

# RUSSIA MONITOR

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**W** WARSAW  
INSTITUTE

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SOURCE: KREMLIN.RU

16 January 2020

## THE CONSTITUTION ACCORDING TO PUTIN

**Lofted sometime before by Vladimir Putin's closest associates, trial balloons might have brought a positive outcome, as evidenced by the Kremlin's decision to announce upcoming amendments to the Russian constitution publicly. These are likely to keep Putin in power after he is obliged to leave the presidency past 2024, with the government of Dmitry Medvedev having fallen the first victim of this surprise shakeup.**

What was initially expected was that Vladimir Putin, in his annual address to the Federal Assembly, would first and foremost tackle Russia's ongoing social challenges while admitting that the time had come for a change to make people's lives better. Indeed, Putin opened up his speech with a list of promises, vowing additional support for families with children, in an effort to raise the country's birth rate and offer favorable mortgage conditions, while announcing a number of incentives, including free hot lunches for school kids and benefits to families with children aged 3-7. But social promises were nothing but a mere prelude to the nub of Putin's address, or his desire to change the constitution. With the constitutional amendments come what may be referred to as a dramatic shakeup of the

Russian government and a new constitution. Putin's suggestions push Russia increasingly closer to a presidential system with the increased powers of the parliament. Under the changes, the parliament would be granted greater capabilities, in effect weakening the presidency. In his state-of-the-union address, Putin called for stripping higher courts of their independence and enshrining the State Council, a new state body whose main competences have not been specified yet.

Putin has launched changes long before he is due to step down from the presidency in 2024. The incumbent president's reshuffles may have emerged from his fears over a deteriorating situation across the country, along with their possible repercussions worldwide. Judging by

how fast this decision has been made - with the constitutional amendments announced, followed up by the government's resignation, the appointment of a new prime minister and setting up a working group to amend Russia's constitution, all within one day - Putin seeks to lay the groundwork for a quicker transition of power. The president's ambition is to push through the constitutional amendments, perhaps to get it sealed altogether with the State Duma elections. Once accomplished, this step would pave Putin's way to a new system of governance in Russia and a snap presidential election. Putin, having taken on yet another post that would keep him in power, would no longer stand for the presidency. Russia's incumbent president may eye three possibilities to extend his rule by becoming prime minister, chairman of the State Duma, the lower house of the Russian parliament, or the head of the State Council. If further changes are pushed through and a new model established, the State Duma speaker will surely grow in importance. But another solution seems a way more critical, with Putin chairing the State Council. The president may seek to reshape this advisory body, created in 2000, into a type of

"supra-government" headed by him personally. But is this what he really wants to? Much more will be known about Putin's aspirations after revealing what powers will be given to the State Council.

Yet another vital question is the name of Putin's successor. After Dmitry Medvedev resigned, he was assigned to a new position in the Russian Security Council in a move that lessened his chance to run for president - at least at this stage. Poised to succeed Medvedev as Russia's next prime minister, Mikhail Mishustin will be appointed the interim head of the government just like Fradkov and Zubkov sometime before. Much can still change as for Putin's proposals as the president has just given himself more room for maneuver after leaving the presidency in 2024. It is yet too early to predict for sure how the final reshuffle may look like. Nonetheless, Putin's urge that Russia should remain a "strong presidential republic" might hint he will take on a new job of the chairman of the State Council yet armed with greater powers. For instance, he could temporarily freeze the president's decisions and legal acts or enjoy real control of the army and the siloviki.

19 January 2020

## A NEW PRIME MINISTER FOR SPECIAL ASSIGNMENTS?

**The decision on who was to replace Dmitry Medvedev as Russia's next prime minister has shown Putin's aspiration to improve the image of the government while pushing forward his social agenda more smoothly and efficiently. Unlike his predecessor, Mikhail Mishustin offers greater guarantees to go ahead with a way more effective economic policy.**

**W**hy was he then named as Russia's next prime minister? Many say that Mishustin is known for getting things done; during his near-decade long tenure at Russia's Federal Tax Service (FNS), he formed a group

of roughly 150,000 employees to oversee tax collections more effectively, a move that in nine years tripled the amount of money delivered to the federal budget. Before Mishustin took the job in the Federal Tax Service, Russia was



SOURCE: KREMLIN.RU

believed to have lost as much as \$16.2 billion a year in tax revenues. Mishustin's agency collected \$345 billion in 2018, tripling the amount it brought in when the official took over in 2010. In 2019, tax revenues were about 8 percent higher than a year before. The Federal Tax Service so far has proved particularly productive in combatting value-added tax evasion. The discrepancy between expected value-added tax receipts and actual receipts dropped to less than 1 percent from more than 10 percent in 2015.

The Kremlin needs to see such a man at the helm of the government right now. Medvedev has failed to meet economic and social programs Putin had long trumpeted. Also, his government struggled to implement the president's "national projects," a \$400 billion spending program that seeks to boost and give a new impetus to the country's economic growth. This has morphed into the Kremlin's top priority, as corroborated by Putin's address on January 15. What was initially expected was that Vladimir Putin could first and foremost mention Russia's ongoing social challenges

while admitting that the time had come for a change to make people's lives better. Indeed, Putin opened up his speech with a list of promises. In his address, Putin vowed monthly cash handouts for low-income families for children aged up to 7 years old, free lunches for younger pupils in all Russian schools, and payments and benefits to be offered to mothers after the birth of their first and second child.

According to the finance ministry, this will cost the budget an additional \$7.5 billion per year. In its latest demographic forecast, Rosstat, the national statistics office, said the country's population might shrink from the present 147 million to 134 million by 2036 because of a low birth rate, high mortality and fewer immigrants that decide to settle in Russia. What Putin believes is that cash incentives are enough to encourage Russian women to give birth. The problem is that neither payments nor benefits could make up for any financial difficulties faced by Russian families. Perhaps this could be solved through a brand-new policy leveraged by the country's newly nominated prime minister.



