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8 November 2019

RUSSIAN NAVY FIRES BULAVA BALLISTIC MISSILE IN SUBMARINE DRILLS

Russia's Northern Fleet has carried out a high-profile test of one of its newest nuclear-powered submarines that has for the first time test-fired the Bulava, Russia's intercontinental ballistic missile. The test was successful. Russia is upgrading its submarine fleet while displaying its capabilities in the North Atlantic, where the Russian Navy is staging the most extensive underwater exercise since the end of the Cold War.

Russian Defense Ministry said on October 30 that the Navy's newest nuclear-powered submarine has successfully test-fired the Bulava intercontinental ballistic missile (ICBM) from its most advanced nuclear-powered submarine. The missile reached the target located thousands of kilometers away. The Bulava was propelled from a Borei-Class nuclear submarine submerged in the White Sea near Arkhangelsk. The missile was said to have hit a test site in the Russian region of Kamchatka. Commander of the Northern Fleet, Vice Admiral Aleksandr Moiseyev, said the enhanced model of the Borei-class submarine is scheduled to enter service once it has completed a series of trials that involve weapons tests. The Knyaz Vladimir is expected to join the Russian Navy's Northern Fleet in December 2019. It had floated out in 2017 and had embarked on its first voyages in 2018. The Knyaz Vladimir is capable of carrying up to 16 intercontinental missiles of the RSM-56 Bulava type, with each rocket expected to carry four to six nuclear warheads. Russia plans to build and commission ten new Borei-class submarines by 2027, with half of them expected to serve in the Northern Fleet and the remaining five in the Pacific Fleet.

The launch of the Knyaz Vladimir coincided with extensive underwater drills of the Russian Navy. On October 26, Russian news agencies reported that two of the country's nuclear-powered subs, known as the Nizhny Novgorod and Pskov, began deep-sea diving in the neutral waters of the Norwegian Sea while planning to test new weapons and equipment. Russia has deployed 10 of its subs to the Northern Atlantic as part of its biggest underwater operation since the end of the Cold War. They are all based on the Kola Peninsula. Russian activity provoked alarm in the ranks of the Norwegian army that – altogether with fellow NATO member states – closely watched what Russia was doing in the sea. Russian submarines have sailed out of their bases and head out as far into the Northern Atlantic as possible while remaining underwater. The Russian vessels will push ahead no farther than west of Greenland, Norwegian intelligence services said. The mission is set to take up to two months, and its goal is to show that Russia can strike the U.S. East Coast.

8 November 2019

RUSSIA IS STILL NOT READY FOR NUCLEAR WAR

Held in October this year, Russia's Grom (Thunder) 2019 strategic nuclear forces exercise revealed that the country's atomic stockpile is far below expectations. Russia is yet not ready for a nuclear clash with the United States, and President of Russia Vladimir Putin saw it with his eyes. While overseeing the drills, he ordered the missile launches by pushing a button –– but it did not work.

Nonetheless, under the New START nuclear arms reduction treaty being formally in force, the United States and Russia are required to exchange their renewed strategic arsenal data every six months. The latest update comes as of September 1, 2019. For Russia, the data shows 1,426 deployed warheads, and 513 strategic launchers in service (of 757 in total). Although the United States has fewer warheads than Russia (1,376), it boasts more launchers being fielded (668 in service, and 800 in total). Nevertheless, signs are that the New START accord will not be extended in 2021, a standstill that may prompt a full-scale arms race between these two. Russia is afraid of this being likely to occur. Though it has been working on modifications to its strategic nuclear arsenal, its stockpile leaves much to be desired.

This was confirmed during Russia's annual Grom 2019 strategic atomic forces exercise on October 15-17. These were the most extensive drills ever held since their inception in 2012, with a record number of multiple types of missiles launches carried out. For instance, Russian strategic nuclear forces test-fired intercontinental ballistic missiles and medium-range cruise rockets. Also, involved in the drills were submarine-launched ballistic missile (SLBM) and Kh-55 air-launched cruise missiles, the latter fired from strategic bombers. Russian Defense Ministry boasted about having successfully performed all tests. Though, interestingly, the drills saw a serious mishap when the nuclear submarine, Ryazan, fired only one missile while the remaining one left onboard the vessel. The aborted attempt marked the culminating point of the exercise and a critical

SOURCE: KREMLIN.RU

test, with single test-firing activities being performed so far. And what is more, the incident with the ballistic missile occurred while Putin oversaw the drills from a command center in Moscow. The technical failure, though officially branded as an abandoned attempt to launch a rocket, involved a well-worn submarine that dated back to the 1970s, with the missile itself being also conceived back then. The Kremlin might even push harder to speed up the upgrading of Russia's nuclear stockpile. The fact is that the elements of Russia's nuclear triad have failed to work as they should, and Putin should not wholly rely on this in the event of a war.

10 November 2019

CZECH COUNTERINTELLIGENCE UNCOVERED FSB ESPIONAGE RING

The Czech Security and Information Service (BIS) confirmed earlier reports from a few months ago, saying it had dismantled a Russian espionage ring created in the country by the Russian FSB. The head of the BIS, Michal Koudelka, announced that the network was meant to be used for cyberattacks against the Czech Republic and its foreign allies -- financed by the Kremlin and the Russian Embassy. This is yet another proof of Prague's role as a regional center for Russian intelligence operations.

Koudelka told a conference in the Czech parliament that "the network was created by people with links to Russian intelligence services, and financed from Russia, with the Russian Embassy in the Czech Republic serving the role of an intermediary." The operation was orchestrated by a group of Russian citizens and several other people

SOURCE: BIS.CZ

who acquired Czech citizenship. They all masterminded the plan while under the guise of two Prague-based private companies selling computer hardware and software. More detailed information should be revealed in the 2018 BIS report to be published by the end of this year. The Czech secret services reportedly disclosed the network of Russian undercover agents in early 2018. The Russian Embassy in Prague denied having any links to the BIS-disclosed system. Russian media and experts waged an extensive campaign against some senior officers of the Czech intelligence service, accusing them of holding close ties to Washington. Also, they came under criticism of President of the Czech Republic Milos Zeman. Not incidentally, Zeman is known for his pro-Russian views and is now pushing to take a personal vendetta against Koudelka for the latter's successful fight against Russian espionage activities. Zeman has refused to promote Michal Koudelka, although he was proposed for the fourth time to the rank of general.

The Russian Embassy in Prague has surged as a leading regional center for Russian intelligence activities. The diplomatic facility hires twice as many people as would be enough in a country like the Czech Republic. This is to be exemplified with the uncovered espionage ring. In 2014, two Russian GRU agents - who later attempted to kill Russian double agent Sergei Skripal - were in the Czech Republic, at the same time that Skripal was asked by Czech counterintelligence to brief undercover on Russian spying activity. The Czech Republic also saw the transfer of funds to the organizers of a failed coup attempt in Montenegro in the autumn of 2016. Half a million euros were transferred through the Prague-based company Sofbiz to the people who masterminded the plot. The firm yet had no office there and was established in the Czech Republic as a branch of a Seychelles-based company. The funds ended up in bank accounts in Cyprus before being assigned to a group of entities linked to the coup attempt.

