RUSSIA MONITOR

MONTHLY

February 2020

WARSAW INSTITUTE

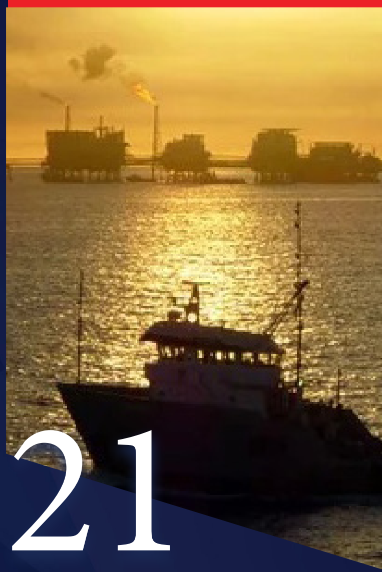
CONTENTS

14

BELARUS LOSES DISPUTE OVER OIL TRANSIT FEES

16

RUSSIA'S DEATH TOLL IN SYRIA RISES AFTER FOUR FSB OFFICERS WERE KILLED



21

RUSSIA'S LUKOIL ADDS MEXICO OIL DISCOVERY TO ITS PORTFOLIO

3 PUTIN "SUPREME LEADER"? SLOWDOWN IN RUSSIA'S CONSTITUTIONAL OVERHAUL

4 POMPEO PLEDGES US SUPPORT FOR SOVEREIGN BELARUS DURING MINSK VISIT

6 BELARUS LOSES DISPUTE OVER OIL TRANSIT FEES

7 RUSSIA'S DEATH TOLL IN SYRIA RISES AFTER FOUR FSB OFFICERS WERE KILLED

9 WILL NORD STREAM 2 BE BUILT AT ALL?

10 DEPUTY CHIEF OF RUSSIA'S GENERAL STAFF ARRESTED: THE FSB HITS THE MILITARY

12 SUMMIT IN SOCHI: RUSSIA AND BELARUS DEVELOP NEW MODEL FOR ENERGY COOPERATION

13 RUSSIA PUTS PRESSURE ON NORWAY: SVALBARD AS THE BONE OF CONTENTION

15 RUSSIA STRENGTHENS ITS MILITARY BASES IN CENTRAL ASIA

16 "JANUARY REVOLUTION" GONE WRONG: PUTIN CONTINUES TO LOSE PUBLIC SUPPORT

18 GERMAN-RUSSIAN COMPANY SIGNS AGREEMENT ON ENERGY PROJECT IN EGYPT

19 RUSSIA'S SECHIN ARRIVES IN MINSK: "WE NEED TO CONTINUE TO COOPERATE"

20 ATTACK IN DONBASS, CONFERENCE IN MUNICH: BAD SIGNALS FOR UKRAINE

22 RUSSIA'S ROSNEFT HITS RECORD-HIGH PROFITS AND PAYS OUT BIGGEST-EVER DIVIDENDS

23 RUSSIA'S SHOIGU VISITS BELGRADE: WILL SERBIA FALL AFOUL OF THE U.S.?

25 RUSSIA'S LUKOIL ADDS MEXICO OIL DISCOVERY TO ITS PORTFOLIO

26 RUSSIA'S ECONOMY IS BECOMING HEAVILY DEPENDENT ON HYDROCARBONS

27 RUSSIA KICKS OFF WORK ON EGYPT'S FIRST NUCLEAR POWER PLANT

28 HYDROCARBONS ONLY TO BE TRANSPORTED UNDER THE RUSSIAN FLAG?

30 RUSSIAN AIRSTRIKES ON IDLIB TARGET SCHOOLS AND HOSPITALS

SOURCE: KREMLIN.RU

1 February 2020

PUTIN "SUPREME LEADER"? SLOWDOWN IN RUSSIA'S CONSTITUTIONAL OVERHAUL

The second reading of the draft bill on Russia's constitutional amendments was scheduled to take place as early as February, followed by a nationwide vote in April. Nonetheless, recent days have brought a slowdown in the sweeping political reshuffles Vladimir Putin launched on January 15, quite unexpectedly for many. No one knows precisely what he could do to stay in power beyond 2024. As many as 50 percent of Russians believed that the president's desire to maintain power is the sole purpose of Putin's proposed overhaul. But only a handful has taken to the streets.

At least eight people demonstrating against proposed changes to Russia's constitution were detained by police in St. Petersburg on February 1. A day before, the Levada Center polling agency showed its poll results saying that roughly 50 percent of Russians see constitutional changes that Putin is currently pushing forward as the president's attempt to retain power after his term expires in 2024. Public opinion survey found that Russians are almost equally divided over the latest political overhaul. While 47 percent of people argued that changes allowed a particular person, or Putin himself, to expand his powers, another 44 percent said that they believe these changes are aimed at improving the country's governance system. There are fewer and fewer Russian nationals who trust that the constitution performs a pivotal role in their country, with some 30 percent of respondents saying so, the highest since 2005 when 35 percent of Russians believed so.

Russia's State Duma on January 23, 2020, adopted in the first reading Vladimir Putin's bill on amendments to the constitution. Though the bill was slated to face its second reading on February 11, State Duma speaker Vyacheslav Volodin said this would take place no sooner than in late February and early March. The delay may suggest the Kremlin's troubles or hesitation over what political solutions should be delivered. Until then, any reshuffles had been carried out in a fast-track way. Also, this may be due to a large number of proposals submitted. Set up by Putin's decree, a working group suggested that over 100 new amendments be added to the constitution. For instance, the group's members proposed renaming the position of head of state to "supreme leader," while other proposals include acknowledging Orthodox Christianity as the country's main religion and formally admitting Russia's status as a "victorious power" in World War II. It is time to select appropriate proposals to be included in the constitution. Putin emphasized that constitutional changes must be put to what he dubbed a nationwide vote, after which he could sign the act. Russia's constitutional amendments will, however, be not subject to a referendum, but a nationwide vote, albeit yet undefined. Devised by a special working group within the Central Election Commission of the Russian Federation, the procedure for holding the voting should permit the bill to be passed through.