SOURCE: KREMLIN.RU

21 January 2020

## PUTIN'S "JANUARY REVOLUTION": WHAT DOES A NEW PROSECUTOR GENERAL MEAN FOR RUSSIA?

What came as one of the elements of massive reshuffles in Russia's key institutions, marked by recent proposals to amend the constitution and the resignation of Dmitry Medvedev's government, was the dismissal of the country's senior prosecutor. On January 20, Russian President Vladimir Putin fired top prosecutor Yuri Chaika and nominated Igor Krasnov to replace him. This move has fitted into Putin's political shakeup intended to initiate a generation change within the ruling elite. As a new presidential representative to the North Caucasus, Chaika is doomed to lose much of his political significance. What draws attention is a mere fact that this is yet another example of a political overhaul, with an unpopular politician, muddied by a series of corruption scandals, being replaced by an efficient technocrat who so far avoided the public spotlight, far from any controversy. The third issue these recent dismissals and nominations had in common is that they led to the promotion of officials who had not held close ties to mighty political or business groups that conflicted with Putin's inner circle.

**B**orn in 1975, Igor Krasnov is almost a quarter of century younger than his predecessor. Before, he had served as deputy chairman of the Investigative Committee,

where he has earned the reputation of a very efficient investigator. Krasnov so far has led several high-profile criminal investigations. Unlike Chaika, he has not been embroiled

in any corruption plots. An Arkhangelsk native, he found a job as an investigator in a prosecutor's office in 1997. In 2005, his career got a fresh impetus when he was invited to join the prosecutor general's office. After Vladimir Putin took all investigative departments out of the prosecutor general's office, Krasnov joined the Investigative Committee under Alexander Bastrykin. His career soared high when he became a member of the investigative group that inquired into the attempted assassination of Anatoly Chubais, the head of the company RAO UES. Among other high-profile cases he has led were those into the murders of attorney Stanislav Markelov and journalist Anastasia Baburova, the embezzlement during Vostochny spaceport's construction, as well as the assassination of opposition leader Boris Nemtsov. Krasnov led some of his criminal investigations under the direct command of

the Russian president. It is known that Krasnov has earned the trust of the Federal Security Service when working closely with its officers to solve a raft of criminal cases. In Lubyanka, FSB Deputy Director Alexey Sedov is widely acknowledged as an ally of Russia's newly appointed prosecutor general.

What cannot be ruled out is that this personnel shakeup is to serve as a prelude to structural reforms in Russian law enforcement circles. This is all the more so that both the prosecutor general's office and the Investigative Committee frequently clashed in the past. Krasnov might have been ordered to lay the groundwork to merge investigative departments of the Ministry of Internal Affairs and those in the Investigative Committee, with a newly founded institution being under scrutiny from the senior prosecutor.

27 January 2020

## OPEC+ IS FAVORABLE FOR RUSSIA

**For the first time in Russia's alliance with OPEC, the country is changing the way it complies with its oil-output curbs. In the first quarter of 2020, Russia is authorized to exclude a type of light oil called condensate from the production data that the country should submit to the group. It is good news for Russian producers, with Gazprom and Novatek at the helm, while this should not affect revenues to the federal budget.**

Russia's oil export revenues accounted for a substantial portion of its budget revenues under the OPEC+ agreement, the government said. Russian Energy Minister Alexander Novak was quoted as saying in late December 2019 that global surge in oil prices provided the federal budget with an extra 6.2 trillion roubles, or roughly \$99 billion, in three years. Russia failed to stick to the pact for most of 2019, with condensate growth being one of the reasons given by the government. This will no longer pose a problem, though.

Condensates are hydrocarbons that are in the form of gas once below ground, but then condense into a liquid when they reach the earth's surface. They are stabilized before being transported, which is by removing any remaining gas and very light liquids. They can then be blended with crude oil. For instance, Novatek exports stabilized condensates from its Yamal LNG project. Russia's condensate output has been growing as the country's largest gas producers, Gazprom and Novatek, developed new hydrocarbon fields. This comes as part of



SOURCE: NOVATEK.RU

a strategy to expand both piped and liquefied natural gas exports from Russia to Europe and Asia. It was since the autumn of 2019 that Moscow has reiterated that its condensate, which accounts for 7–8 percent of its total oil output, should also be excluded from its production cuts target because other OPEC countries do not include it in their figures. At the December OPEC+ meeting, the group allowed its non-cartel allies to exclude condensate from their production numbers. At their latest meeting, OPEC and non-OPEC countries hammered out a deal to further cut oil production

for in the first quarter of 2020, to 1.7 million barrels a day. Under the new agreement, lasting at least by March, Russia pledged to advance its crude production cuts to 300,000 barrels a day, from the revised October 2018 baseline yet without condensate. What should be recalled is that in October 2018, Russia pumped 10.626 million barrels a day of crude and 795,000 barrels a day of condensate. As of December 2019, crude production fell by 234,000 barrels a day, and condensate output soared by 58,000 barrels a day.

27 January 2020

## DOUBLE HIT AGAINST RUSSIA: BULGARIA, NOVICHOK AND SPIES

**Two days were enough for Bulgaria to take two steps that are likely to aggravate the crisis that erupted in its ties with Moscow in the wake of a series of spy scandals back in the autumn of 2019. First, the Bulgarian Prosecutor General's Office said that three Russian nationals had attempted to poison a Bulgarian businessman in 2015 and issued international arrest warrants for them. What came only a day later was the Bulgarian Foreign Ministry's statement saying it might expel two Russian diplomats it accused of espionage.**



SOURCE: MFA.BG

In the autumn of 2019, Bulgaria ousted another first secretary at the Russian embassy for gathering classified information. Local law enforcement agencies also detained the chairman of the local Russophiles association, accusing him of spying for Russian organizations. Authorities in Sofia also imposed a 10-year ban on the entry into Bulgaria by Leonid Reshetnikov and Konstantin Malofeev, both of whom have for years been involved in espionage and subversive activities not only in Bulgaria but also across the Balkans. Bulgaria will see rising strains in its ties with Russia due to any decisions Sofia has taken lately. What might be assumed is that Moscow's spying activity has gained a greater profile, which prompted Bulgaria to respond sharper than ever. Also, the U.S. position is of more considerable significance, with the Americans having urged the Bulgarian government to hinder Russian influence countrywide. In a TV interview last September, Solomon Passy, foreign minister from 2001 to 2005, said he believed roughly 70 Russian spies were operating in the Russian embassy in Sofia.