SOURCE: KREMLIN.RU

11 November 2019

RUSSIA STAGES INFLUENCE OPERATION IN BULGARIA

Both Russia and a pro-Russian camp in Bulgaria have struck back after a series of mishaps. A court awarded special judicial permission to the leader of the Russophiles National Movement, Nikolay Malinov, who fled to Moscow, albeit without prior consent of the prosecutor's office. Bulgaria's pro-Russian president rejected the candidate to the post of the country's chief prosecutor, who had disclosed Moscow's espionage activity in Bulgaria. More prior, Sofia expelled a Russian diplomat who had attempted to recruit spies and gathered classified information. Also, Bulgaria is said to have refused a visa to the incoming military attaché.

Over recent years, Bulgaria, a traditionally pro-Russian country, has not seen severe clashes between a party that is openly in favor for a tilt toward Moscow and the country's ruling camp which intends to continue pragmatic cooperation with Russia while keeping its westward-oriented geopolitical course (membership in the EU and NATO). The country has recently expelled the Russian diplomat accused of spying and unveiled Malinov's ties to Russia-based institutions that served to mask intelligence operations, perhaps bowing to pressure from Western special forces, chiefly the U.S. that sees Bulgaria as a "weak link" of NATO's eastern wing. An investigation carried out by Bulgaria's prosecutor's office and the State Agency for National Security (DANS) may bring problems both for Malinov, formally charged with espionage, and the country's whole post-communist and pro-Russian lobby. This may yet deal a blow to Bulgaria's incumbent president Rumen Radev, who shows a similar attitude, as post-communist opposition forces teamed with a Russia think tank, known as the Russian Institute for Strategic Studies (RISS), helping him win the election in 2016. The RISS was formerly a part of the Soviet KGB intelligence and Russia's SVR service. Although linked to the Kremlin for the past ten years, it still serves the role of an intelligence agency utilized for hybrid operations. The RISS is reported to have also operated in Poland, Serbia, Montenegro and Bulgaria. Financed by Konstantin Malofeev and some of Bulgaria's pro-Russian oligarchs, the Kremlin-affiliated think tank was believed to help Malinov form a powerful team, both political and media-related, with a mission to revamp Bulgaria's geopolitical course.

Recent days have seen the country's pro-Russian team trying its best to defend its positions. President Rumen Radev has vetoed the appointment of Ivan Geshev as a new chief prosecutor, returning the proposal back to Bulgaria's Supreme Judicial Council. The 49-year-old Geshev is a graduate of the Academy of the Ministry of Interior and the head of the Ministry's special anti-corruption department, formerly involved in activities against Russian spies. Earlier this fall, Geshev, alongside Bulgaria's incumbent chief prosecutor, visited the United States where these two were said to have held talks with representatives of U.S. special services. High on the agenda was Moscow's mounting activity on Bulgarian soil. But previously, the prosecutor's office had suffered yet another setback for its victorious struggle against Russian influence. The court allowed Malinov for a short trip to Russia - without notifying Bulgarian prosecutors - though in early September, the leader of the Russophiles National Movement was released on bail and ordered not to leave the country. On November 4, at the Kremlin, Malinov received the Order of Friendship award from Putin.

11 November 2019

THE FRENCH CONNECTION: MACRON'S WORDS PLEASE THE KREMLIN

With his subsequent moves and declarations, French President Emmanuel Macron emerged as Russia's biggest friend in the West. First, the French leader made rapprochement with Putin over Ukraine's case, helping Moscow return to the Council of Europe. Sometime later, he vetoed the opening of accession negotiations with the two Balkan countries. Now he lambasted the transatlantic defense bloc, an alliance that for the past seven decades has laid the groundwork for Western security while being the Kremlin's top enemy.

In an interview with The Economist, French President Emmanuel Macron has dealt a blow to NATO like anyone ever has. Emmanuel Macron undermined U.S. leadership in the Alliance while raising questions about Article 5 of the NATO Treaty, the bloc's fundamental principle. The French president has warned European countries that they can no longer rely on America to defend NATO allies. "What we are currently experiencing is the brain death of NATO," Macron told the British weekly. Asked whether he still believed in the Article 5 of NATO's founding Treaty, under which an attack against one member is considered an offense against all, Macron answered: "I don't know." Why

SOURCE: KREMLIN.RU

has Macron hit a blow to the bloc? Because he seeks to fracture the Euro-Atlantic alliance in a bid to forge a new security architecture in Europe, seemingly based on the European Union, albeit under the aegis of Paris and Berlin, and in partnership with Moscow. Once brought to life, a similar arrangement would surge as an equal partner for talks, both with the United States and China, which is nothing but a mere pipe dream as Europe cannot compete with the United States and the People's Republic of China, either economically or militarily. Macron has made deliberate efforts to disintegrate the Euro-Atlantic system of security that so far has brought more than 70 years of peace to the West. Macron's punch in NATO's face is his yet another move that favored Moscow's political goals. A few weeks earlier, the French leader vetoed the opening of accession negotiations with North Macedonia and Albania, although these two fulfilled a set of preconditions laid out by Brussels. North Macedonia seems particularly vulnerable, with the risk of pro-Russian parties coming to power. Besides, Macron had angered Bulgaria and Ukraine, saying that he preferred legal migrants from Africa to "clandestine networks of Bulgarians and Ukrainians."

Emmanuel Macron is the first Western leader looking to bury the West's post-Crimean policy toward Russia - joint and somewhat agreeing in viewpoints. The French president aspires to "build a new architecture of trust and security in Europe," one that includes Moscow. In August, Macron received Putin in his summer retreat of Fort Brégançon for talks - referred to as an ultimate icebreaker in these two's bilateral ties, the sign of a thaw in relations that unfolded in the weeks that followed. The French leader gushed that Russia was a "great nation of the Enlightenment," adding that the country is home to liberalism, albeit on Moscow's terms. Putin and Macron spent later over two hours talking one-on-one. Shortly after, at the G7 summit, Macron announced a new round of the so-called Normandy talks, while sometime later - and for the first time in many years - France and Germany held a joint meeting under a 2+2 formula, with foreign and defense ministers being present. Emmanuel Macron laid out how he viewed relations with Russia in the annual presidential address to the nation's envoys at the Elysée Palace on August 27, arguing that these need to be rethought while "pushing" this country further from Europe is "a serious mistake." Macron believes that "it is essential that we take this initiative" to trigger a reset policy pertaining to various conflicts.

SOURCE: KREMLIN.RU

12 November 2019

THE FALL OF MORALES: RUSSIA LOSES BOLIVIAN ALLY

Notwithstanding how events will further unfold in Bolivia, the ouster of Morales as the country's president is likely to hit a severe blow to the Russian sphere of influence across Latin America. Morales has been part of the circle of the Kremlin's closest associates, while Bolivia belongs to what could be called a pro-Russian axis of Latin American states, alongside Cuba, Nicaragua and Venezuela. Political reshuffles in Bolivia may weaken the regimes in Caracas and Havana.