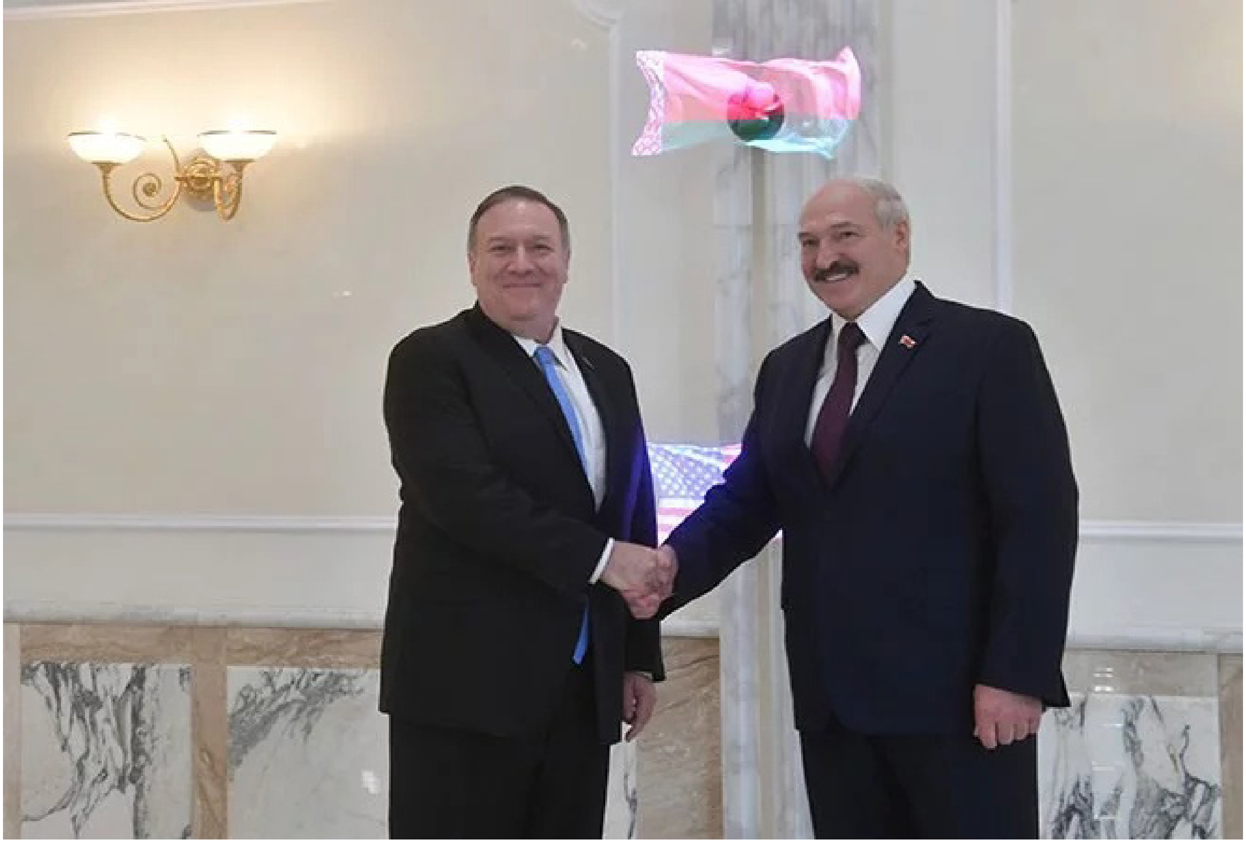
1 February 2020

POMPEO PLEDGES US SUPPORT FOR SOVEREIGN BELARUS DURING MINSK VISIT

Held in a warm atmosphere, the U.S. top diplomat's meeting with Belarusian President Alexander Lukashenko has come as a vital signal of Washington's support for sovereign Belarus. The move has grown in importance amid Moscow's escalating pressure on Minsk in its effort to integrate more closely, or rather to absorb Belarus. Lukashenko, for his part, has no intention to bow to pressure, hence his country's crude spat with Russia.

Pompeo's visit was the first by a senior U.S. representative to Belarus since then-President Bill Clinton arrived in Minsk in 1994. U.S. Secretary of State was initially due to visit the country on January 4, but his visit, as were Pompeo's other trips, was rescheduled amidst strains in the Middle East in the wake of an attack on the U.S. embassy in Iraq. The U.S. top diplomat on February 1 flew from Kyiv to Belarus, where he met with Belarusian President Alexander Lukashenko and Foreign Minister Vladimir Makei.

"We are not asking Belarus to choose between East and West," Pompeo said, but his trip to Minsk, followed by some declarations, has mirrored U.S. pursuits to take Belarus's side in its ongoing dispute with Russia. Pompeo told the meeting that U.S. energy producers stand ready to deliver 100 percent of the oil Belarus needs at competitive prices. Pompeo's proposals prove Washington's readiness to engage in a U.S.-Russian competition for Belarus, Belarusian experts said. What Pompeo offered may serve as support for Belarus's sovereignty


SOURCE: PRESIDENT.GOV.BY

amidst the country's conflict over oil and gas prices with Russia. But this is not a breakthrough yet. Lukashenko seeks to make use of his contacts with the Americans in the game he is playing with the Kremlin. As for now, this resembles a gradual process of having warmer ties with Washington. In another boost to its relations with Belarus, the United States will bring back its ambassador to Minsk, Pompeo said. Since 2008, the U.S. Embassy in Minsk has been operating without an ambassador. In March 2019, Belarus lifted a restriction on the number of U.S. diplomats in Minsk, trying to fix ties with Washington. It is worth noting that the U.S. top official was greenlighted to raise the topic of human and civil rights in Belarus, while he then held a half-hour meeting with representatives of independent circles, including human rights defenders.

This was the second visit of a senior U.S. official in the past six months. In August 2019, John Bolton, who at that time served as the U.S. national security advisor, paid a visit to the Belarusian capital. Makei said openly Minsk would be pleased to see Washington playing a more active role in Belarus. Belarus's senior diplomat iterated Minsk's support for the U.S. participation in negotiations to settle the conflict in Ukraine's Donbas. Prior to Pompeo's visit, on January 29, Secretary of the Security Council of Belarus Andrei Ravkov met with Charge d'Affaires of the United States in Belarus Jenifer Moore as well as a group of military attachés of the United States, Poland, and Germany. The meeting touched upon the Defender Europe 2020 military drills, dubbed the largest deployment of U.S.-based troops for an exercise to Europe in the past 25 years.

SOURCE: TRANSOIL.BY

1 February 2020

BELARUS LOSES DISPUTE OVER OIL TRANSIT FEES

Minsk and Moscow failed to reach a new oil deal after lengthy negotiations over an increase in the tariff on oil transit via the territory of Belarus. Russia refuted new rates as suggested by Belarus, so Minsk could raise its transit rates, albeit to a smaller extent it had initially intended. In doing so, Belarus attempted to recoup at least some of the profits it had failed to reap in 2019 amidst the contamination of the Druzhba pipeline. Oil transit tariffs will be set based on the 2010 methodology, a move that will yet yield more profits to Russia.

Belarus suggested the transit tariff be increased by 16.6 percent by 2020, also to make up for the losses Belarus had incurred back in 2019 due to Russia's contamination of the Druzhba pipeline. Moscow stood firmly to rebuff Minsk's proposal from the very beginning of the talks, and they failed to reach an agreement. On February 1, the Belarusian Ministry of Antimonopoly Regulation and Trade issued a regulation on new prices for the transit of Russian oil through the Belarusian oil pipeline system. Belarusian authorities decided to raise tariffs by 6.6 percent beginning on February 1, 2020, for the transportation of Russian oil via a Belarusian pipeline. Earlier Russian and Belarusian antimonopoly agencies had failed to reach a new deal over a hike in oil transit fees under the methodology both countries had approved back in 2010. According to the decree, the tariffs for oil transportation through the Gomeltransneft Druzhba network via Unecha (Vysokoye) – Adamova went up to 365.37 Russian roubles per 1 tonne, excluding value-added tax.

The rate for pumping oil via the Unecha (Vysokoye) – Brody route is 156.93 roubles. Indexed were also oil transit tariffs via the Gomeltransneft Druzhba network, as calculated in Belarusian roubles. The fares for oil transportation via Rechitsa – Mozyr oil refinery will now total 0.61 Belarusian roubles per 1 tonne (without VAT), via Rechitsa – Adamov – 9.00/1t, via Rechitsa – Mozyr line operations dispatcher station – 0.52, while amounting to 1.28 via Rechitsa – Brody. Belarusian authorities said the tariffs for oil transportation through the Gomeltransneft Druzhba networks, calculated in Russian roubles would be as follows: 43.02 per 1 tonne (without VAT) via Nevel –Polotsk – Novopolotsk refinery; 165.16 – via Unecha (Vysokoye) – Polotsk – Novopolotsk refinery; 77.86 – via Unecha (Vysokoye) – Mozyr – Mozyr oil refinery.