On January 23, Bulgarian prosecutors accused three Russian nationals of the attempted murder of Bulgarian arms trader Emilian Gebrev. International arrest warrants have been issued for each of the suspects. Though the detainees' names have not been disclosed to the public, they are said to have worked for the country's GRU military intelligence service. At least one of the men was embroiled in the poisoning of former Russian spy Sergei Skripal in the United Kingdom. The prosecution said in both operations the weapon of choice was the nerve agent Novichok. On January 24, the Russian ambassador to Sofia was summoned to the Bulgarian Foreign Ministry, where he was handed a note declaring the two diplomats *personae non gratae* and given 48 hours to leave the country. Authorities in Sofia said both men collected sensitive information, since 2017 and 2018, respectively. Both left Bulgaria on the morning of January 26. Russian Foreign Ministry labeled Sofia's decision "openly hostile and provocative," saying it reserved the right to respond with "reciprocal measures." Perhaps Russia will take tit-for-tat measures by ousting two Bulgarian diplomats whose status is comparable to those of the expelled Russians.

What is noteworthy is that on January 25 the U.S. embassy in Sofia issued a statement backing Bulgaria's actions against Russian spies. Furthermore, Bulgarian prosecutors are working closely on the case of the attempted murder of the arms dealer with the FBI and British authorities. The Russia-Bulgaria relationship has

been put under increasing strain due to a series of spy scandals in recent years, a state of affairs that could affect the implementation of the Bulgarian stretch of the TurkStream natural gas pipeline project, or its transit line Russia seeks to use to pump gas from Turkey to Hungary, through Bulgaria and Serbia.

27 January 2020

## RUSSIA'S KOZAK TAKES ON A NEW TASK

**As a result of a massive shakeup in Russia's political elites, some of the former cabinet members found new jobs in the presidential administration. But what is most important is the nomination for the current deputy prime minister, Dmitry Kozak, who will oversee integration processes in the post-Soviet zone of influence. The official will be tasked with managing the Eurasian Economic Community (EAEC), a move that shows that both issues score high on Putin's agenda in the years that follow.**

The Kremlin released three special decrees on the morning of January 24. All the documents referred to the three former cabinet members that failed to join a new government. Two of the presidential decrees gave jobs to former Economic Development Minister Maxim Oreshkin and former Culture Minister Vladimir Medinsky, both appointed as presidential aides. In contrast, former Deputy Prime Minister Dmitry Kozak became deputy chief of the presidential office, though by separate executive order. Before, Kozak had held this post during Vladimir Putin's first tenure as president, and his latest nomination proves that he is a member of the president's closest associates. During the 2004 Russian presidential election, he was even head of Putin's election campaign team. Kozak has made his comeback to regional and national policy, which is what he had dealt with the past. From 2004 to 2007, he served as Presidential Plenipotentiary Representative in the Southern Federal District and was later named the minister of regional development.

Since 2008, he had been supervising preparations for the Sochi Winter Olympic. In 2014, he was tasked with overseeing the development of the Crimea peninsula and the city of Sevastopol. Last but not least, he has also managed the energy and industry sectors since 2018, and he was widely praised by representatives of these branches. Kozak was amongst the ones to have defused a 2018 oil crisis in Russia. As a Kremlin representative, he oversaw Moscow's negotiations with Ukraine that ended up with a transit deal hammered out with the Russian neighbor, seen by Russia as a success.

What may emerge as Kozak's top mission are Russian attempts to tackle the Belarusian issue, or – most precisely – oil flows to Minsk. It cannot be ruled out that Kozak will gain a decisive influence on Moscow's policy towards what is referred to as “frozen conflicts” in the former Soviet Union: Abkhazia, South Ossetia, Donbas, and Transnistria. Suffice it to recall that Kozak was at the time thoroughly commit-



SOURCE: KREMLIN.RU

ted to settling the Moldova conflict, with the submitted proposals that – once implemented, would have kept Moldova firmly in Moscow’s grip – named after the Russian deputy prime minister. With Dmitry Kozak named Deputy Chief of Staff of the Presidential Executive Office, Anton Vaino, who serves as the chief of staff of Russia’s presidential administration, will perform his tasks alongside his second

deputy. Sergey Kiriyyenko is a domestic policy handler in charge of Russian regions. Dmitry Kozak, as for him, will be responsible for conducting external policy in what is known as Russia’s “near abroad.” Foreign affairs, including Russia’s relations with the United States, will still be within the competence of Putin’s senior advisor Yury Ushakov.

27 January 2020

## NO DISAGREEMENTS WITH GAZPROM? NOVATEK UNVEILS AMBITIOUS PLANS

**Russia’s largest private gas producer Novatek has outlined a plan to double investments, boost output and exports and launch more liquefied natural gas (LNG) facilities. The company’s business expansion yet could not be to the liking of Gazprom. Therefore, Novatek CEO is making all efforts to prove that gas volumes sold by his company are not a competition for those traded by the state-run energy giant.**

“There are no contradictions between Novatek and Gazprom on the competition in Europe of pipeline and liquefied natural gas,” Leonid Mikhelson told reporters on the sidelines of

the World Economic Forum in Davos. “Any consumer does not want to buy from one producer: he wants to buy from Gazprom, Algeria, Norwegians, including all consumers



SOURCE: NOVATEK.RU

who now include LNG in their portfolio,” he said. “There will be Novatek or not, they will still buy LNG, so let it be better than Russian LNG. Gazprom understands this,” Mikhelson was quoted as saying. Novatek supplies liquefied natural gas to 28 countries, with more than 50 percent of its volume going to the markets of Asia, and not Europe. He noted that the current statistics are incorrect: a significant part of Novatek’s deliveries to Europe after transshipment is subsequently sent through the Suez Canal to Asia. Part goes to the Spanish market, where there is no access to piped gas from Russia.

Mikhelson noted that all long-term contracts with Yamal LNG would become operational in March and April 2020, and they are mainly focused on the Asian market. Novatek’s plan is to boost gas and condensate output by 1.5–2 percent by 2020. In 2019, Novatek’s gas production totaled 74.7 billion cubic meters (bcm), resulting in an increase by 8.6 percent, while the company unearthed 12.15 million tonnes of hydrocarbons, which marked a surge by 2.9 percent. Natural gas sales volumes, including volumes of LNG sold, aggregated 78.45 bcm, representing an increase by 8.8 percent as compared with 2018. The rise in Novatek’s production figures stems from the company’s successful implementation of its latest LNG projects. As early as December 2019, Mikhelson said that by 2020 Novatek would have twice as many investments as it had carried out throughout 2019.