Bolivia's leftist president Evo Morales, in power since January 2016, submitted his resignation on November 10, 2019, following weeks of protests over the country's much-debated presidential election. Morales described the events in the country as d'état and fled to Mexico, where he was granted asylum. The Bolivian leader quit after a report from the Organization of American States (OAS) unveiled serious inconsistencies in the October 20 vote. The country's opposition forces repeatedly claimed the vote allowing Morales consecutive re-election was rigged. What served as the decisive factor in the fall of Morales was the attitude embraced by the country's military. Bolivia's post-election uproar, which led to the resignation of the president, raised the ire of both Russia and a group of Latin American countries, or Moscow's close allies. The leaders of Cuba, Venezuela and Argentina - Miguel Diaz-Canel, Nicolas Maduro and Alberto Fernandez - have all denounced what they named "a coup" against their traditional ally. Russian Foreign Ministry accused Bolivia's opposition of "unleashing a wave of violence," saying that the events in the Latin American country "have the patterns of an orchestrated coup d'état." After Morales's dismissal became the fact, Konstantin Kosachev, chairman of the foreign affairs committee of the Federation Council, the upper house of the Russian parliament, said Moscow is ready to continue dialogue with the country's legitimate authorities and with the new parliament when the latter is elected.

The Kremlin perceived Evo Morales as its close ally, vital in the context of political turmoil that has gripped Venezuela. His political failure strikes a blow to Moscow's position across the continent and poses a threat to Russian interests in Bolivia. When Morales last time visited Moscow in July 2019, both he and Vladimir Putin condemned any foreign meddling in Venezuela's domestic affairs.

In the wake of talks with his Bolivian counterpart, Vladimir Putin said that Gazprom had pumped half a million dollars into the development of the country's oil and gas sector while Rosatom had contributed to the construction of a nuclear research and technology center. Russian companies showed interest in building railway connections and expanding an airport in the eastern city of Santa Cruz. Little is known how Russia will get on with the new authorities in La Paz as it remains unclear who will seize the full power in the country. Perhaps a strong camp of Morales's loyalists will seek to destabilize the situation, also with some help from Russia.

14 November 2019

CAN NEWLY EMPOWERED FSB CUT RUSSIA OFF THE REST OF THE WORLD?

Authorities in Russia are working to amend the country's law, allowing the Federal Security Service (FSB) to block online traffic flow with any country around the world. Formally, Russian lawmakers seek to fight against telephone terrorism more effectively. This will yet lead to a massive crackdown on civil liberties and Russia's even greater isolation while marking yet another chapter in efforts to subordinate the country's telecoms industry to special forces.

Russian services have long had difficulties in dealing with a wave of hoax bomb threats made via online connections, most often from Cyprus. A brand-new mechanism is being developed as a remedy for these alerts: Russia's Security Council has empowered both the FSB and the Communications Ministry to oversee work over the new censorship tool. By late 2019, these two are expected to notify about possible amendments to the law that could open up such an opportunity. Lubyanka-led interagency commission includes representatives of the 12th Center of the FSB, a branch tasked with providing technical support for communications networks. Apart from the telecoms ministry, involved in the project are Roskomnadzor, Russia's telecommunications watchdog, the Federal Antimonopoly Service (FAS), and the country's "Big Four" operators: Rostelecom, MTS, MegaFon and VimpelCom. Interestingly, among the entities devising the tool there is the Analytical Centre Forum, led by Putin's former chief of staff, Alexander Voloshin.

Under the newest censorship mechanism, the FSB could request that telecoms operators block all voice messages from countries they

SOURCE: KREMLIN.RU

believe hoax bomb threats come from. It is not yet known whether the tool will stretch onto online traffic or telephone communications. Under this pretext, the FSB will be granted the right to cut off online links with foreign countries for up to six months. The problem is that Russian services could use the mechanism not only for blocking phone calls and text messages but also for data transmission.

The FSB says bomb hoaxes are most often made via Skype Out and Viber Out, both of which allow calling a regular phone number via a computer program. Therefore Russia's new laws can be reasonably expected to permit enough room for maneuver for the country's services.

19 November 2019

RUSSIA'S OIL EXPORT DUTY RISES: WHAT'S NEXT WITH TAX MANEUVER?

The Russian government has decided to boost customs tariffs on exported oil supplies and petroleum products in a move to halt the gradual slump in oil export duties, at least temporarily. Under the so-called tax maneuver in the Russian oil industry, the raw material will be subject to tax charges already at the extraction level, and not during its export, as it was the case before.

The average price of Russian oil Urals was $61.33 per barrel, or $447.7 per ton, for the period from October 15 to November 14, 2019. The oil export duty was $88.3 per ton. Starting from December 1, 2019, Russia will apply a new adjustment raising its crude export duties by $2.2 per ton - to the total of $90.5, the Russian Finance Ministry has informed. There will be no alterations to the discounted zero-rate tariff for crude produced in eastern

SOURCE: GAZPROM-NEFT.RU

Siberia, fields operated in the Caspian Sea and the Prirazlomnoye offshore deposit. This stems from a new compensation formula, earlier adopted as part of the so-called tax maneuver.

The tax on high viscosity petroleum will rise to $9 from $8.8 per ton. The tariff on light oil products and oil is foreseen to achieve $27.2 from $26.1 per ton, while for heavy petroleum products should increase from $88.3 to $90.5 per ton. Also, commercial gasoline exports will cost higher, edging up to $27.1 from $26.4 per ton. So will duties on naphtha, growing from $48.5 to $49.7 per ton. The rate for petroleum coke is also set to go higher, from $5.7 to $5.8 per ton. The customs 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 export duties were calculated while including their being at zero as part of a so-called tax maneuver. A relevant decision was signed on December 14, 2018, by Russia's Prime Minister Dmitry Medvedev. The document provides for changes to the customs clearance formula, introduced back on January 1, 2019, with a coefficient for a gradual reduction in customs duties to zero-rate tariffs by 2024 and a simultaneous increase in the mineral extraction tax (NDPI).

SOURCE: PGNiG

19 November 2019

ONE CUSTOMER FEWER FOR GAZPROM: POLAND SUCCESSFULLY DIVERSIFIES ITS ENERGY SOURCES

As earlier announced, Poland's biggest gas firm, state-run PGNiG, said that it did not intend to extend its long-term deal on gas supplies with Gazprom. The gas firm seeks to wean itself off Russian-sourced energy after 2023. This marks Russia's and Gazprom's failure while exposing the immense success of Poland's incumbent authorities who, since coming to power in 2015, have made consistent efforts to vary the country's energy supplies to cut off reliance on Russia and build up Warsaw's energy security. Poland says it will be able to do without Russian gas after the current gas deal terminates.

The Polish-Russian Yamal contract, signed back in 1996, will remain in force until December 31, 2022. Under the deal, Poland gets 10 billion cubic meters (bcm) of gas per annum. According to a Gazprom-imposed take-or-pay clause, Poland is obliged to buy at least 8.7 billion cubic meters of gas annually. President of the PGNiG Management Board, Piotr Woźniak, said that the financial terms of the Gazprom contract were unfavorable, with Poland being bound to pay up to 1 billion zlotys per year ($260 million). PGNiG's gas deal with Gazprom has long not been in line with market conditions, deteriorating Polish gas consumers' position in relation to other European customers. Bearing in mind exorbitant energy prices, unfavorable deal conditions and Poland's fear of Gazprom's use of gas flows as a tool of political pressure, PGNiG notified Gazprom Export of its intent to terminate the contract for purchase and sale of natural gas. The Yamal agreement requires that the parties formally submit declarations regarding future cooperation three years before the deal expires; if not notified by any of the parties, the contract will be prolonged automatically. Poland has long made attempts to reduce the price of Russian-sourced gas supplies, managing to diminish the rates by 10 percent back in 2012. In 2015, PGNiG filed a suit against Gazprom to the Stockholm Arbitration Court, arguing that the price of gas in the current agreement was overestimated and did not correspond to the situation on the European energy market. Both gas firms are still awaiting the final ruling, scheduled for late 2019 and early 2020, with Poland hoping to win the case.