4 February 2020

RUSSIA'S DEATH TOLL IN SYRIA RISES AFTER FOUR FSB OFFICERS WERE KILLED

Four FSB special forces officers reportedly died on February 1 while performing special tasks in Syria, after having fallen into the hands of militants. This is yet another bad news the Kremlin had to face recently. Syrian government forces opened fire on the Turkish military's positions. Turkey answered with an assault of its own, killing between a dozen and several dozen soldiers in a retaliatory strike on Syrian positions. Ankara has lambasted Moscow over its noncompliance with obligations in Idlib province while threatening to launch a fresh military assault against government forces. Not only might the incident further escalate the war in Idlib and bring Turkish-Russian cooperation to a halt, but this could also provoke a spat between Moscow and Ankara, as these two have maintained friendly ties over the past few years.

Reports on the death of four officers of the FSB's Special Operations Center came on Sunday, February 2. Last Saturday, February 1, 2020, the four officers were killed after their vehicle had been hit by mortar fire near the Syrian city of Aleppo. Another version says that the vehicle carrying the Russian servicemen purportedly rode over a landmine. Syrian government forces are waging a military offensive against insurgent fighters west of Aleppo, most of whom have the support of Turkey.

The victims were identified as Major Bulat Akhmatyanov, Lieutenant Vsevolod Trofimov, both of the Directorate S of the FSB's Special Operations Center, as well as Major Ruslan Gimadiyev and Capital Dmitry Minov, the last of whom worked in the K division of the Federal Security Service. All four officers fought in Syria in the FSB's special unit tasked with "fighting terror groups." Assisted by Russian air forces, Spetsnaz special units managed to take the bodies back to Russia. Unofficial reports say the assailants hailed from pro-Turkish rebel units that operated in the area.

SOURCE: SYRIA.MIL.RU

The four officers' death by pro-Turkish militants may exacerbate the ongoing crisis in Turkey's relations with Russia. Erdogan has accused Russia of failing to keep his word to end meddling in Libya, saying Ankara was sending mercenaries to help Marshall Khalifa Haftar. Tensions ran high on Erdogan's February 3 visit to Kyiv when the Turkish leader reiterated Ankara's lack of recognition for Russia's "illegitimate takeover" of Crimea. Strains between these two have been on the rise as Erdogan felt infuriated by Moscow's unwillingness to halt al-Assad's offensive in Idlib province, and its support for government forces. Damascus, for its part, had only added fuel to the fire when a few Turkish soldiers were killed by Syrian troops on February 2. Turkey waged bloody retaliation against forces loyal to President Bashar al-Assad, while Turkish President Recep Tayyip Erdogan threatened to unleash a military campaign in Idlib region. Once provoked, an overt conflict between Turkey and Syria would push Russia in a somewhat uncomfortable position. Moscow cannot afford to see worsening ties with its ally, Bashar al-Assad, because this is precisely what Iran seeks while in the pursuit of a decisive voice in Damascus. On the other hand, the Kremlin's cooperation with Ankara, which has flourished over the past few years, faces the risk of collapsing. Russia traded its S-400 systems to Turkey, a move that cast shadow over Ankara's relations with other NATO allies, while earlier this year, the TurkStream energy project, a gas pipeline running from Russia to Turkey, was launched. Also, these two have long been committed in mutual undertakings in Syria, chiefly under the Astana format and the Sochi ceasefire accords.

SOURCE: NORD-STREAM2.COM

4 February 2020

WILL NORD STREAM 2 BE BUILT AT ALL?

A German newspaper reported that the United States seeks to introduce further restrictions against the gas pipeline from Russia to Germany. While those in force since December 2019 have frozen the construction of Nord Stream 2, additional punitive measures might make the investment completely pointless. Much may hinge on both policy and U.S.-Russian current ties. Recent weeks have seen Washington's delivering blows to Russian grip on many regions of the world. Tensions also have been on the rise in Syria, while Washington has ostentatiously provided support to Belarus. For their part, Bulgarian authorities, who are under pressure from the United States, have waged a campaign against Moscow's spying, with the Bulgarian stretch of the TurkStream energy pipeline being potentially at risk.

The United States intends to impose fresh sanctions on the Nord Stream 2 gas pipeline if Russia attempts to complete its construction, German business newspaper Handelsblatt reported.

The punitive measures may be designed to target European investors and businesses looking to receive Russian-sourced gas provided that the gas pipeline is built at all. Adopted by the U.S. Congress, the sanctions could come as soon as February or March. Perhaps the German government will further engage in their lobbying activities in an attempt to suspend the existing penalties, taking advantage of a loophole in the form of a provision in the act, and block any new ones. Another option Berlin has on the table is to make the European Union push forward a set of retaliatory measures targeted at the United States. This is all Germany can do, though. Of these two, Russia is responsible for constructing the pipeline. One of the potential Russian pipelayers that could be deployed is the Akademik Chersky, seen as most suitable for the task. But the vessel was initially intended to work on Sakhalin projects while it is now undergoing modernization work in the Nakhodka harbor in the Russian Far East. It would be realistic to finish the pipeline in the first quarter of 2021, given that 93 percent of the project is ready, if Russia was able to resume construction works in the first half of 2020. Speaking after a meeting with German Chancellor Angela Merkel, Vladimir Putin hoped for Nord Stream 2 completion by early 2021, so the ultimate deadline. He said Russia would complete the pipeline's construction without foreign assistance. What Putin has announced is yet open to doubt. All signs are that pipelaying works will resume no sooner than in early 2021. Gazprom is trying its best to keep up appearances and performs further tasks to the extent it is able to. The Stril Explorer vessel, which is owned by Sweden's MMT company, is conducting seabed research along the route of the gas pipeline in Denmark's exclusive economic zone, southeast of Bornholm Island. Further works are carried out in the Russian waters to stabilize the pipes already laid along the seabed.

10 February 2020

DEPUTY CHIEF OF RUSSIA'S GENERAL STAFF ARRESTED: THE FSB HITS THE MILITARY

The FSB, Russia's military counter-intelligence service, has detained the Deputy Chief of the General Staff of the Russian Armed Forces, and a court has sentenced him to two months in prison. It is about the embezzlement of state funds intended for the repair of military equipment. Although the case began back in 2013, only now has it hit General Khalil Arslanov, a senior communications officer in the Russian military. Taking into account the fact that in Russia everyone is, pretty much, corrupt and steals from the state, every high-level corruption scandal has its own political background. Kompromat, that is, compromising materials, can be found on everyone, which suggests that the selective fight against corruption has become a tool for achieving one's political ends. In this case, the civil service (the FSB) deals a blow to its traditional rivals from the military.

General Colonel Khalil Arslanov, the Deputy Chief of the General Staff of the Armed Forces of the Russian Federation to General Valery Gerasimov, was arrested. The officer faced two charges of particularly large-scale embezzlement. It concerns a total of 6.7 billion roubles (104.7 million dollars) for military equipment repair projects. The financial frauds were carried out already at the contracting stage of the projects. One such episode concerned importing parts of Chinese military equipment and then selling them as domestically manufactured products after previously removing the labels indicating

SOURCE: FUNCTION.MIL.RU

where the equipment was originally produced. It all comes down to the contracts concluded by the Voentelecom company, which is subordinate to the Ministry of Defence.
Five other people, including high-ranking military officers and civil employees, are also involved in the case. Among the accused in the case are the former head of Voentelecom, both his deputy and advisor, as well as two representatives of the Ministry of Defence, one with the rank of general and the other with the rank of colonel. The investigation dates back to 2013. All five have already pleaded guilty and testified against Arslanov.
The court has sentenced the general to two months in prison. Arslanov has pleaded not guilty. He was the Head of the Main Communications Directorate of the Russian Armed Forces. The general was detained by the FSB's military counter-intelligence officers. It is this civil service that performs protective and counter-intelligence tasks in the army.
It can use this power for its own purposes. Arslanov's arrest can be discussed in the context of the on-going behind-the-scenes rivalry between the FSB and both military intelligence and the Ministry of Defence. The dismissal of Vladislav Surkov, once an influential advisor to Putin and a man associated with military intelligence, was a signal that the position of the "military" has weakened. In Russia, corruption is omnipresent. Almost every official steals from the state and commits financial fraud. As regards the force structures, this is done according to a certain hierarchy – those who hold higher positions receive shares from subordinates who steal. The FSB's blow at Arslanov poses a considerable threat to Shoygu. If Arslanov had indeed been stealing without his superior's knowledge, it means that Shoygu does not control the situation in his own ministry.