Earlier Leonid Mikhelson had said that in the next two years, Novatek planned to raise its 2030 LNG output target to 70 million tonnes. The gas giant’s fourth and last train of the Yamal LNG is set to become operational by June 2020 at the latest. With a capacity of some 1 million tonnes, this will be the very first train Russia is going to build using domestic LNG technologies, in a bid to raise the plant’s capacity to some 19 million tonnes annually. Novatek intends to build a new facility by using the Russian-made Arctic Cascade technology. The firm seeks to launch the first production train of the Obskiy LNG processing plant in late 2022 and early 2023, followed by the second train some six to nine months later, each with an expected capacity of 2.5 million tonnes. Russia has focused on designing and developing its methods and technologies. On January 11, Russia’s Industry and Trade Minister Denis Manturov said Rosneft, Gazprom and Novatek signed a deal to jointly develop technologies and equipment for LNG production. Mikhelson noted that talks are underway on external funding for the Arctic LNG-2 plant. An extra \$9–11 billion is needed to complete the project. Novatek boss said his firm would not reach Russia’s National Welfare Fund (NWF) to develop the plan. As he said, he sought to make silent all those who believed that everything Novatek is doing is at the expense of the Russian state.



SOURCE: KREMLIN.RU

27 January 2020

## RUSSIA’S “CORRUPT STABILIZATION”

**Released by anti-corruption watchdog Transparency International, the 2019 Corruption Perceptions Index (CPI) report said Russia ranked 137th out of 180 countries rated. The country lacks the political will to take its fight against corruption. Also, it is doubtful to see any changes after the latest reshuffles took place within the government and a new prosecutor general was named.**

In 2019, nothing changed in Russia’s fight against corruption. With the same score as in the previous year, or 28 points out of 100, Russia had the same result as in 2018, albeit ranking one notch higher than a year before. Russia has seen a continuous decline since 2015 -- when it ranked 119th worldwide -- which means that the situation is getting worse and worse. This might stem from the country’s efforts to centralize its economic policy and the ever-growing influence of siloviki (politicians of a military or security background). As for the former Soviet republics, these were Georgia (56) and even Belarus (45) that ranked well above the global average. Among countries that surpassed Russia were also Kazakhstan (34), Armenia (42), Moldova (32) as well as Azerbaijan, Kyrgyzstan, and Ukraine that

got 30 points each. Only Uzbekistan (25), Tajikistan (25), and Turkmenistan (19) ranked at the bottom of the region, worse than Russia.

Transparency International said Russia is challenged by the lack of nation-wide anti-corruption mechanisms and the mere fact Moscow had not ratified the Civil Law Convention on Corruption. There is no doubt that Russia lacks the political will to bring about substantial change. Russian anti-corruption experts say that the country is an example of what they referred to as “corrupt stabilization.” While the past few years have brought a massive deterioration, Russian institutions maintained a status quo when it came to corruption. Although the authorities have introduced some compliance mechanisms aimed at fighting corruption,

these can be easily circumvented by all who wish to do so. There are still, however, too many loopholes that allow such practices to be followed. Yet the sense of the inevitability of punishment is practically inexistent. Corruption cases are labelled as political ones, with some senior officials being sent behind bars from time to time. These are rare cases, though, usually meant to make a show.

Audit Chamber director Alexei Kudrin said the scale of corruption in Russia is by no means shrinking, causing trillion-rouble losses for the country's economy. Russia's former long-standing deputy prime minister and finance minister said a maximum of 2–3 billion roubles, or \$33–50 million, are stolen from the Russian federal budget annually. "Corruption hampers economic stimuli, and this is how the pace of economic growth is slowing down, alongside the growth in wage income or investments," the former finance minister was quoted as saying. Meanwhile, Kudrin expects his agency

to earn vaster powers. The Audit Chamber is entitled to disclose any instances of financial violations and to send documents to adequate state bodies while these are in charge of deciding whether these breaches should be qualified as corruption practices.

Russia's GDP growth will make around 1.5 percent or even less in 2020, Kudrin said. The government has downgraded its forecast to 1.7 percent, though it initially believed the GDP growth would hit 2 percent. Audit Chamber chairman said it is hampered by factors like demographic problems and poor labor efficiency. There is the need to improve the climate for investments and foster further tax incentives, he added. Kudrin called for narrowing down the state's role in the economy, but this is quite the opposite of what the country has witnessed over the past few years. Among those having the greatest impact on the country's economic policy are siloviki and any proponents of the state's meaningful presence in the economy.

28 January 2020

## BELARUS AND RUSSIA EMBROILED IN CRUDE DISPUTE

**Belarus has not gained any profits from processing cheap Russian crude since early January 2020, with each consecutive day incurring losses to the state budget. Russia restored deliveries only partially to make refineries operate smoothly. In addition to holding talks with Moscow, Minsk is seeking an alternative solution. Belarus has already welcomed its first batches of Norwegian-sourced oil, while talks are underway with Kazakhstan and Azerbaijan. The country might start importing oil through Poland and the Baltic states as an alternative to the Russian oil import, Belarusian President Alexander Lukashenko said.**

Russia and Belarus are still in talks on oil transit tariffs, the deputy head of the Russian Federal Antimonopoly Service (FAS) told journalists on January 27. It is, however, challenging to discuss transit fees while it is not

known how much oil will flow to Belarusian refineries. Minsk has calculated its rate while bearing in mind Russian deliveries being of 17.5 million tonnes annually, and Moscow says crude flows could total 24 million tonnes.



SOURCE: PRESIDENT.GOV.BY

Still, Belarusian state oil firm Belneftekhim and Russian oil producers have not signed a fair deal to resume deliveries. Russian oil stopped reaching Belarusian refineries on January 1, with neither price conditions discussed nor contracts signed. The two parties agreed to restore partial shipments in January to make two Belarusian refineries function at minimum load.

Moscow demands more than it did last year. Russian oil is getting more expensive for Belarus as a result of Moscow's so-called tax maneuver, or a mechanism scheduled to be carried out within six years. Russia will lower export duties on its crude oil while increasing its mineral extraction tax (MET). Belarus will have to buy it much more expensive as in the past, it imported Russian oil with no duties included. But Minsk's privilege may gradually fall in importance with no customs duties at all, while oil will be more expensive amid growing mineral extraction tax. All in all, Belarus will have to purchase Russian crude at world prices. Minsk has no intention to accept its ending privileges. In consequence, Belarus is likely to see a drastic drop in its budget revenues from processing cheap Russian oil in its two refineries and exporting it elsewhere, yet at market prices. As a result of the tax maneuver, Belarus estimates its potential losses at the level of \$ 11 billion within six years.