In 2018, Poland's demand for gas was 20 bcm, with domestic production of 4 bcm. About 60 percent of Poland's demand came from Gazprom. PGNiG has reduced Russian gas flows by 21 percent since the beginning of this year. In the first three quarters of 2019, Poland's LNG purchases raised significantly, at the expense of gas shipments from Russia. The share of Russian energy in Poland's total gas imports dwindled by 17 percent, attaining the level of 58 percent, while 75 percent in a year-to-year comparison, with a simultaneous increase in LNG's shares in total gas imports, from 18 to 23 percent. From January to September 2019, Poland's Świnoujście gas terminal received 22 offshore liquefied natural gas supplies, compared to as many as 16 in a year-to-year comparison.

Poland's decision to diversify its gas supplies will allow for terminating the Yamal gas contract. PGNiG has taken in the last four years some actions aimed at diversifying Poland's energy supplies. The efforts to reduce dependency include importing liquefied natural gas from the United States, Qatar, and Norway. Poland's gas firm has struck long-term LNG supply deals, including with U.S.-based companies. Under the accords PGNiG has already inked, the company is bound to receive 1.45 million tons of LNG annually from U.S.-based Cheniere after 2022 (within the 24 years) and 2 million tons from Venture Global throughout twenty years. Importantly, PGNiG says that U.S. firms supply LNG flows at an entirely competitive price to that offered by Gazprom for its supplies running through Russia-based pipelines. PGNiG holds shares in 26 exploration and production licenses on the Norwegian Continental Shelf. Once completed, Baltic Pipe will allow the transfer to Poland of 2.5 billion cubic meters of gas.

SOURCE: KREMLIN.RU

24 November 2019

WHAT'S TRUE ABOUT RUSSIAN MILITARY SPENDING?

Russian President Vladimir Putin informed that his country spent less for defense in 2018, saying that gone is the peak of the Russian military's equipment and hardware upgrade, and these do not need to be financed to the same extent as before. It is impossible to verify if the president tells the truth. The structure of Russia's federal budget makes it impossible to determine the country's actual defense spending. And it is not just that a great deal of the budget is classified.

In 2018, Russia spent 2.8 percent of GDP, or roughly 2.8 trillion roubles ($44 billion), on the national defense order, Russian Vladimir Putin said. This is less than ever before. Yet it is not known by how much armaments spending has dropped and where those funds were transferred. Judging by official data, Russia's defense expenditure figures topped the highest estimate in 2016 when they were 4 trillion roubles. In recent years, the country's defense sector saw the biggest increase in total budget spending numbers, doubling from 1.52 trillion roubles in 2011 to 3.18 trillion roubles in 2015. Russia's gross domestic product grew by 1.7 percent year-to-year, with an increase in defense's share in the country's total budget from 2.55 percent of GDP in 2011 to 3.84 percent in 2015. Their share rose in the country's total budget expenditure, from 13.9 percent to 20.4 percent respectively. In 2016, this spending grew by more than 22 percent, with their shares in total budget expenditure and the country's GDP hitting 23.7 percent and 4.7 percent respectively.

The problem is that both military and defense expenditure could be financed from some other portions of the budget. And, first and foremost, vast amounts of Russian roubles are spent on secret budget items. U.S. public spending that is classified as secret, or what is called black budget, does not surpass 6 percent of all expenditures. The amount of hidden, unspecified outlays in the federal budget stands at roughly 60 percent, a tendency that reveals the army's financing being far beyond anyone's control. What Russia actually spends on the military is much higher than it officially declares. Even the Stockholm International Peace Research Institute (SIPRI) said in its 2018 report that Russia became the sixth-largest nation in military spending, at $61.4 billion. So the figures from the Swedish think tank are one and half times higher than what was officially declared. While Russia's official defense spending was 4.7 percent of its GDP in 2016, yet according to the calculations made by the Gaidar Institute, the total military expenditure for that year amounted to 5.7 percent of Russia's gross domestic product, or 4.93 trillion roubles.

Discrepancies between what is publicly revealed about Russia's defense spending and how much the state spent in total are linked to the specificity of the budget. A portion of the state's total expenditures remains classified and is where Russia may hide its defense money. Some 70 percent of Russia's classified spending is allocated for military purposes. Moscow adopted this mechanism in its amendment to the 2017 budget and earlier, in 2016, when revenues were reduced and budget expenditures went higher in some of its secret sections. In consequence, classified spending grew 22.3 percent of overall expenditures in 2016, up from 20 percent a year before. The number of hidden parts in Russia's federal budget has marked a constant tendency in public finances, with their share in the total expenditures having doubled since 2009. A rise in spending was driven by the growing needs of both the army and Russian special services, with these including a military operation in Syria, a rearmament program or the establishment of the National Guard. In what is referred to as an explicit portion of the federal budget, Russian military sector gets funding from the "national defense" category as well as some others, including "National security and law enforcement" (with the National Guard and border guards), "National economy" (investments under defense procurement), "Social policy", "Health care" or "Housing and utilities". Unlike Western countries, Russia spends its defense budget for nothing more but what is referred to as on-going expenses, a group that encompasses staff wages, property maintenance, and military drills. Funds for purchasing, repairing and upgrading the army's military hardware, weapons and other materials come from other parts of the federal budget, which is to a large extent how Russia's State Armaments Program 2011-2020 is financed.

SOURCE: KREMLIN.RU

25 November 2019

PUTIN'S LATEST APPROVAL RATINGS: CHOOSING THE LESSER EVIL

Fewer and fewer Putin's fellow countrymen are declaring themselves enthusiastic about the incumbent leader. An ever-distant attitude toward the president, along with his performance ratings remaining rather unchanged, may serve as a proof for a growing apathy among members of Russian society. This does not pose a direct threat to the regime, yet any crisis may ignite a more rapid surge of a political team adverse to Putin and his companions.

A new poll by Levada Center, Russia's independent pollster, showed that the sympathy for Putin has fallen to 24 percent, which is the same as before the wave of protests in the spring of 2011. Back in 2017, Putin's approval ratings dropped to 32 percent. In total, 32 percent of respondents assess Putin more or less positively, down from 42 percent in 2017. Putin's favorability numbers were amongst the highest in 2008, with 50 percent of respondents exposed positive feelings, a trend that coincided with the society's economic moods being at their peak. Neutral indifference prevails throughout the country, with 15 percent of respondents declaring themselves indifferent, 8 percent - admitting they could not say anything positive about the president while as many as 30 percent maintaining they could express any negative remarks. And yet, along with Putin's dropping favorability level there came a slight increase in how the president's performance was assessed, hitting 70 percent, or 3 percent more than in October 2018. Putin's disapproval ratings stand at 28 percent, down from 32 percent last year. Putin's approval ratings scored best in October 2014 - as much as 85 percent - following Russia's annexation of Crimea from Ukraine in a move that eventually elicited a wave of euphoria across the country.