SOURCE: KREMLIN.RU

11 February 2020

SUMMIT IN SOCHI: RUSSIA AND BELARUS DEVELOP NEW MODEL FOR ENERGY COOPERATION

After the recent meeting of the presidents of Russia and Belarus in Sochi, it has become clear that the existing model of cooperation between the two countries is a closed chapter in their common history. Minsk is starting to lose the energy benefits of its alliance with Moscow, which implies that it is no longer profitable to continue to integrate with Russia. New market regulations of cooperation mean that Belarus will have to tighten its belt, reduce social spending and, last but not least, raise prices and taxes. In the long run, economic reforms are inevitable. As regards foreign policy, Minsk will seek rapprochement with the West and Ukraine in a very theatrical manner, while at the same time trying not to violate the foundations of its alliance with Russia as well as its membership in organisations such as the Eurasian Economic Union (EAEU).

Alexander Lukashenko failed to negotiate oil discounts in Sochi. The Kremlin maintained its firm stance towards the Belarusian ally: hydrocarbon discounts only in exchange for deeper integration. Lukashenko did not agree to that, indicating that the new conditions of oil and gas supplies have worsened Belarus' position. Basically, it is all about ending the actual Russian subsidisation of the Belarusian economy. On January 1, 2020, Moscow suspended the supply of oil to Belarus because no agreement on oil prices and supplies had been reached. At present, Minsk is receiving only a small amount of oil in order to ensure the operation of its refineries. At the same time, it is looking for alternatives to Russian oil.

So far, Belarus has paid 17% less of the global market price when purchasing duty-free oil. The changes introduced in the Russian oil sector (the so-called "tax manoeuvre") are the reason for an increase in the price of oil for Minsk, which, in turn, causes Belarus to lose revenues from the export of fuels produced in its refineries. Russia is gradually reducing (ultimately to zero) export duties and setting the stage for the introduction of a mineral extraction tax. Minsk wanted the Russian side to compensate for this fact and to take it into account when negotiating the conditions of oil supplies. Russia did not agree to that. Minsk, therefore, suggested that a bonus for companies, that is, suppliers, should be removed from the contracts, so that the price of oil could be lowered and its increase, caused by the so-called "tax manoeuvre", could be compensated for. The Russian side did not agree to that either. Following Lukashenko's talks with Vladimir Putin in Sochi (February 7), Deputy Prime Minister of Russia Dmitry Kozak announced that oil supplies to Belarus will be based on commercial conditions, which will not depend on the amount of oil purchased. The Belarusian side is now to make separate agreements on oil supplies with individual Russian companies. On February 10, Deputy Prime Minister of Belarus Dmitry Krutoy said in Minsk that this year Belarus will be buying oil from Russia at 83-85% of the global market price. As a result of implementing the tax manoeuvre, in 2024, Belarus will pay Russia the global market price for oil. As regards gas supplies, Belarus will also pay more than it already has. Deputy Prime Minister of Russia Dmitry Kozak stated that in 2020 Russia will maintain the price of gas for Belarus under the conditions of the previous year. The arrangement, however, is limited to this year only. And to top it all off, Belarus will actually pay more. Officially, the price of gas remains at $127 per 1,000 cubic meters, however, so far, Minsk has received partial compensation under the oil settlement mechanism – up to $500 million annually.

After the Sochi summit, it can be expected that Lukashenko will continue to try to warm up relations with the West. For now, integration in the eastern direction remains frozen. Belarus is yet to experience economic hardships, which, if endured, will only strengthen its independence. Recent polls show that 40% of Belarusians would choose an alliance with Russia, however, as many as 32% of respondents would have Belarus join the EU. Such changes in the public's perception have occurred over the course of the past year, largely thanks to a newly launched Belarusian TV channel regularly criticising Russia.

13 February 2020

RUSSIA PUTS PRESSURE ON NORWAY: SVALBARD AS THE BONE OF CONTENTION

Moscow has accused Oslo of discriminating against Russian activity on the Svalbard archipelago. Sergey Lavrov has sent a letter to Norway's Minister of Foreign Affairs regarding the matter and is awaiting a meeting. The Russians emphasise that they intend to intensify their activities on the islands located over 800 kilometres north of Scandinavia. Although the archipelago is not of great economic significance, for the Russian military it is an important point on the map of the Arctic, a region that is being heavily militarised by Moscow.

SOURCE: KREMLIN.RU

Despite the fact that Svalbard belongs to Norway, it has held specific status under the Spitsbergen Treaty for the last hundred years. According to the document, the archipelago is a demilitarised zone, to which all parties to the treaty have equal access to conduct economic activity. Russia is one of the signatory countries and is currently the only one actually present on Svalbard. A small Russian community is concentrated in the town of Barentsburg, where the last active coal mine on the archipelago also operates. Moscow is trying to use Svalbard's status to increase its presence here. This would make it easier for Russia to take control of the islands in the event of an armed conflict with NATO. By installing radars and missile systems on the archipelago, the Russians would strengthen the anti-access zone and limit the room for manoeuvre of NATO forces in the Barents Sea, near the main bases of the Northern Fleet.

On February 4, Sergey Lavrov stated that Oslo has been trying to limit Russian activity in the archipelago area, which is in contradiction to the treaty guarantee of "equal liberty of access". According to the head of Russian diplomacy, Norway's anti-Russian activity includes, among other things, the creation of fishery protection zones and other pro-ecological activities limiting economic activity. According to Moscow, the Norwegians also hinder the flights of Russian helicopters over the region. Lavrov said that he had sent a letter to Oslo regarding the matter and that he expects a prompt reply. Russia wants to hold talks with Norway on Svalbard. Lavrov announced that Russia has long-term plans for strengthening, diversifying and modernising its presence on the archipelago. It is hard to guess what exactly this means. Coal deposits are running out, so perhaps it is all about wanting to exploit gas and oil resources in the Svalbard continental shelf. However, Norway strongly opposes this idea, highlighting that the treaty provisions on the economic activity of other countries refer only to Svalbard's land area and territorial waters.

Moscow's diplomatic provocation has caused concern in Oslo. Norway is observing the expansion of Russia's military potential in the Arctic with growing concern. The Russians fuel this concern by organising military provocations – for example, in autumn 2019, Spetsnaz troops, Russia's Special Operations Forces, arrived under the cover of the night on Svalbard for a short period of time. As if that was not enough, Russia regularly conducts maritime exercises in the region. The tension may be further increased in March, as Norway is hosting NATO's Cold Response exercise. In the past, the Russians tried to sabotage similar undertakings of the Alliance taking place in this Nordic country.