Despite launching some partial deliveries, no deal has been hammered out ever since, and Belarus is looking for alternatives to Russian oil. Lukashenko said that Belarus was pursuing to diversify its oil supplies and cut Russian crude flows to 30-40 percent of its domestic market needs. Among plausible options he listed the Baltic ports, saying the very first batch of Norwegian crude was shipped via this route. Imports of oil via the Polish port of Gdańsk, through a leg of the Druzhba oil pipeline, are also being considered. An alternative crude could be delivered to Belarus via Ukraine from the Black Sea. Minsk has since bought 80,000 tonnes of Norwegian oil to be delivered via the Lithuanian port of Klaipeda. On January 26, the first delivery with a total volume of about 3.5 thousand tonnes arrived in the town of Novopolotsk. A full batch of Norwegian oil should arrive within the next two weeks. Belarus seeks to buy oil from Kazakhstan and is holding talks on purchasing crude from Azerbaijan, through the country's state energy company, currently considering using the Odessa-Brody pipeline as one of the possible options to supply oil. Minsk in the past got oil flows from Venezuela (2010-2012) and Azerbaijan (2011) while still relying on Russian-sourced energy, though.



SOURCE: KREMLIN.RU

28 January 2020

## SHOULD POMPEO'S CENTRAL ASIA TOUR WORRY THE KREMLIN?

**Ukraine, Belarus, Kazakhstan, and Uzbekistan: it has been a long time since a senior U.S. official last made a long tour of post-Soviet countries. Furthermore, these are nations whose ties with the United States are of utmost importance for Moscow. Pompeo's visits, especially those to Minsk and Kyiv, might be of predominant significance for how the events will eventually unfold in the post-Soviet area that Moscow has recognized as its traditional sphere of influence. And Washington's top diplomat's trips to Nur-Sultan and Tashkent corroborate growing U.S. activity in Central Asia.**

Secretary of State Mike Pompeo will travel on January 30 to Kyiv for meetings with Ukrainian President Volodymyr Zelensky and other officials, including Foreign Minister Vadym Prystaiko and Defense Minister Andriy Zahorodniuk. In Kyiv, Pompeo is expected to underscore U.S. support for Ukraine's sovereignty and territorial integrity, the U.S. State Department said in a statement. The U.S. top diplomat's trip to Ukraine previously had been scheduled for early January, but was postponed amidst escalating tensions in the

Middle East. What seems to draw attention is the mere fact that Pompeo is set to participate in a wreath-laying ceremony commemorating those killed in battles in Donbas. On February 1, in Minsk, Pompeo is scheduled to meet with Belarusian President Alexander Lukashenko and Foreign Minister Vladimir Makei, confirming Washington's normalization of bilateral relations. Lukashenko has sought better relations with the West since Russia's annexation of Crimea as Belarus is fearful that Russia could eventually try to swallow it up. In

September 2019, the United States and Belarus agreed to mend diplomatic ties by returning ambassadors to each other's capitals after an 11-year break. And, as the Russia-Belarus crude clash continues, Minsk is making efforts to find an alternative source of oil.

From Belarus, Pompeo will travel on to Kazakhstan and Uzbekistan to reaffirm Washington's commitment to building security across the region. Naturally, the thing is the Islamist threat in Afghanistan, but high on agenda may also be Chinese policy in Central Asia as well as Russian influence, with Kazakhstan considered Moscow's best regional partner

while Russia has revamped efforts to upgrade ties with Uzbekistan under a new president. In the Kazakh capital city of Nur-Sultan, the U.S. senior diplomat will meet with President Kassym-Jomart Tokayev, Foreign Minister Mukhtar Tileuberdi and First President of Kazakhstan Nursultan Nazarbayev. Pompeo's tour will terminate on February 2–3 in Tashkent, where he is set to hold talks with President Shavkat Mirziyoyev and Foreign Minister Abdulaziz Kamilov. Still in Tashkent, the U.S. Secretary of State will assist in a C5+1 meeting alongside the foreign ministers of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

## 28 January 2020

# U.S. MILITARY FORCES BLOCK RUSSIAN PATROLS IN SYRIA

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**Syria's northeastern provinces have recently seen a series of frictions between Russia and the United States. In most cases, U.S. forces have attempted to stop Russian convoys on the strategic M4 highway, not allowing them to enter the Kurdish-controlled oilfields. What has been confirmed is that this is by no means the end of the U.S. military presence on Syrian soil despite Washington's order to remove some of its military units in October 2019. The United States is doing its best to prevent the al-Assad regime from taking over these provinces.**

While the Turkish army and Turkish-backed Syrian militia launched an offensive against the predominantly-Kurdish SDF coalition in October 2019, and the United States pulled some of its troops out of the areas close to the Syrian-Turkish border, Russia grasped an opportunity to boost its military presence in the northeastern regions of Syria. Facing the pressure from the U.S. Congress and Washington's allies, President Donald Trump decided to park a group of some 500 troops to guard oil rigs in the region against jihadists and forces loyal to President Bashar al-Assad. In consequence, there are both Russian and U.S. military posts in northeastern Syria. U.S. Special Representative for Syria Engagement

James Jeffrey said on January 24 that Russia had blocked a series of the country's top regions and voiced concern over Russian activities in Syria. This has produced a series of hiccups between these two armies.

U.S. and Russian forces have hampered one another's movements along the strategic M4 highway that connects major towns and cities running parallel to the border with Turkey. In most cases, U.S. troops have forced Russian convoys to turn back. On January 18, U.S. soldiers blocked a Russian military patrol en route to the Rumelyan oilfield in the northwest of Al-Hasakah province. It was only three days later that a U.S. military patrol did not allow



SOURCE: SYRIA.MIL.RU

a Russian convoy to cross the Syrian-Iraqi border, controlled by the U.S.-endorsed Syrian Democratic Forces (SDF). Washington is fearful of further provocations to be sparked by Russia as the latter is seeking to expand the Syrian regime-controlled area. The United States will yet never allow this, especially when

bearing in mind the strategic importance of northeastern Syria. What is at stake here is not only the war against ISIS. The region borders a still shaky Iraq while this is where could run Iran's shortest supply routes for Hezbollah and Tehran's remaining allies in the Levant.