The nation's actual stance on its leader seems better revealed by what was asserted in the first poll, with people being more prone to speak how they perceive Putin as a man instead of appraising his political performance. More and more Russians are expressing neutral indifference toward the incumbent leader, an upward tendency that originates mainly from the lack of an alternative candidate. The Russians seem to have accepted Putin as the country's present and possible future leader, albeit they have no longer an enthusiastic attitude. Those most prone to express sympathy for Putin are women, people from the provinces and those in the older generations.

The share expressing sympathy has fallen over the past two years because of the nation's bitterness about Putin's policies, with a highly unpopular pension reform at the forefront. Though most Russians expect changes, yet they see there is no chance for it if Putin remains in power. In an October study by the Carnegie Moscow Center and the Levada Center polling organization, 55 percent of respondents want full-scale reforms, while 53 percent of people said that such improvements are only possible if significant changes occur in the state's political system. The poll found that 25 percent of people believe that the president and his closest associates are against any changes, up from 15 percent two years ago. What the polls seem to corroborate is that Putin's Russia is plunging into stagnation and hopelessness, a tendency linked with a poor economic situation and no prospects for reversing the doom-and-gloom trend, albeit posing no direct threat to the ruling team. There is no alternative to Putin, which is a long-lasting prospect.

25 November 2019

IEA FORECAST SAYS RUSSIAN OIL INDUSTRY WILL RECORD LOSSES

The United States is currently the world's largest producer of gas and oil. With their shale output staying higher for longer, the Americans are poised to become the world's second-biggest gas exporter only to Russia. The United States will top as a leading exporter of oil, yet to the detriment of Russia, whose role in the oil industry is likely to shrink, both in terms of crude output and export. This is likely to hit a massive blow to the federal budget. Without full-scale reforms and efforts to diversify its economy, Russia will face major problems. Though Moscow will keep its status as the world's leading exporter of gas, the latest changes in trading conditions could hit Russia with some financial difficulties.

In its latest global energy forecast, the World Energy Outlook 2019, the International Energy Agency (IEA) pointed out an increase in oil demand by roughly 10 percent, of 106.4 million barrels a day in 2040, up from 96.9 million last year. The world's thirst for oil will continue to grow until 2030. The IEA's energy outlook says demand for oil will rise in India, Africa and in the Middle East, along with these three's boosting processing capacity while bringing a stable situation in China, as well as a decline in both U.S. and European

SOURCE: GAZPROM-NEFT.COM

markets. The IEA forecast that the global thirst for oil may decline by 2040. Sberbank's chief executive, German Gref, agreed with this opinion, saying that the country's economy will soon experience both a long period with an oil price below $40 per barrel, with the raw material shock being right the corner.

In its global growth forecasts, the IEA estimates that the United States will lead oil-supply growth. By 2025, the country will average total oil output of 20.9 million barrels per day, up from 15.5 million last year. U.S. crude production is tipped to peak in 2030, with 21.7 million barrels being extracted every single day, an upward tendency followed by decay in crude oil demand of 19.8 million barrels in 2040. The U.S. will account for 85 percent of the growth in production worldwide to 2030 and a 30 percent boost in global oil output, according to the IEA. This will cement the U.S. position as the world's top exporter of both types of hydrocarbons. The U.S. combined energy production is on course to surpass the output of Russia's entire oil and gas sector by 2025. Russia's oil output is expected to see a gradual slump after 2018. The country's domestic oil sector is forecast to lower its production to 9.4 million barrels per day (bpd) in 2040, down from 11.1 million bpd in 2025 and 11.5 million bpd in 2018. By 2025, the OPEC cartel also seems set to slump its production to 36.2 million barrels, down by 3.2 percent last year. Yet another production growth is forecast for 2040, with as many as 40.1 million barrels being pumped out on a daily basis. The IEA predicted the share of energy produced by Russia and OPEC will drop to 47 percent in 2030, down from 55 percent now. Also, oil-trading mechanisms are to become subject to a set of new regulations. In Asia, the share of contracts with gas prices being solely linked to those of oil will flatten out to no more than 20 percent in 2040, down from the current 80 percent.

Russia will hold the reins in oil output worldwide for at least 20 years, yet with the United States coming closer and closer and eventually becoming the world's number two in 2025. According to the IEA, by 2030, Russia will raise its gas exports by 26 percent, to 290 billion cubic meters (bcm, compared to 2018 figures) and by 16 percent, to 336 bcm of gas in 2040. Due to rising trade in liquefied natural gas (LNG), these supplies will overtake natural gas shipments running through pipelines. 2030 will see increased LNG flows to 598 bcm of raw material, which is by 70 percent, compared to 2018 numbers, and by 22 percent, to some 729 bcm in 2040. Natural gas sales will go up by no more than 21 percent, reaching 528 bcm by 2030 and by 4 percent, to 549 bcm, in 2040. Despite a slower pace, the hike in natural gas sales will in the long term develop due to higher demand from China in a move that should make up for a flattened decline in gas flows through Europe by the late 2030s, with a simultaneous growth in LNG shipments. By 2040, Qatar will be the world's largest LNG exporter, ahead of Australia and the United States.

25 November 2019

UNITED RUSSIA CONGRESS: PUTIN DISTANCES HIMSELF FROM RULING PARTY

Though Russian President Vladimir Putin delivered a speech at a congress of the ruling United Russia, he seemed far aloof from the party whose approval ratings keep going down. Both his attendance and address served to unify the party and assemble its members ahead of the 2021 elections. As prompted by the course of the event, the Kremlin has no intention to introduce changes to the state's party system being in force for many years till now, at least not before the vote.

On November 23, United Russia opened its congress in Moscow to focus on issues ahead of the elections to the State Duma in 2021. Party officials believe United Russia has a chance at winning at least 301 seats in the 450-member State Duma in elections scheduled for 2021. The ruling United Russia party has 339 deputies present at the national legislature. What party members seem to believe is yet far from being promising. United Russia's rating is now about 30 percent. There are no indications of rising support for the party, quite the contrary, though. As usual, Russia's ruling party wants to secure an overwhelming majority of all votes in single-seat districts, used to elect half of the State Duma's members.

The congress took place over two years before the election in a bid to mobilize party officials. Russian Prime Minister Dmitry Medvedev, the party chairman, urged his fellow party members not to run for seats as nonpartisan candidates. Some of United Russia party candidates stood as independents in Moscow ballot this summer, an experiment that yet has failed to bear fruits. Russian President Vladimir Putin told a congress of the ruling United Russia that the party is that of "the majority," an unshakable cornerstone of values uniting all Russian citizens. United Russia is of particular importance as a coalition of elite groups, primarily at the regional level. Though deputies are of minor significance in Russia's administrative machine, regardless of their local or country-wide engagement, the authorities seek to have at their disposal at platform devised to bring together all power-wielding deputies. United Russia is nothing but a typical "party of power" without any specified agenda or ideology. Among those who joined the United Russia party were the head and governor of Crimea, Sergey Aksyonov, and the governor of Sevastopol, Mikhail Razvozhayev.