SOURCE: МУЛЬТИМЕДИА.МИНОБОРОНЫ.РФ

14 February 2020

RUSSIA STRENGTHENS ITS MILITARY BASES IN CENTRAL ASIA

Moscow is increasing its military presence in Central Asian countries. What it all boils down to is air defence. In autumn 2019, the Russians deployed S-300 anti-aircraft missile systems at their military base in Tajikistan, and now they intend to strengthen air defence facilities at their military base in Kyrgyzstan. Not only is this the pretext to combat the Islamist threat in Afghanistan, but it also confirms Russia's rivalry with both the U.S. and China throughout Central Asia.

"Russia will deploy air defence systems at its military base in Kyrgyzstan and will develop infrastructure for unmanned aerial vehicles there," Deputy Minister of Defence Nikolay Pankov informed on February 11 while speaking in the Duma. The amendments to the agreement between Russia and Kyrgyzstan on the military base ratified on February 11 by the Duma will allow for the establishment of a drone unit at the Kant military base. The Russian Kant airbase has been operating since 2003. It is officially a part of Russia's Central Military District. It functions as a part of the joint forces of the Collective Security Treaty Organisation (CSTO). The main task of the base is to provide air cover for land operations conducted by the CSTO, a military pact forged between Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The Russians have at their disposal Su-25 attack aircraft and Mi-8 helicopters at the base in Kyrgyzstan. Air defence systems are to be deployed here in the near future.

It is highly probable that these will be S-300 anti-aircraft missile systems. Such weapons were first deployed by the Russians at another military base near Afghanistan in autumn 2019. A battalion of 30 launchers and other vehicles of the S-300 anti-aircraft missile system were sent from central Russia to the military base near Dushanbe, the capital of Tajikistan. Placing S-300s in the new location is to provide air defence capabilities to the wider Central Asian region. The deployment of this missile system near the Afghan border also affects the military situation in this country, where the U.S.-led coalition has long been fighting the Taliban, nevertheless, according to recent reports, a truce may soon be reached in this conflict. The strengthening of the military bases in Central Asia confirms Russia's aspirations to play a greater role in Afghanistan. For at least a year now, Moscow has been participating in the peace negotiations, trying to get the Taliban and the Kabul government around the peace talks table; however, the fact is that the Russians are competing with the Americans here. The goal is to gain a strong position in Afghanistan after the civil war ends.

14 February 2020

"JANUARY REVOLUTION" GONE WRONG: PUTIN CONTINUES TO LOSE PUBLIC SUPPORT

Another opinion poll conducted by the Levada Centre, an independent research centre, has confirmed the decline in Vladimir Putin's approval ratings. The latest survey showing a drop in confidence in the president is all the more worrying for the Kremlin, as it was carried out shortly after the recent political shake-up in Russia, that is, Putin's annual address to parliament and the dismissal of the unpopular prime minister.

Public confidence in President Vladimir Putin was only 35% in January 2020, according to the Levada Centre poll. Since November 2017, the indicator has worsened by as many as 24 percentage points. This is the worst result since 2013. Therefore, one can even speak of yet another signal that the so-called "Crimea effect" (the initial euphoria of the Russian public after the annexation of the peninsula) has already worn off. As regards public trust in other politicians, Sergey Shoygu ranks second (19%), while Sergey Lavrov takes third place (17%). What draws attention, however, is a high percentage of respondents (22%) who chose the "I don't trust anybody" answer. The poll was conducted shortly after Putin's annual address to parliament and the change of government. This means that the proposed changes to Russia's constitution and generous social promises have not made much of an impression on the public. Russians also do not believe that removing the unpopular Dmitry Medvedev from the post of prime minister was supposed to improve the government's policy. At the same time, however, there is a high level of approval for Putin's activity (nearly 70%). Taking into account the president's activity, primarily on the international scene, it can be concluded that although, in general, the Russian public positively assess the country's foreign policy, the same cannot be said about domestic policy, and in particular, social policy.

A real threat to Putin's power will arise when dissatisfaction with the social and economic situation overpowers satisfaction with Russia's great power status in the international arena. This is arguably the most challenging task for the politicians and political experts who are

SOURCE: KREMLIN.RU

to define, prepare and carry out the process of power transition in 2024 when Putin's presidential term ends. If the decline in Putin's approval ratings continues (over two years now), the Kremlin will have to prepare such a scenario for the incumbent president that will allow him to maintain real power, of course, with little to no room for potential political and social upheavals. At present, as well as in the long run, the regime will not be threatened by the political opposition, but rather by the growing social discontent, which is particularly evident in those groups that form the traditional electoral base for Putin and his camp. These voters have been hit the hardest by the recent increases in the retirement age and the VAT rate.

As if that was not already bad enough, the overall economic situation in Russia still does not look good. The average citizen of the country is experiencing a drop in real income, with no prospects of improvement. Problems concerning the healthcare system and environmental protection are getting worse. Corruption is still a major problem. All these are structural issues – Russians were not impacted that much by them when they earned more in times of prosperity. Without reforms, and with the deteriorating economy, all these negative phenomena will gradually affect both the public mood and the general assessment of the authorities.

SOURCE: WINTERSHALLDEA.RU

17 February 2020

GERMAN-RUSSIAN COMPANY SIGNS AGREEMENT ON ENERGY PROJECT IN EGYPT

On the occasion of the recent security conference in Munich and Sergey Lavrov's visit to Germany, a meeting has been held between the head of Russian diplomacy and his German counterpart. Sergey Lavrov and Heiko Maas have also attended a working breakfast with representatives of German business. This further emphasises the increasingly closer economic cooperation between Russia and Germany. The most evident manifestation of it is the construction of the Nord Stream 2 gas pipeline. However, it also needs to be highlighted that there are other German-Russian projects in the field of energy that are underway.

While the international security conference was being held in Munich, the EGYPS-2020 international oil and gas conference was taking place in Cairo. During this event, the Egyptian authorities concluded an agreement on gas and oil cooperation with Wintershall DEA. This German-Russian company has signed its first contract in Egypt. The deal concerns the exploration and exploitation of oil and gas deposits in the Nile Delta. The agreement between Wintershall DEA and the Egyptian Natural Gas Holding Company (EGAS) provides for the development of an area in the eastern part of Damanhur in the Beheira province. The minimum value of the investment is to be $43 million.

An agreement on the merger between the German company Wintershall and the Russian company DEA was signed in September 2018 by the heads of BASF (Wintershall is its subsidiary) and the Russian oligarch Mikhail Fridman, the owner of LetterOne (DEA is its subsidiary). Initially, BASF received 67% of shares in Wintershall DEA, while LetterOne acquired 33% of shares. Over the next few years, the German shares are to increase to 72.7%. In spring 2019, the European Commission approved the merger. At present, Wintershall DEA has 128 licenses in eight countries all over the world. DEA had once been a German company, however, LetterOne bought it in 2015 (BASF was also among the contenders for the purchase of DEA). In October 2017, DEA, already owned by Fridman, took over the Norwegian branch of the German company E.ON. Wintershall has long been cooperating closely with another Russian entity – it has shares in projects carried out jointly with Gazprom. The largest one concerns the exploitation of the Urengoy gas field (Gazprom 50%, Wintershall 50%). Wintershall is also Gazprom's partner in the construction of Nord Stream 2.

18 February 2020

RUSSIA'S SECHIN ARRIVES IN MINSK: "WE NEED TO CONTINUE TO COOPERATE"

The Belarusian-Russian dispute over the terms of oil supplies has not ended in Sochi on February 7. The threats made by Alexander Lukashenko that Belarus will begin to take oil from Russia's transit pipeline and look for alternative sources of oil supplies have done the trick. The head of Russia's largest oil company, who also happens to be one of the most influential politicians in Moscow, arrived in Minsk. It seems that, during the talks in Minsk, Igor Sechin represented not only his own company, but also the entire country of Russia and its oil interests in Belarus. It should be noted that he is definitely much more than just the head of Rosneft. For years, Sechin has played an important role in Russia's foreign policy, in particular, in places where oil is of major importance, for example, in Venezuela.