28 January 2020

## RUSSIA RETURNS TO THE EUROPEAN STAGE

**Russia's return to the Parliamentary Assembly of the Council of Europe (PACE) is a proof that Europe sees growing political potential for a "reset" in its relations with Moscow. What was shown in crucial votes is that Moscow enjoys the support of most members of the national delegations within PACE. Thus, Moscow is reclaiming its full rights in the Council of Europe, yet it has failed to fulfill its obligations under its membership. In this context, therefore, the EU's extending of sanctions by blacklisting another seven Russian nationals should come as nothing but a minor gesture.**

EU ministers endorsed on January 28 a decision to extend punitive measures against those having links to Russia's annexation of Crimea, in response to local elections Russia held across the peninsula. Another seven individuals were added to the sanctions list, which means they will be banned from entering the EU, with their assets

frozen, unofficial reports have shown. And yet restrictions may be extended amid Cyprus's revised stance that earlier had been blocking new sanctions against Russia in the hope that the EU would draft a batch of fresh measures targeting Turkey amid an oil and gas drilling dispute off the island's territorial waters. In September 2019, the European Union enlarged



SOURCE: KREMLIN.RU

for six months a list of sanctions against 170 persons and 44 entities. Once amended, it consists of 177 names. This does not matter much from Russia's point of view, especially in the context of a political counteroffensive elsewhere in Europe.

Winter session of the Parliamentary Assembly of the Council of Europe kicked off on January 27, with the Russian delegation coming back after a hiatus of a couple of years. For several years Russia had its voting rights limited because of the annexation of Crimea from Ukraine. In 2019, Moscow had its full-fledged membership reinstated. At the opening of the session, a group of some 30 deputies from various countries raised objections to Russia's return to PACE, pointing to Russia's being in breach of obligations towards the Council of Europe, including its noncompliance with judgments ruled by the European Court of Human Rights (ECHR) and its aggression against Ukraine and Georgia. Doubts have also arisen over the mere fact that residents in Russian-occupied Crimea voted in the Russian parliamentary elections. Russia's delegation to PACE would leave the assembly's winter session if its rights were restricted.

The case is under investigation, but Moscow seems to have no cause for concern. Most Assembly members voted against launching a debate on "the lack of democracy in the political process" in Russia, while a Russian State Duma deputy, who is notorious for his chauvinistic and anti-Semitic views, was elected a vice-president of the Parliamentary Assembly of the Council of Europe. A representative of Ukraine raised objections to the appointment of Pyotr Tolstoy to the position of vice president. Due to Ukraine's protest, a secret ballot was held – which Tolstoy eventually won. Among the PACE members there are many lawmakers from Russia's friendly countries, as illustrated by the sessions and its first votes. Not surprisingly, Georgian President Salome Zurbishvili criticized the Council of Europe's stance on Russia as being too lenient. In her address to the session of the Parliamentary Assembly of the Council of Europe (PACE) on January 28, Zurbishvili accused Moscow of breaching its obligations as a member of the Council of Europe. The Council of Europe has applied double standards – the larger the Member State, the weaker it is verified how it fulfills its obligations, the president said.



SOURCE: KREMLIN.RU

29 January 2020

## LUKOIL ASKS PUTIN FOR CASPIAN OILFIELDS WHILE HOPING TO PURCHASE ASSETS OVERSEAS

**Lukoil CEO Vagit Alekperov would like to gain access to three locations in the Caspian Sea, and he sent an official letter to Russian President Vladimir Putin. With increasingly limited prospects on Russia's domestic market, Lukoil plans to develop investments in Africa and the Gulf of Mexico.**

In his letter to Putin, Alekperov stressed that Lukoil's subsidiary, Lukoil-Nizhnevolzhskneft, had what he identified as "a shortage of new exploration projects." Lukoil CEO, therefore, asked for a permit to explore three locations close to the Tyuleniy Island, some 47 kilometers off Dagestan: Tyuleniy-1, Tyuleniy-2, and Tyuleniy-3. Alekperov seeks to obtain a license for geological exploration of the requested site without bidding provided that there are no other companies that apply for the same deposit. Putin handed the letter to Environment Minister Dmitry Kobylnkin and ordered him to analyze Alekperov's proposals.

The company is currently developing three deposits in the northern sector of the Caspian Sea. The Vladimir Filanovsky oilfield is where two mining platforms operate, producing 6.1 million tonnes of crude annually while Lukoil has one more wellhead platform at the Yuri Korchagin deposit. The firm's third and last oilfield, Rakushechnoye, is expected to start commercial oil and gas production in 2023. Domestic oil assets will always bring more cash than any foreign ones, but Lukoil has a narrow room for maneuver on the Russian market. First, Russia belongs to OPEC+, the oil production-limiting deal. Secondly, it is

challenging to compete with state-run energy giants that always come in first in terms of the number of licenses awarded. What might be most promising for Lukoil overseas is the shale sector, but this is also where most lucrative projects are already reserved, making it impossible for the Russian firm to make its entry. This is why the company has become a player in the offshore shelf, which is the second-largest mining segment.

Speaking at the World Economic Forum in Davos, Vagit Alekperov considered West African regions and the Gulf Mexico strategic for his firm's development. The Russian oil company has an appetite for traditional crude assets taken from companies that plan to sell them up in order to invest more in shale deposits in the United States and Canada. These are mainly ExxonMobil-owned Zafiro oilfield and gas projects. Owned jointly by U.S.

oil company ExxonMobil, Ocean Equatorial Guinea Corporation, and the government of Equatorial Guinea, the Zafiro oilfield is located in Equatorial Guinea. The country's top source of oil, the deposit produces 90,000 barrels per day. Before, ExxonMobil was believed to have planned to sell up to \$25 billion of oil and gas fields, including those in the African country of Equatorial Guinea. The country's authorities hope to see a Russian firm buying the stakes. Other U.S.-based oil companies are also in talks to trade their African assets in Nigeria (Chevron) and Libya (Marathon Oil and Occidental Petroleum). Lukoil has operated in Africa since 1995. The company has assets in Ghana, Cameroon, the Republic of Congo, Nigeria, and Egypt. In 2018, Lukoil's oil output in Egypt totaled 3 percent of the company's entire production. In 2015, the gas firm kicked off a project in Mexico where it got a permit to drill in the waters of the Gulf of Mexico.