SOURCE: KREMLIN.RU

Putin's remarks yet lacked clear-cut plans or tasks that he would set for the ruling party. The top target is therefore to endure and fulfill the role of the regime's parliamentary backup, at least for now. Russia's incumbent president has long made well-though efforts not to be linked to a worn-out political project that has been losing momentum on the country's political stage, a fact explaining why the Kremlin has many times stressed Putin is not the leader of United Russia. Not incidentally, Medvedev, whose favorability numbers are in decline, has served as the chairman of ruling United Russia to defy the criticism of the authorities' failures.

25 November 2019

NOVATEK BOASTS OF RISING OUTPUT: FOREIGN INVESTORS ENTER RUSSIAN LNG TERMINALS

Russia's biggest private gas firm has beefed up its status as a leading natural gas producer and a top liquefied natural gas supplier in the Far North. Unlike Rosneft, its top energy rival in Russia's Arctic, that counts on nothing but Vladimir Putin's discretionary decisions and his pressure on the country's business and state actors, Novatek enjoys both the aid from the government and more excellent opportunities to entice foreign investors.

In 2019, the Yamal LNG project will deliver far more liquefied natural gas volumes than first intended, Novatek CEO Leonid Mikhelson has boasted recently. Speaking at the Eurasian Economic Forum, Mikhelson said that the company's Yamal LNG energy project - launched back in 2018 - will have a production capacity of over 18 million tons in 2019, which is 1.5 million tons more than initially expected. Mikhelson did not explain what is behind

SOURCE: NOVATEK.RU

his firm's favorable figures. Yet, earlier he had revealed that Novatek's three plants run more efficiently due to their additional exposure to Arctic temperatures. And yet, with higher production comes the need for larger export capacity, at least more important than planned, with LNG volumes needing to be both loaded and shipped overseas. Novatek seems to keep its eye on Asia's Far East, or where a Kamchatka-based terminal will become its top energy asset. Mikhelson said Novatek will soon boost the capacity of LNG transshipment complexes, even by a third, both of which are currently being built in the territories of Kamchatka and Murmansk. Novatek will construct the two terminals jointly with a logistics company Mitsui OSK Lines and the Japan Bank for International Cooperation (JBIC). Under the accord, the Japanese entities will acquire some shares in the two projects in exchange for financial support. Novatek's business cooperation with Japan has dated back to the time where the latter helped fund the Russian company's Yamal LNG and Arctic LNG-2 plants. Among other firms that expressed their interest in constructing the terminals is France's Total, as part of its deal with Novatek. Total will have a 10 percent stake in Novatek's both terminals.

In March 2019, the Russian government approved a comprehensive plan for the implementation of the construction of a marine LNG transshipment facility in Kamchatka. Under the arrangement, Novatek is set to allocate as much as 70 billion roubles in its latest investment. The company has been offered the full support of the Ministry for the Development of the Russian Far East and the government of the Kamchatka Region. The terminal is poised to become a critical part of Vladimir Putin's plan for the prompt development of Russia's Far North, with the increased potential of the Northern Sea Route seen as the topmost priority. With a new LNG facility in Kamchatka, maritime transport via the Arctic Sea is presumed to rise to 31.4 million tons by 2026 from 9.7 million tons in 2017. In the first quarter of 2020, Novatek should be greenlighted to build a transshipment plant, set to become ready between 2020 and 2021. Both port infrastructure facilities and the first loading system are tipped to begin functioning by 2022 while the second - by 2023.

SOURCE: KREMLIN.RU

26 November 2019

GRU SPIES ACCUSED OF DESTABILIZING SITUATION IN CATALONIA

Spain is yet another European country where Russian military intelligence has engaged in a campaign to destabilize the internal situation. Spanish services and judiciary are investigating into a group within Russia's military intelligence (GRU) known as Unit 29155, infamous for their subversive and terrorist actions across the European Union, including the United Kingdom and Bulgaria. Signs are that Russia has long been fuelled Catalonia's pro-secession drive, not only through its information-related operations.

In October, Catalan law enforcement agents detained two men who were reportedly linked to a Russian spy ring, Spanish media have reported. These two were arrested on the AP-7 motorway, close to the French border, during a road check. In a Mercedes registered in Belarus, agents found a Russian-made M-75 grenade. Both men, who were unofficially said to be Russian and Ukrainian nationals, ended up in provisional prison. One of two detainees had an arrest warrant in another European country. Spanish investigators are probing into purported links between the two men and secession activists that for the past few weeks have been destabilizing Catalonia. These are radical separatists and members of the Committees to Defend the Republic (CDR). In late September, nine CDR members were arrested for allegedly planning acts of violence. During a raid in their homes, police officers found considerable amounts of chemical substances that can be used to make explosives.

The case of the two detainees may hold links to a central investigation over the role of a secret Russian military unit, known as Unit 29155, in what was branded as Catalonia's October 2017 independence referendum. The case involves the name of Denis Sergeyev, who is suspected of at least two attempted murders in other European countries. Sergeyev is a veteran of Russia's military intelligence agency, with the rank of general. Special services across Europe found out that in recent years Sergeyev arrived in over a dozen European countries, also in Ukraine and the Czech Republic. In 2015, he was in Bulgaria when the arms dealer Emilian Gebrev became the target of two assassination attempts. Skripal is believed to be a member of a three-person group behind the attempted poisoning of Sergei Skripal in March 2018, alongside the two alleged perpetrators of the failed assassination attempt, Anatoliy Chepiga and Alexander Mishkin. Denis Sergeyev allegedly traveled to Catalonia twice under the false name Sergey Fedotov. He arrived first in Barcelona on November 5, 2016, where he spent six days. The second trip took place on September 29, 2017, just two days before the illegal referendum, when the Russian official stayed in Spain until October 9 before returning to Moscow. The case is being handled by Spain's National Police Corps (Policia Nacional) that specializes in counterterrorism. Investigators are examining ties between Russian intelligence agents and a CDR-linked offshoot, launched in 2019 and known as the Technical Response Team (ERT).

Russian meddling in Catalonia's internal affairs has been around for quite a long time, with Moscow's modus operandi recalling somewhat its moves prior to the UK's Brexit referendum. Russian destabilizing activities refer to the information sphere. Ahead of Catalonia's illegal referendum, Russia-linked actors and entities boosted the number of vote-related reports by 2,000 percent in social media outlets. A few days before the voting, the Spanish-speaking Internet was flooded with news that sought to trigger off "deep political divisions." In 2017 and 2018, Spanish police officers had detained in Barcelona two Russian computer hackers wanted by the U.S. Federal Bureau of Investigation (FBI). If Spanish services are right about the embroilment of Russian GRU agents, or "wet work" specialists, into the case, this would be equivalent to Russia's carrying out information warfare and terror activities to beef up Catalonia's on-going secessionist aspirations.

26 November 2019

UNWANTED SUCCESS: RUSSIA'S GRU SUFFERS SETBACK IN SERBIA

A disclosed fact that in the Serbian army there are many people holding ties to Russian military intelligence has dealt a blow to the authorities in Belgrade. Recent time has seen Serbia making extra efforts to tighten cooperation with Russia, chiefly in the area of security. A spying incident involving an officer of the GRU, Russia's military intelligence, erupted right before President Aleksandar Vucic's trip to Moscow. This might not have been incidental, especially that files showing links between Russian intelligence and the Serbian military were cooked up by Western services, as admitted by the country's leader.