On February 18, the President of Belarus met with the head of Rosneft, the largest Russian oil company. The talks with Igor Sechin concerned the issue of energy cooperation between Belarus and Russia. Since the beginning of this year, Russia has reduced oil supplies to a minimum to its western neighbour. The parties cannot agree on the price of oil. Since January 1, 2020, no agreement on oil supplies to Minsk has been signed. Two Belarusian oil refineries, one in Novopolotsk and the other in Mozyr, are operating at minimum capacity due to the shortage of the required amount of oil. Minor Russian companies provide small oil supplies to Belarus, allowing the refineries to operate at minimum capacity. The Belarusian authorities are looking for alternative oil sources and supply routes. The recent meeting between Presidents Lukashenko and Putin on February 7 in Sochi has confirmed the change in the terms of cooperation – because Minsk does not agree to deepen integration with Russia (de facto deepening political dependence on Moscow), the Kremlin announced that Belarus will have to purchase oil on commercial terms and deal individually with Russian suppliers. Until recently, Rosneft has been the largest oil supplier to Belarus. In 2019, Sechin's company supplied about half of the oil purchased by Minsk in Russia. However, Sechin's meeting with Lukashenko should not be considered only in this context.

SOURCE: PRESIDENT.GOV.BY

Taking into account the role played by the head of Rosneft in Russia, it seems rather that Sechin was given the task of solving the “Belarusian problem”. It is possible that a new model of Russian oil supplies to Belarus will finally be established, however, it would have to be more favourable to Minsk than the usual market terms. “I hope, taking advantage of the fact that we have known each other for a long time, you will think of something and we will be able to agree on further cooperation,” Lukashenko said, to which Sechin replied: “We need to continue to cooperate, of course. We are ready for constructive cooperation”. And by that he did not only mean his own company, but rather the entire Russian side, in general. Sechin arrived in Minsk a few days after Lukashenko had publicly announced that Russia suggested that Belarus and Russia be a unified state in exchange for favourable oil and gas prices, and threatened that if Belarus does not receive 2 million tonnes of oil agreed by the two governments in February, it will start taking it from the Druzhba export pipeline, which transports oil to the West through Belarus.

18 February 2020

ATTACK IN DONBASS, CONFERENCE IN MUNICH: BAD SIGNALS FOR UKRAINE

First, the 2020 Munich Security Conference brought no positive results for Kyiv, and then, soon after that, pro-Russian rebels launched an attack in the Donbass. Simply put, this is Russia’s way of demonstrating that the peace process resumed in autumn 2019 has been frozen again and will remain so for a long time. This is a problem for Volodymyr Zelensky, who has made reaching a peace agreement on the Donbass and putting an end to the actual armed conflict one of the most important points of his presidency. The recent events also confirm that the international situation – in particular, regarding the conflict in the Donbass and relations between Western Europe and Russia – is now changing, unfortunately, to the detriment of Ukraine.

SOURCE: FLICKR.COM

On February 18, at about 5 o'clock in the morning, pro-Russian separatists attacked Ukrainian positions in the Luhansk Oblast, near the villages of Novotoshkovske, Orikhove, Krymske and Khutor Vilny. They opened fire, using weapons banned by the Minsk Agreements, including 120-millimetre calibre mortars, grenade launchers and heavy machine guns. Under artillery fire, the rebels tried to break through the front line at the meeting point of the positions held by two Ukrainian brigades. After five hours of fighting – the heaviest since the beginning of Zelensky's presidency – the rebels asked for a ceasefire. The gunfire stopped, the situation is stable, the Ukrainians have held their positions. Chief of the General Staff of the Armed Forces of Ukraine Ruslan Khomchak reported that one Ukrainian soldier was killed, three were wounded and two injured. The rebels lost four men, six people were wounded. "This is an attempt to disrupt the peace process," President Volodymyr Zelensky said. At an emergency meeting of the National Security and Defence Council, Zelensky assured that the attack of the pro-Russian rebels would not change Ukraine's course towards ending the war.

The attack was conducted on the fifth anniversary of the victory of pro-Russian forces in the battle of Debaltseve. It should be noted that the escalation of hostilities in the Donbass occurred the day after Russia's Minister of Foreign Affairs Sergey Lavrov, when asked about the possibility of holding a summit of the Normandy Four in April, had said in Munich that the timing of the meeting should be understood only as the wishes of Russia's partners in this format. He emphasised that Russia has not yet seen any progress as regards the implementation of the provisions of the previous summit of the Normandy Four in December 2019 in Paris. Lavrov said that this is Kyiv's fault. This means that the Kremlin has adopted even a more rigid stance after the renewal of the peace negotiations last year. During the Munich conference, both President of Ukraine Volodymyr Zelensky and President of France Emmanuel Macron expressed hope that another summit of the Normandy format will be held in April. At the very same conference, an incident occurred, illustrating Western Europe's shifting attitude towards Russia. A document containing proposals for resolving the Ukrainian-Russian conflict prepared by the Euro-Atlantic Security Leadership Group, a non-governmental organisation, was published on the website of the 56th Munich Security Conference. Some of the statements presented there echo the Kremlin's standpoint. The document was removed from the website due to the criticism expressed by Kyiv as well as other expert centres. Both its publication and recommendations, such as, for example, a partial easing of sanctions in exchange for the gradual implementation of the Minsk Agreements, are in line with the idea of resetting relations with Russia, which have worsened since the annexation of Crimea in 2014, that is being pushed through by some Western European politicians, including Macron and certain German elites.

19 February 2020

RUSSIA'S ROSNEFT HITS RECORD-HIGH PROFITS AND PAYS OUT BIGGEST-EVER DIVIDENDS

Throughout 2019, Russia's state oil firm Rosneft earned 805 billion roubles ($12.6 billion), up from 649 billion roubles ($10.2 billion) in 2018. With increasing profits come record-high dividends to be paid out to the firm's shareholders, including the state.

Rosneft's revenues were 8.68 billion roubles in 2019, or 5.3 percent more than a year before. An increase in the oil firm's earnings stemmed from the 20.1 percent surge in oil output, with a 6.2-percent drop in its prices globally. The EBITDA ratio went up by 1.2 percent, reaching 2.1 trillion roubles, while the firm's clean debt dropped by 907 billion roubles, or 15.6 percent. The recent increase in ratios is linked to Rosneft's bigger oil sales, "chiefly in the east," and its improved expenditure control. In addition comes Rosneft's capital expenditure that dropped by 8.8 percent. In 2019, the company's net profit attributable to shareholders soared by 29 percent. As announced by Igor Sechin, CEO of Rosneft, revenues from dividends calculated according to the 2019 average share price will amount to 8 percent. Throughout 2019, the company paid out 283 billion roubles in dividends to its shareholders, of which payout to the state totalled 141 billion roubles ($2.2 billion). The firm paid out 162.6 billion roubles – or 5.2 percent more than a year before – in dividends to shareholders in the first half of 2019. Suffice it to recall that Rosneft's total dividend amount hit a record 274.5 billion roubles in 2018. In late 2017, in its updated dividend policy, Rosneft agreed to pay 50 percent of its net profit as dividends to shareholders. With Rosneft's figures in the second half of 2019, shareholders could fetch up to 191 billion roubles, an amount that is likely to exceed 350 billion roubles throughout the whole year. Rosneft will pay half of this sum to its state-run shareholder, Rosneftgaz, that holds 50 percent plus one voting share.