30 January 2020

## IS BULGARIA WEAK LINK IN RUSSIA'S TURKSTREAM GAS PIPELINE?

**One billion cubic meters of gas pumped in less than a month was what Gazprom has recently boasted about, meaning the TurkStream natural gas pipeline inaugurated earlier this year. Nonetheless, the project is not yet fully complete, while shipments have not been made to Hungary and Serbia. Bulgaria has not yet terminated its stretch of the gas pipeline. The situation is likely to deteriorate amid Sofia's strained ties with Moscow, while Russian President Vladimir Putin even accused Bulgaria of delaying the building of the pipeline on its territory. Sofia, in turn, has emphasized its pursuit to diversify energy supplies and narrow down its reliance on Russian gas flows.**

Russian state energy company Gazprom said on January 28 that it had supplied its first billion cubic meters of gas via the TurkStream gas pipeline. While some 54 percent went to the Turkish gas market, the remaining 46 percent was carried to the

Turkey-Bulgaria border. Gazprom CEO Alexey Miller said TurkStream deliveries fully cover all of the firm's contracts with consumers in Bulgaria, Greece, and North Macedonia, and all deals have been delivered until now by the Trans-Balkan corridor. For his part,



SOURCE: TURKSTREAM.COM

chief executive of the Bulgarian state gas firm Bulgartransgaz Vladimir Malinov said that Russian gas flows, whose transit was ensured by TurkStream, had already reached Greece and North Macedonia. Gas flows are being carried to the Bulgarian market through the new Strandzha 2 entry point at the country's border with Turkey. Meanwhile, transit via the Trans-Balkan gas pipeline, which runs from Ukraine to Turkey through Romania and Bulgaria, is suspended. Bulgartransgaz boss yet guaranteed that the country's domestic system is ready to receive gas supplied along the route if necessary.

The construction of Bulgaria's 308-kilometer section of the TurkStream gas pipeline will be finished by May 31, 2020. Once made operational, it will deliver as much as 8.75 million cubic meters of gas per day. The construction of the new 484-kilometer gas pipeline will be fully completed by the end of 2020, allowing Russian-sourced gas to reach Serbia and Hungary while bypassing Ukraine. Meanwhile, Bulgaria and Russia have seen tensions in their bilateral relations in the wake of a series of spying scandals that broke out only recently.

Also, Sofia has strengthened cooperation with Washington. Bulgaria intends to significantly decrease its imports of natural gas from Russia by the end of this year, Bulgarian Energy Minister Temenuzhka Petkova said on January 28 during her visit to the United States. "The direction of natural gas supplies to Bulgaria will see a significant change, with the share of Russian gas dropping to some 50 percent from the current 85 percent," Petkova said. Bulgaria imports some 3 billion cubic meters of Russian-sourced gas annually, while the country is expecting half as much of these deliveries from Azerbaijan as well as will receive liquefied natural gas from the United States. In March 2019, Bulgaria saw its first deliveries of U.S.-sourced gas through an LNG terminal in Greece. From Azerbaijan, gas flows will be pumped via the Komotini-Stara Zagora gas interconnector, which is currently being built to connect Bulgaria's gas pipeline system with Azerbaijan's gas pipeline, the latter of which runs through Turkey. The construction began in May 2019 and is set to terminate in the second half of 2020.



SOURCE: MID.RU

31 January 2020

## **RUSSIA'S LAVROV FLIES TO LATIN AMERICA IN RESPONSE TO POMPEO'S CENTRAL ASIA TOUR**

**In early February, Russian Foreign Minister Sergey Lavrov will leave for Latin America to visit Cuba, Mexico, and Venezuela. Of all his trips, the one to Caracas might be of utmost importance as Venezuela is looking for a stronger alliance with Russia through the latter's tighter involvement in the Venezuelan oil industry. Lavrov's tour to Latin America may come as a response to U.S. Secretary of State Mike Pompeo's earlier trips to the four post-Soviet countries that Moscow considers to be within its traditional sphere of influence. Hence the Russian senior official's demonstrative visits to the region that borders the United States.**

**O**n February 5, Sergey Lavrov is set to make a stop in Santiago de Cuba, where he will meet with his Cuban counterpart, Bruno Rodriguez. The head of the Russian diplomatic agency will then fly to Mexico to hold talks with Foreign Minister Marcelo Ebrard on February 6 as Russia is seeking closer cooperation with Mexico. High on the meeting's agenda will be economic

cooperation and possible investments. But the top diplomat's trip to Caracas might be the most important of all his visits to the Latin American nations. Lavrov will pay a visit to Venezuela on February 7, where he will be welcomed by President Nicolas Maduro. "Opinions will be exchanged on prospects of finding political solutions to internal disagreements based on nationwide

dialogue in the constitutional frameworks without destructive or, even more so, military intervention from overseas,” Russian Foreign Ministry said in a statement. These “interventions” pertain to any policies pursued by the United States and many Latin American and European countries that do not recognize the Maduro regime.

Russia is one of Venezuela’s most important allies. In the last eighteen years, these nations have hammered out as many as 260 deals in such spheres as the oil industry, energy, food supply, and military cooperation. Facing mounting pressure and punitive measures from elsewhere, Maduro is seeking ways to keep power in the country. This is why Venezuelan President Nicolas Maduro has considered selling shares of the country’s state-owned oil companies to foreign entities. The very core of Venezuela’s national economy, they went through nationalization processes back when Hugo Chavez was the country’s leader. What has become apparent in the years that followed

was that Venezuela failed to manage its top natural resource effectively. Added to this were foreign sanctions that have delivered a blow to Caracas. The Maduro regime pursues to circumvent them somehow while attempting to raise money to make the country’s crisis-ridden economy operate. Venezuela is believed to be in talks with Italy’s Eni and Spain’s Repsol, but this is Russia’s Rosneft that is likely to come first. The Caracas government sees foreign oil firms taking over the domestic crude industry in an effort to restructure external debt of the state oil company PDVSA. As Western oil firms are fearful of becoming a target of U.S. punitive measures, Rosneft remains the sole potential investor to enter the game. Back in October 2019, a Venezuelan daily wrote that the government in Caracas was planning to put a Russian oil firm at the helm of the domestic oil industry, the former of which is headed by Igor Sechin, a Russian businessman who belongs to Vladimir Putin’s inner circle and is a top link between the Kremlin and Venezuela’s Chavista regime.