SOURCE: KREMLIN.RU

On November 17, a video showing a Russian intelligence officer handing a wad of cash to a Serbian man in Belgrade, identified as Col. Georgy Kleban, a former assistant military attaché at Russia's embassy in Belgrade, was uploaded to an anonymous YouTube account. The video was filmed in December 2018. Kleban, who is a retired GRU officer, left Russia's embassy in Serbia in June 2019. Once the footage made headlines, Serbian President Aleksandar Vucic convened a special meeting of the country's national security council (November 21). After discussing the issue with Serbia's senior service officials, Vucic confirmed the authenticity of the video, adding that the video was made by Western services. The Serbian leader said the country's intelligence also had evidence concerning other Russian spies, arguing there have been ten contacts with three sources in Serbia, all of which filmed. Serbian President identified the retired army officer as Z.K, without revealing his full name.

The spy plot is somewhat awkward for Russia, but what is noteworthy is the stance of the authorities in Serbia. However, instead of delivering firm declarations, Serbian decision-makers are making endeavors to belittle the matter. On November 21, Vucic summoned Russian envoy over the spy scandal. Still, he later said that he would anyway visit Moscow on December 4. While commenting on the latest spying incident, the Serbian leader said, quiet natively, that Vladimir Putin "has not been informed" about the activities in Serbia and Belgrade will not change its policy towards Russia, which it sees "as a brotherly and friendly country." Some of Serbia's nationalist politicians have already lambasted the West for attempting to set Russia and Serbia at loggerheads while the latest spat is nothing but a provocation cooked up in Western kitchens. Both Vucic and Serbia's Security and Information Agency (BIA) claim that the leaked footage is the result of operational activities carried out by foreign intelligence services on Serbian soil, including those from the United States, the United Kingdom or France. Russia, for its part, is copying a comparable narrative. A spokeswoman for Russia's Foreign Ministry, Maria Zakharova, called the scandal generated by the video a "provocation" in the run-up to high-level meetings between Russian and foreign officials. Interestingly, Serbia's spy scandal erupted on the same day when Serbian Interior Minister Nebojsa Stefanovic traveled to Moscow to sign two security agreements with Russian officials and to meet with the head of Russia's Security Council, Nikolai Patrushev. Military cooperation between Serbia and Russia had gained momentum since 2014 when Vladimir Putin was the guest of honor at Serbia's first military parade in Belgrade in some 30 years. Since that time, these two have made increased efforts to hold military drills. In late October, Belgrade and Moscow saw war games on Serbian soil, attended by Russian missile systems S-400 and Pantsir-S. Moreover, Russia delivered to Serbia combat and transport helicopters, MIG-29 fighter jets, T-72 tanks, BRDM-2 combat reconnaissance and patrol vehicles.

27 November 2019

RUSSIA'S GAZPROM SOLD $3 BILLION IN STOCKS TO MYSTERY BUYER

Russia's gas monopolist Gazprom sold 3.59 percent of its stocks in what it turned out to be a single buyer transaction, with the deal carried out via the trading platform of the Moscow Exchange. Also, the mystery bidder got a considerable discount. This is the second time that Gazprom has traded shares in recent months, with a total of 6.52 percent of the company's voting stakes being sold. The firm has not informed whether the same buyer bought shares both in July and November.

Yet another package of Gazprom's voting stakes was acquired by an unspecified entity. In July, Russia's gas giant sold 2.93 percent of its total voting stock, yet again to a mystery bidder. A few months later, on November 21, Gazprom sold 3.59 percent of shares. The company was able to trade the stocks at 220.7 roubles each for a total of 188 billion roubles ($2.938 billion), 13.22 percent lower than before. In July, the discount was only 5.4 percent of the closing price. In both cases, all of the packages were sold to a single buyer, cheaper than their prices, though more entities were willing to acquire Gazprom's stocks for more money. The deal was arranged with a specific bidder in mind. As initially speculated, the newly sold stocks might have gone to a group linked to Arkady Rotenberg but he denied these claims. In turn, a representative for Gennady Timchenko said that the businessman has no intention to take part in the transaction. Asked who is the mystery bidder, Gazprom said it will reveal their name at the annual general meeting of the company's shareholders sometime soon.

Interestingly, addressing the audience at an economic forum hosted by Russia's bank VTB, President Vladimir Putin shares his thoughts on the capitalization of Gazprom, saying that the firm's potential is underestimated, a fact "obvious to all experts." Finance Minister Anton Siluanov later echoed the president's stance. The date of the latest stock-related transaction is not incidental, though, coinciding with Gazprom's plans to launch its major energy projects: the Power of Siberia, Nord Stream 2 and TurkStream, all of which are natural gas pipelines. Also, the company's valuation has been growing steadily throughout the year. By the end of 2019, Gazprom is bound to put in force a new dividend policy, providing for the

SOURCE: GAZPROM.COM

payout of 50 percent of the firm's net profit to its shareholders. Since the beginning of this year, Gazprom's capitalization has grown by more than 1.5 times: first, after rumors over Alexei Miller's potential resignation and a change in the firm's dividend policy and then due to the July's sale of stocks. Experts say Gazprom will see a short-term drop in its price, yet followed up by a series of further increases by up to 20 percent within a year.

27 November 2019

RUSSIA CATCHES HEAT OVER BLOODY AIR RAIDS IN SYRIA'S IDLIB

In the shadow of Turkey's incursion against the Kurds in northeastern Syria, forces loyal to al-Assad and their Russian allies are pursuing a military offensive in Idlib Province. Located in northwestern Syria, the last remaining rebel enclave is still struggling against government forces. Syrian government army and its Russian allies keep their criminal assaults against civilians, seeking to crush their morale and force Idlib defenders to surrender.

The Syrian Observatory for Human Rights said at least 21 civilians, including ten children, were killed on November 20 in a bombardment by the government of Syrian President Bashar al-Assad and Russia. EU foreign policy chief Federica Mogherini denounced recent attacks on civilians by government forces as "unacceptable." In her remarks, the EU's top diplomat spoke about recent bombings of a camp of internally displaced persons and a health facility close to the Turkish border. The United States on November 9 reprobated air strikes by Russia-backed Syrian government forces targeting hospitals and civilian infrastructure. A U.S. State Department spokeswoman said that

SOURCE: мультимедиа.минобороны.рф

over 48 hours, air forces loyal to al-Assad and their Russian allies hit a school, a maternity hospital and homes, killing 12 and injuring nearly 40. On November 8, United Nations human rights spokesman Rupert Colville said more than 60 medical facilities had been hit in Idlib over the past six months. Backed by Russia, al-Assad launched an offensive against Idlib, the country's last rebel-held bastion, back in April this year. The Damascus-based regime of Bashar al-Assad and its associates have the recourse to similar steps to those already taken in other rebel-held strongholds - by carrying out military assaults and sowing terror amongst civilians. Once in place, this tactic aims to decay popular support for the rebels, kill the morale and push rebels outside the region. The Russians and their Syrian allies purposely target hospitals, schools and markets.