Russia's biggest and well-performing oil firm is now hoping to leave its footprint on foreign energy markets. Rosneft is keen to bid for India's oil marketing and refining firm Bharat Petroleum Corp Ltd (BPCL) that owns 25 percent of the country's fuel stations. Energy firms

SOURCE: KREMLIN.RU

like ExxonMobil, Total, and Aramco also have been interested in acquiring the Indian-based company. Igor Sechin flew to New Delhi to meet with Indian Oil Minister Dharmendra Pradhan to express interest in acquiring a stake in privatized Bharat Petroleum. The Indian government is looking to sell its entire 53 percent stake in BPCL. In consequence, Russia's Rosneft would add to its portfolio a 25 percent stake in Indian fuel stations. It is the first time that a private energy company from outside India will gain access to the country's retail fuel market. A new owner will take over 11 percent of India's total oil processing capacities. During a visit to India, Rosneft CEO signed a deal with state-owned Indian Oil Corp, India's top refiner, that gave the latter an option to buy up to 15 million barrels of Urals crude in 2020. India has been diversifying the sources of its crude oil imports that come into the country's energy market mainly from the Middle East.

19 February 2020

RUSSIA'S SHOIGU VISITS BELGRADE: WILL SERBIA FALL AFOUL OF THE U.S.?

Serbia's ties with Russia are the best in many decades, as evidenced by Sergei Shoigu's recent trip to Belgrade in what was yet another visit of a senior Russian official to Serbia. On the meeting's agenda might have been Serbia's finalizing a deal to buy Russian-built Pantsir-S1 air defense systems. But Belgrade is pressing on to achieve the purchase despite the U.S. warning about sanctions. Moscow's friendship with Serbia remained untarnished even in spite of a spying incident last autumn when Russia's GRU military intelligence service recruited Serbian army officers as spies.

SOURCE: MOD.GOV.RS

“Serbian-Russian military cooperation is on an upward trend while both countries are committed to further enhancing it,” Serbian Defense Ministry wrote on its website after hosting a Russian delegation led by Russian Defense Minister Sergei Shoigu on February 17. “Serbia wants a strong army because it is a guarantee of stability and neutrality,” his Serbian counterpart, Aleksandar Vulin, told at the meeting. The top Russian official said Moscow was interested in furthering its military cooperation with Belgrade. Vulin is one of Serbia’s most pro-Russian government officials. It was his ninth meeting with Shoigu since the Serbian official was appointed as defense minister back in June 2017. Shoigu’s trip to Belgrade came the same day as a declaration from Bosnian Serb leader Milorad Dodik who revived talks of secession of the Bosnian entity of Republika Srbska from the federal state. And if the statelet broke off of Bosnia and Herzegovina, this could be a step towards its unification with Serbia. This would yet be tantamount to the biggest crisis in the Balkans in many years, with no more hope of saving the peace accords ending the war in Bosnia and Herzegovina.

Serbia maintains strong political, economic, and military relations with Russia even though it wants to join the European Union. Belgrade has refused to join Western sanctions on Russia for its annexation of Crimea from Ukraine. Russia does not recognize the statehood of Kosovo that declared independence from Serbia in 2008. Russia has sold Belgrade fighter jets, attack helicopters, and battle tanks. In October 2019, Serbia held joint air military exercises with Russia in which the Russian-made S-400 and Pantsir-S1 systems were deployed. Serbia will probably begin deliveries of the Pantsir-S1 anti-missile system later this year in a move that is likely to ignite strains in Belgrade’s ties with the United States. Back in the autumn of 2019, when Belgrade was reported to purchase Russian-made military hardware, the U.S. special representative to the Western Balkans, Matthew Palmer, expressed concern about Serbian interest in Russian air defense systems, warning Belgrade to be “careful and cautious” about buying them. Also, the nation could be at risk of Washington’s “revised sanction policy,” he added.

SOURCE: WIKIPEDIA.ORG

21 February 2020

RUSSIA'S LUKOIL ADDS MEXICO OIL DISCOVERY TO ITS PORTFOLIO

Lukoil's investments in exploratory and production works in Mexico have started to bear fruits. Located in Block 10, the Saasken exploration area is believed to contain substantial oil deposits. The area is held jointly by Italy's Eni, Britain's Capricorn, and Russia's Lukoil. This is yet another Mexico-based drilling project that attracted the Russian energy major. Vagit Alekperov, CEO of Lukoil, said at the Davos economic summit that his firm considered Western Africa and the Gulf of Mexico critical for its further advancements.

The drilling was made about in the waters of the Gulf of Mexico, some 65 kilometers off the Mexican coast. The new find is believed to contain about 300 million barrels of oil. With its high-quality crude, the field could hold a production capacity of more than 10,000 barrels per day. Russia's Lukoil has been in the project since November 2018. The Block 10 joint venture is composed of ENI, which is the operator with a 65 percent stake, Russia's Lukoil with a 20 percent stake, and UK's Capricorn with a 15 percent stake.

Lukoil first left its footprint in Mexico back in July 2015 when it entered the Amatitlan block development project. In June 2017, the oil major made the winning bid for Block 12, earlier put up for auction. Nonetheless, Lukoil's energy expansion in Mexico gained momentum only after it had entered into closer cooperation with the Italy-based oil company Eni. Block 10 is only one of Lukoil's numerous oil projects across Mexico, some of which Alekperov's firm develops on its own while cooperating with Italy's Eni in the others. The Russian oil firm is drilling its Otomi-Oeste well laying in Block 12. Lukoil is planning to spend roughly $70 million on the project. In 2018, the Russian oil company and Eni signed an agreement on the mutual exchange of participation interests in Blocks 10, 12, and 14 on the Mexican shelf. The drilling wells are located in the Sureste Basin that might contain large amounts of hydrocarbons. Lukoil assigned a 40 percent stake in Block 12 to Eni while remaining a project operator with a 60 percent interest. In turn, Eni conferred a 20 percent share in Block 10, and 20 percent in Block 14 to Lukoil yet decided to serve as the operator for both projects. In May 2019, the Eni-Lukoil plan to explore the Mexican shelf got approval from the National Hydrocarbons Commission of Mexico. The Italy-Russia consortium is set to incur an expenditure of $142.4 million in a five-year period in the baseline scenario. Alternatively, extra drilling activities may be carried out, whose total cost could amount to as much as $226.5 million. Earlier, in March 2018, both companies won rights to Block 28. The Italian company was awarded a 75 percent stake and became the operator while Lukoil received the remaining 25 percent interest. The Italian oil major acts as the operator too. Block 28 is located on the continental shelf of the Gulf of Mexico, at a water depth of 20 to 500 meters.

24 February 2020

RUSSIA'S ECONOMY IS BECOMING HEAVILY DEPENDENT ON HYDROCARBONS

Vladimir Putin has not taken advantage of the long years of the oil boom and huge state budget revenues from oil exports to reform the economy. Instead of diversifying and strengthening other industrial sectors, it turns out that in the years 2010-2018 Russia has become even more dependent on hydrocarbons.

The Russian Federal State Statistics Service (Rosstat) has recalculated the country's industrial production index by adopting 2018 as a new base year (previously it was 2010). It turns out that the share of oil and gas production in the Russian economy increased from 34.3% to 38.9%. The share of other types of production activity, in particular, the manufacturing industry, decreased from 53.2% to 50.7%. Rosstat has also published preliminary data suggesting that industrial production in Russia will increase by 1.1% in 2020 as compared to 2019. The increase was 2% in January 2019 and 2.7% in January 2018. In January 2020, oil production dropped by 0.8%, natural gas and gas condensate production increased by 4.3%, while LNG production soared by 36.3%. The latter is the result of launching the second and third production lines of the Yamal LNG plant.

