimed at obstructing NATO's access to the Baltic Sea, North Sea, and Norwegian Sea. Moscow was simultaneously committed to staging other military undertakings in the Arctic.

The training was conducted in the Barents Sea and Norwegian Sea. A total of 30 Russian naval vessels, including surface ships, submarines and supply ships took part in the operation. Russia's flotilla included forces from the Northern Fleet, Baltic Fleet, as well as the Black Sea Fleet, altogether headed by Severomorsk, a top Russian destroyer. In the area was also the Admiral Gorshkov, Russia's new frigate-class vessel. Drills were carried out by two tactical groups of the Russian fleet, one of which was headed by the cruiser Marshal Ustinov and the other one – by the frigate Admiral Gorshkov.

Included was also a group of 50 aircraft and about 2,000 on-ground military personnel. Russia was also reported to have deployed its long-range bomber jets. Russian war games put Norway's air forces on high alert, with the latter's F-16s being scrambled three times from their home base in Bodø to intercept Russian jets. Norway's military command said this all was "unusually high activity" by the Russian navy. A pair of Russian Tu-95MS strategic bomber jets made a scheduled nine-hour flight over the Barents Sea, Norwegian Sea and North Sea, Russia's Defense Ministry informed back on August 12. At some stages they were accompanied by Norwegian F-16 fighters.



SOURCE: STRUCTURE.MIL.RU

However, the Norwegian military command said it had not registered any artillery shootings or missile launches in the all four seas where Russia had been scheduled to carry out its navy drills on August 14–17. It is not the first time that Russian forces have engaged in training without any artillery shootings, despite earlier NOTAM warnings. During NATO's Trident Juncture military exercise in November 2018, Northern Fleet vessels were initially believed to have shot in Norway's exclusive economic zone close to Ålesund, yet ultimately failing to stick to the original plan. This was also what took place west of Norway's Lofoten archipelago. In addition to its 30 naval vessels in the Norwegian Sea, the Russian military command sent six ships to the Barents Sea. About ten vessels and 1,000 servicemen

were simultaneously deployed to take part in war games near Kamchatka. Also, a powerful flotilla headed by Vice Admiral Oleg Golubev was on a long-range Arctic voyage. The vessels visited several of the country's new and upgraded Arctic bases. Included in the group were big anti-submarine vessel Vice Admiral Kulakov, landing ships Aleksandr Otrakovsky, Kondopoga and icebreaker Ilya Muromets.

These were what was called Russia's biggest naval drills off Norway's coast in recent years. In April 2019, the mounting threat from Russia prompted the Norwegian army command to submit a request to the country's parliament to designate some extra funds in the state's latest long-term defense budget.



SOURCE: PDVSA.COM

31 August 2019

OIL EXPORTS SAVE VENEZUELAN ECONOMY: ROSNEFT NOT AFRAID OF SANCTIONS

Rosneft has become a top trader of Venezuelan-sourced oil, delivering crude to recipients in China and India, a step that at least partly compensates for Caracas's loss of its traditional brokers afraid of breaking U.S. economic sanctions. In August, China National Petroleum Corp (CNPC), a leading buyer of Venezuelan oil, halted oil loadings.

China is a top recipient of Venezuelan-sourced oil. For the first six months of 2019, China imported 8.67 million tons of crude oil from Venezuela, or roughly 350,000 barrels per day, about 3.5 percent of its total imports. In July, Chinese refineries received about 563,000 tons of crude and fuel, mostly through CNPC and Rosneft. Once CNPC withdrew from trading Venezuelan oil, Rosneft has surged as its leading trader. Russia's energy giant took 40 percent of state oil company

PDVSA's exports in July and 66 percent until mid-August. Rosneft would resell volumes it had bought from PDVSA to trading firms while being less involved in marketing. Now it has started supplying some PDVSA clients — Chinese and Indian refineries — while trading houses such as Swiss-based Trafigura and Vitol have pulled out of the venture fearing a breach in secondary U.S. sanctions.

Russia's most prominent oil firm, which accounts for 5 percent of global oil extraction, is now committed to shipping and selling most of Venezuela's oil exports, with all transactions being carried out by Rosneft's Geneva-based trading office. Rosneft is responsible for both providing tankers and shipping crude to supply its target customers. Only in the first half of August Rosneft chartered four super-tankers (very large crude carriers or VLCCs) and three smaller Suezmax tankers for loading Venezuelan oil supplies. In the said period, Rosneft delivered a cargo of 560,000 tons of oil to Shandong, using two super-tankers, with all raw material being shipped to an independent oil-processing facility. This is unusual because oil has been imported only by state giant Petrochina under adequate contracts with PDVSA.

Russia's Rosneft is not afraid of breaching U.S. sanctions because it takes oil as part of debt servicing agreements. PDVSA reduced its outstanding debt to Rosneft to \$1.1 billion by the end of the second quarter of 2019 from \$1.8 billion at the end of the first. At the end of 2017, PDVSA's debt to Rosneft was \$4.6 billion, while in late March 2016 this was \$4 billion; in late June 2018, PDVSA owed \$3.6 billion, compared to \$3.1 billion at the end of September 2018. Also, the end of the year 2018 was marked with a \$2.3 billion debt while in April – that of \$1.8 billion.

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