In September, Alexander Chayko replaced Colonel-General Andrey Serdyukov as the commander of the Russian troops in Syria. The new commander will be chiefly tasked with keeping up with Russian-Turkish arrangements over Turkey's incursion in northeastern Syria. As reported in mid-November, Russia allegedly set up a helicopter base at a civilian airport in the northeastern Syrian city of Qamishli. Russian military expansion serves to beef up the country's presence in northern Syria to nurture a productive alliance with Turkey.

28 November 2019

LUKOIL MAKES FURTHER INVESTMENTS IN AFRICA

A report by Russia's biggest privately held oil company has revealed that it had finally bought stakes in an oilfield in the Republic of Congo. As announced, in the second quarter of 2019, Lukoil closed a purchase of a 25 percent interest in the Marine XII License area from New Age M12 Holdings Limited. The contract was signed during the visit of the President of the Republic of Congo to Moscow in May this year. The sale was completed for $768 million a few months later, in September 2019, after Congo's state authorities greenlighted the deal.

SOURCE: KREMLIN.RU

The deal reflects the company's yet another advance on African soil. In 2018, the Russian oil producer registered its Nigerian affiliate, Lukoil Upstream Production Nigeria Ltd. Earlier Lukoil CEO Vagit Alekperov said that the company was considering joining Italy's Eni project in Nigeria. Still in Nigeria, Lukoil entered into cooperation with a U.S.-based company Chevron. In September 2014, Lukoil joined the offshore deepwater project at OML-140 block on the Nigerian shelf, with an area of more than 1,200 km2. It lies in the waters of the Gulf of Guinea, some 135 kilometers away from the Nigerian coast. In June 2009, a 20-year license was granted for the development of the block. The project operator is Chevron that holds a 27 percent stake in the block. Parties to the project include Nigeria's state-run company NNPC (30 percent), ONG (25 percent) and Lukoil (18 percent). OML-140 block is a promising structure that holds the oil-rich Nsiko field.

Lukoil's investment in Cameroon has yet proven highly unsuccessful. UK's oil and gas explorer Bowleven, which is Lukoil's partner in its flagship Etinde offshore gas prospect, informed about the first failed well drilling, with no raw material being found. Parties to the project include its operator New Age Cameroon Offshore Petroleum Ltd. (37.5 percent), as well as Bowleven (25 percent and Lukoil (37.5 percent). Lukoil also has left its footprint in Ghana and Egypt. Lukoil's expansion in Africa is in line with the Kremlin's active policy pursued on the continent. In addition to armaments deal, Russia is pumping cash into the economies 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, culminated with the Russia-Africa summit in late October 2019 in the Russian city of Sochi. On the sidelines of the conference, Alekperov said that Lukoil is in talks with Saudi Aramco on potential joint projects in Africa. Still in Sochi, Lukoil and a representative for the government of Equatorial Guinea signed a memorandum of understanding on the Russian firm's participation in projects to explore and produce oil and gas in the African country.

SOURCE: GAZPROM.COM

28 November 2019

RUSSIA COMPLIES WITH OPEC DEAL, BUT THERE IS A PROBLEM

There is no doubt that the OPEC+ format will continue to exist, with OPEC and its allies being likely to extend oil output cuts, albeit oil production calculations may be subject to change. Also, Russia has a good excuse to call on fellow oil producers to change the way Moscow's quotas are measured.

Russian Energy Minister Alexander Novak on November 28 held a meeting with the country's oil companies. They proposed not to change their output quotas as part of the global deal, at least until the end of the first quarter, followed by the cartel's next meeting. And yet, it is not known what Russia will say at the December meeting of OPEC and non-OPEC countries in Vienna. Signs are that Moscow is likely to remain in force OPEC's current limits but will hint yet another topic that it deems vital for its domestic interests. Novak said that Russia has been cutting its crude oil production in tandem with OPEC, yet it is challenging to achieve a higher output of gas without increasing production of condensate. Russia has been including condensate in its crude oil production numbers. With Moscow opening new gas projects, its gas condensate production is rising. Russia soon hopes to launch three of its big energy export projects: the Nord Stream 2, Power of Siberia and TurkStream pipelines. Novak said that an increase in Russia's gas condensate production is more significant in winter. He later suggested it was time to remove gas condensate from the country's overall oil statistics as it remains outside the market. Russia hopes for a kind of compensation, possibly in the form of a bigger oil output.

OPEC countries seem to be unanimous over the need to further extend oil cuts until the end of March 2020, when the current agreement expires. Signs are that Russia will not restrain its oil quotas any longer. The probable term of extension is three months, thus until June 2020. Non-OPEC members include Russia, Mexico, Azerbaijan and Kazakhstan, a total of 25 countries. The OPEC+ group was founded in 2016 once its member states concluded the first agreement on curbing oil extraction. Yet the Russian-Saudi duo remains on the frontline of the organization, with Moscow intending to beef up its position. In July 2019, OPEC and its allies agreed to extend existing oil production cuts until April 2020. Under the accord reached, Russia has accepted to decrease output by 1.2 million bpd from an October 2018 baseline.

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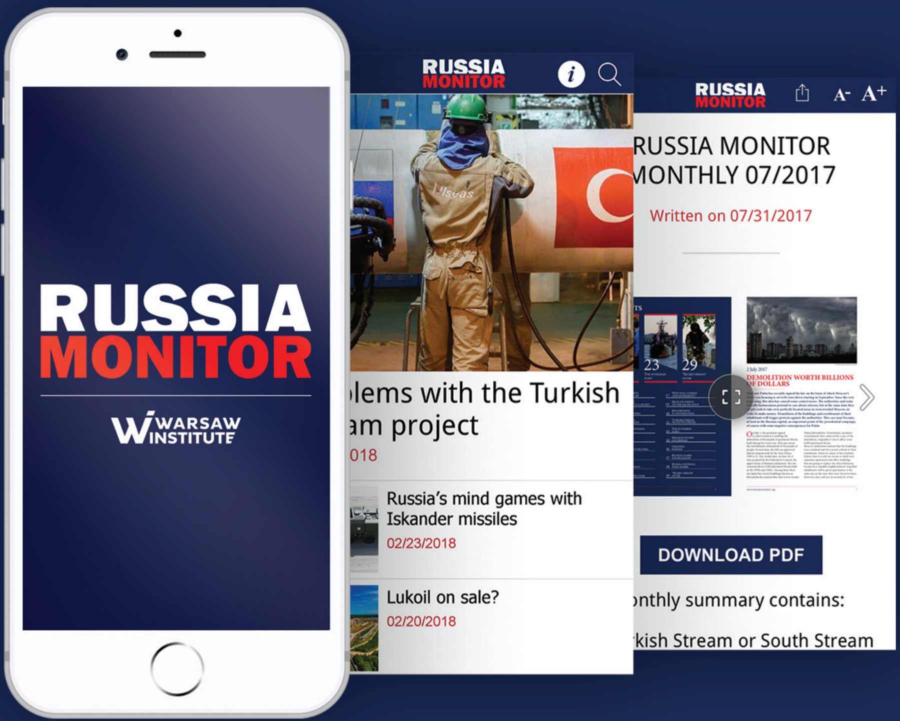

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The Warsaw Institute Foundation
Wilcza 9 St., 00-538 Warsaw, Poland
+48 22 417 63 15
office@warsawinstitute.org