Although the government announced to move towards economic diversification a long time ago, Rosstat's data shows that Russia's dependence on oil and gas has increased in the last eight years. How dangerous this dependence can be is evidenced by the situation on the global oil market currently affected by the coronavirus epidemic in China. In the first six weeks of 2020, Russian exports to China

SOURCE: MEDIA.GAZPROM-NEFT.COM

decreased by almost a third due to a sharp drop in demand from the world's second-largest economy. The largest drops concern oil and gas exports. What is more, there has been a decrease in oil prices, also due to the growing epidemic. Meanwhile, Russian oil producers oppose a proposal of the OPEC+ technical committee for an additional reduction in oil production. Rosneft, Russia's state-owned oil giant, even suggested withdrawing altogether from the oil cartel. The countries belonging to the OPEC+ format are to make further decisions at the upcoming summit in early March.

26 February 2020

RUSSIA KICKS OFF WORK ON EGYPT'S FIRST NUCLEAR POWER PLANT

The Egyptian-Russian agreement on the construction of a nuclear power plant in Egypt is entering the implementation phase. All necessary construction permits are to be obtained by mid-2020. A tender for construction work on the first phase of the project has also been launched. The construction is to be financed mainly through a state loan granted by Russia, while technology is to be provided by Rosatom, a Russian state-run corporation specialising in nuclear energy.

The Russian Federal State Statistics Service (Rosstat) has recalculated the country's industrial production index by adopting 2018 as a new base year (previously it was 2010). It turns out that the share of oil and gas production in the Russian economy increased from 34.3% to 38.9%. The share of other types of production activity, in particular,

SOURCE: KREMLIN.RU

the manufacturing industry, decreased from 53.2% to 50.7%. Rosstat has also published preliminary data suggesting that industrial production in Russia will increase by 1.1% in 2020 as compared to 2019. The increase was 2% in January 2019 and 2.7% in January 2018. In January 2020, oil production dropped by 0.8%, natural gas and gas condensate production increased by 4.3%, while LNG production soared by 36.3%. The latter is the result of launching the second and third production lines of the Yamal LNG plant. Although the government announced to move towards economic diversification a long time ago, Rosstat's data shows that Russia's dependence on oil and gas has increased in the last eight years. How dangerous this dependence can be is evidenced by the situation on the global oil market currently affected by the coronavirus epidemic in China. In the first six weeks of 2020, Russian exports to China

27 February 2020

HYDROCARBONS ONLY TO BE TRANSPORTED UNDER THE RUSSIAN FLAG?

The Russian government has a plan to "nationalize" the country's oil and gas sector, both in terms of mining activities and maritime shipping. As a result, Russian hydrocarbon producers might be obliged to use exclusively Russian-built vessels for carrying Arctic resources. An analogous prerequisite may pertain to mining platforms operating on the shelf. What threats this may pose for the entire energy industry has shown a similar monopoly, established for coastal shipping in the country's Far North.

SOURCE: SOVCOMFLOT.RU

The draft regulation was submitted by Russia's Transport Ministry, while tasked with drawing up relevant mechanisms were the ministries of economy, energy, environment, and agriculture. By mid-April, these departments should "develop feasibility and ensure the enactment of amendments" that might end up in adding a provision obliging vessels to fly the Russian flag to the country's strategic documents. For now, little is known over what deliveries could be shipped exclusively by Russian-flagged vessels and when the new regulations would enter into force. Nevertheless, the idea was warmly welcomed by Sovcomflot, Russia's biggest shipping company, which endorsed the ministry's plan, saying it had been applied in some places around the world.

The ban refers to coastal shipping vessels operating within a specially delineated area of Russian territorial waters. Under the amendments to the Merchant Shipping Code of the Russian Federation, which came into effect on December 30, 2018, foreign-built and foreign-flagged ships were banned from carrying hydrocarbons. According to the law, only Russian-flagged carriers with Russian crew aboard are allowed to transport LNG along the county's Far North. This yet posed a hurdle to exports plans of Russia's biggest LNG producer. Thus, Novatek has submitted a request to the Russian Transport Ministry, asking its officials for permission to use foreign-registered cargo vessels to bring liquefied natural gas volumes through the Northern Sea Route. With newly passed amendments in force, the Russian gas firm could be barred from deploying fourteen carriers out of its fifteen-strong fleet of Yamal LNG-class gas tankers. They are to ship liquefied natural gas volumes from Sabetta to two projected LNG transshipment hubs near Kamchatka and Murmansk. All signs are that the government will make an exception for Novatek, fearing the risk of freezing Russian LNG flows. Besides, the company's owners have close ties to Vladimir Putin.

The ministry's proposal goes much farther, though. If such a law came into law, energy firms would be compelled to look for Russian-flagged tankers tasked both with conducting exploration activities and carrying hydrocarbons. This might tick off the Russian energy shipping industry, as the newest draft law is somewhat a high-priced issue, forcing firms to bear higher operating costs. Other problems may arise from the lack of Russian-flagged vessels or their poor quality.

SOURCE: STRUCTURE.MIL.RU

27 February 2020

RUSSIAN AIRSTRIKES ON IDLIB TARGET SCHOOLS AND HOSPITALS

Russian warplanes have intensified airstrikes in Syria's Idlib province, the last sizeable rebel-held region that the Bashar al-Assad regime is trying to retake. Within just two days in late February, at least 25 civilians perished due to Russian aerial attacks. Targets of Russian air forces included ten schools in a single day. Al-Assad's long-standing ally, Moscow has waged a ruthless military campaign aimed at badly damaging hospitals and any health facilities where civilians can get medical aid.

Moscow is dragging its feet over talks with Turkey that is pushing for the truce in Idlib while Shia-backed government forces are stepping up the military offensive, launched back in December 2019. The president's loyal army's advances came with the support of its Russian ally. But their warplanes are not so much tasked with shelling rebel positions. Instead, they deliberately target civilians who are heading north and leaving villages and cities that insurgents are finding more and more challenging to defend.

February 25 became what was referred to as one of the bloodiest days over the past few weeks. As many as 21 civilians were killed in airstrikes, most of which were carried out by Russian forces. The aerial attacks were intended to hit schools. A school child and three teachers were killed in Idlib city. At least six children were among ten civilians killed in Maarat Misrin. Four people died in Binnish. Russian air forces renewed bombings on February 26. Four civilians died due to a raid on the village of Arnaba. At least 22 educational facilities, including kindergartens and nurseries, have been bombed since the beginning of the year. With its bombings, the army sought to intimidate civilians, also acting as a catalyst in a new refugee influx. Among those that are being targeted are children, too. Government air attacks are likewise intended to destroy hospitals. Since January, at least 19 health facilities in Idlib and neighboring rebel-held provinces have been damaged in strikes. Doctors and medical personnel lost their lives in deadly bombings, while medical equipment and supplies were destroyed. Russia's savage air attacks seek to leave civilians with no medical assistance and force them to flee the area of conflict, as the battle for control of the country's last opposition stronghold intensifies. Roughly one million people in Idlib have fled their homes, heading north, toward the Turkish border.

A mass slaughter may occur if forces loyal to al-Assad and their Russian backer decide to hit makeshift refugee centers. With a fresh wave of refugees escaping toward the Turkish border might come yet another migration crisis.

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