31 January 2020

## ERDOGAN CRITICIZES RUSSIA: CRISIS OR TACTICAL MOVE?

**Turkish President Recep Tayyip Erdogan on January 29 said Russia had violated agreements to reduce the fighting in Syria’s Idlib region. His words came just in the wake of Syria’s capturing Maaret al-Numan, the country’s strategic town, amid a Russia-backed military offensive. Brokered by Moscow and Ankara, the ceasefire deal is yet not observed, while Turkey fears that once Russia allows forces loyal to al-Assad to hit the country’s last rebel-controlled pocket, it will have no political gains – having the Kurds in mind, naturally.**

While in Africa, Erdogan told journalists he had informed Russia that “patience is running out” over its bombing of opposition forces in Idlib province, and it “will do what is necessary.” In early January, Russian and Turkish presidents reached an agreement to

declare a ceasefire in Idlib starting on January 12. Neither was the truce observed by al-Assad’s forces nor by the Russian military as the latter resumed the airstrikes on January 15 despite the ceasefire brokered earlier that month. Erdogan voiced sharp criticism over



SOURCE: TWITTER.COM

Russia's non-abidance of the Sochi or Astana accords, saying that Turkey was complying with any obligations. Erdogan's saying that the Astana process collapsed may bring Ankara's pullout of further trilateral talks on Syria with Russia and Iran. What should be underpinned is that Erdogan argued new decisions on Syria should be made in Geneva, thus under the auspices of the United Nations. Turkey grumbled over Russia's decision not to halt al-Assad's military offensive in Idlib. In consequence, Ankara-endorsed rebels are losing more villages, while Turkish military forces, deployed to outposts along what was referred to as the de-escalation zone, have found themselves in immediate danger. Also, thousands of Syrians flee towards the Turkish border. Moscow, for its part, said that Turkey failed to fulfill its commitments, a consequence of which are Islamist insurgent groups attacking Syrian government forces. The fall of Syria's last rebel-held province may unleash a fresh wave of refugees to Europe. If al-Assad takes full control of the area, a group of hundreds of thousands of civilians will cross the border into Turkish territory. Erdogan has in the past said that he could no longer handle another exodus.

Given Turkey's strained ties with the West and most of the country's neighbors amidst its one-sided offensive in Libya, Ankara has delivered a somewhat unexpected blow to Russia. This is yet unlikely to spark tensions between Ankara and Moscow, which rather comes as a desire to force the Kremlin to bring its Idlib offensive to a halt. And the mere fact that Erdogan has publicly voiced his criticism proves that prior off-the-record talks had failed. In Turkey, there is mounting concern that al-Assad seeks to strike a blow to Idlib's rebel groups as soon as it is possible. And if this happens, Ankara will be stripped of its last major argument in talks on the Kurdish autonomy, a far more critical issue from Turkey's point of view. Erdogan may now seek to hammer out a deal, with Turkey withdrawing from Idlib region in exchange for destroying Kurdish autonomy in northeast Syria. The problem is that neither is Moscow willing to withdraw its support for the Kurds nor does al-Assad want to eliminate them as the Syrian president seeks to win them over to his side. The top mission is now to halt the Idlib offensive, but is Russia able to stop Bashar al-Assad? It is worth remembering that Moscow has competed with Tehran over gaining decisive influence on the regime as well as the fate of post-war Syria.



SOURCE: GAZPROM.RU

31 January 2020

# GAZPROM STRUGGLES TO MAINTAIN POSITION IN EUROPE

**Russian gas giant Gazprom plans to maintain gas exports to European countries at the record-hitting level of previous years, Elena Burmistrova, the head of Gazprom's exporting arm Gazprom Export, was quoted as saying. But the year 2020 may become the toughest ever experienced by the Russian energy firm. With an unusually mild winter and mounting competition from the liquefied natural gas (LNG) market, Gazprom has fewer opportunities to eliminate any drawbacks from a decrease in gas production in Europe. In consequence, not only does the Russian gas giant export less, but it also offers cheaper energy.**

**B**y 2030, gas production in Europe is believed to drop by 25 percent, with the EU's dependence on energy imports equaling 90 percent. Gazprom hopes that its gas flows will meet most of Europe's extra demand for energy (84 billion cubic meters, bcm). But in January 2020, Gazprom's energy exports to Europe and Turkey shrank by 25 percent year-to-year. It will thus be very challenging for the Russian energy firm to approach the level it had attained in the previous two years.

In 2018, Gazprom hit an absolute record for gas exports to what is known as Russia's "near abroad." Back then, the company traded 201.7 bcm of gas to Europe and Turkey. In 2019,

Gazprom saw its figures dropping to as much as 199 bcm of blue fuel. The firm's 2018 numbers to a great extent stemmed from a harsh winter that affected Europe in February. Each consecutive day offered new records for Gazprom that kept its high supply level amid the need to add more gas volumes to the firm's almost-empty storage facilities across Europe. In consequence, with a drop in gas demand in Europe by 3.4 percent, as compared to 2017 figures, Gazprom increased energy exports by 3.8 percent while boosting its shares in gas imports to Europe to some 67.1 percent. Russian-sourced gas traded on average \$246.6 per 1,000 bcm, while Gazprom's gross profits totaled \$49.8 billion in 2018. Nonetheless, the

year 2019 brought far worse results. With the 2.9-percent growth in gas demand in Europe in the first three quarters, Gazprom incurred year-to-year losses both in terms of export volumes (4.7 bcm of gas), and its share in European gas imports, losing 9.3 percent. But the firm may face soaring LNG imports that rose by 48.1 bcm, or 67.2 percent, as of 2019.

The year 2020 could be Gazprom's toughest in a long time. With a mild winter, gas storage facilities across Europe were saturated in

74.2 percent as of late January, compared to 55.5 percent a year before. As a result, the firm will not need to refill storage as much in the spring. Added to this are dropping gas prices worldwide amidst growing LNG output. In late January 2020, spot gas prices in the Dutch TTF hub averaged some \$120 per 1,000 bcm compared to roughly \$300 a year before. Therefore, Gazprom looks to make efforts to develop its LNG segment. The Ust-Luga export terminal may become one of the company's most significant investment projects in this decade.

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