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SOURCE: KREMLIN.RU

2 March 2020

OPEC+ AND CORONAVIRUS: RUSSIA AND SAUDI ARABIA DIVIDED OVER OIL SUPPLY CUTS

With the coronavirus fanning out across the globe, oil producers have also been at risk as countries, especially China, saw a massive drop in demand for crude, a tendency going hand in hand with plunging prices. Saudi Arabia is pushing to make a substantial cut in oil production under the OPEC+ pact. There are yet signs that Russia will resist to the Saudi plan. Russian President Vladimir Putin said that current oil prices are “acceptable” for Russia.

Under OPEC+, countries determine the level of oil output or agree on how to trim further supplies. The alliance spans all 13 OPEC nations, plus ten non-members being the world’s top oil producers. The former’s leader is Saudi Arabia, while the latter’s -- Russia. It is only with efficient cooperation between these two that the oil cartel can run smoothly. At present, there is a row between Moscow and Riyadh over a potential response to the drop in oil prices amid the virus-driven demand shock.

Saudi oil deliveries to China have dropped by one-third so far in March. Saudi Arabia is pushing for

cutting deeper by a further 1 million barrels per day. Moscow is gearing up to keep the agreed level of oil output by late March. Back in the first half of February, Russian Energy Minister Alexander Novak met with domestic energy producers. As it turned out, the energy firms did not accept to add any modification to a deal to curb oil output. Nor did Moscow give its go-ahead for a possible OPEC+ extraordinary meeting, as requested by Saudi Arabia. OPEC+ is due to meet in Vienna on March 5–6 as scheduled. Several key members of OPEC, including Saudi Arabia, are likely to call for a bigger than previously expected output cut to prevent prices from dropping any further.

But Russia may raise objections. “I want to stress that for the Russian budget, for our economy, the current oil prices level is acceptable,” Putin told a meeting with Russian energy officials and producers on March 1. Russia envisages in its budget an average Brent crude price of \$42.40 a barrel. “Our accumulated reserves, including the National Wealth Fund, are enough for ensuring a stable situation, the fulfillment of all budget and social liabilities, even under a possible deterioration of the global economic situation,” Putin said. The presi-

dent’s words came ahead of the OPEC+ meeting in Vienna, where the bloc’s members will discuss further steps over the impact of coronavirus on oil demand and prices. If Russia continues to resist new output curbs, a compromise deal may come out, with restrained oil production referring to all OPEC+ members except for Russia. Saudi Arabia is pushing both for maintaining OPEC+ and cooperation with Moscow — and so is Putin’s intention — so it could be ready to bear the brunt of further costs in the name of keeping Russia in the cartel.

2 March 2020

RUSSIA FORMS ANTI-TURKISH COALITION OVER WAR IN SYRIA

The spat in Russia-Turkey ties over the Idlib offensive may lead to a severe breakdown in cooperation between these two countries. As it stands now, it is yet difficult to determine whether Russia’s bid to revive ties with Turkey’s regional enemies — Saudi Arabia and the United Arab Emirates — over the Syria issue is just a tactical move, an attempt to exert pressure on Ankara, or the first step towards Moscow’s renewed policy on Syria.

What Russia is seeking is to engage Saudi Arabia, the United Arab Emirates, and Jordan more in Syrian affairs. The Kremlin’s activities are steered towards striking a blow to Turkey, whose forces remain hostile to Saudi Arabia and the UAE also in Libya, while having a long-term goal. At stake are funds to rebuild Syria’s destroyed infrastructure after the final victory of the Bashar al-Assad regime. Moscow is willing to take advantage of the fact that the Sunni monarchies of the Persian Gulf wield a profound influence on a significant part of the Syrian opposition forces.

Russian Foreign Intelligence Service Director Sergei Naryshkin flew on February 12 to Dubai to meet top officials of the special services of the United Arab Emirates. High on the meeting’s agenda were regional crises and solutions to them. A meet-

ing between the United Arab Emirates’ diplomatic mission in Syria and Damascus regional governor Alaa Ibrahim took place a few days later, focusing on foreign investments in Syria. This indicates a gradual improvement in ties between Syria and the United Arab Emirates, with Russia serving a mediating role. Moscow hopes to see financial support to Damascus to revive the country’s war-torn economy. UAE senior officials are said to have promised to pressure the Syrian opposition in the Constitutional Committee to be more cooperative with Bashar al-Assad. In late 2019, Saudi Arabia made an anti-Turkish decision to reshuffle the High Negotiations Committee that represents the Syrian opposition in the UN-backed talks. On February 26, Russian Deputy Foreign Minister Mikhail Bogdanov accused Turkey of helping foreign fighters cross into Libya. Earlier that day, the Russian official met with Saudi Ambassador to



SOURCE: KREMLIN.RU

Moscow Raid bin Khalid Krimli to honor him with an award for his “personal contribution to strengthening Saudi-Russian relations.” Krimli has just completed his service in Russia. A week earlier, on February 19, Russian Foreign Minister Sergey Lavrov met with his Jordanian counterpart to hold talks on re-establishing the civilian infrastructure in Syria.

Moscow’s revamped contacts with the Sunni monarchies — while trying to get them into the reconstruction of Syria and normalized relations with al-Assad — do not exclusively consist in weak-

ening Turkey and finding money to revive Syria’s war-ridden economy. What Moscow may seek is to create a platform for peace talks, with Bashar al-Assad, Syrian opposition factions and the Kurds amongst top participants, an idea endorsed by the United States, Saudi Arabia, the United Arab Emirates, and Egypt. But Turkey is reluctant to see the Kurds at the negotiating table. Furthermore, it was a long time ago that the Persian Gulf monarchies forged friendly ties with Sunni tribes living in northeastern Syria, an area dominated by the U.S.-backed mainly Kurdish SDF coalition.

3 March 2020

RUSSIA LAUNCHES SYRIAN EXPRESS OPERATION AS TURKEY ATTACKS IN IDLIB

As earlier announced, Ankara pressed ahead with a military campaign in Syria’s Idlib province. In late February, there expired a deadline given by Turkish President Recep Tayyip Erdogan to the Syrian government of President Bashar al-Assad to withdraw from areas it had taken over after the offensive into Damascus. But what may present the main threat to Syrian regime forces are Turkish drones flying over Syrian air space. In turn, Russia has responded with its ostentatious deployment of warships from the Black Sea into Syria.



SOURCE: TWITTER.COM/TCSAVUNMA

On March 1, the Turkish military announced a major offensive into Idlib, against the Bashar al-Assad regime in response to severe attacks that had killed many Turkish troops a week before. At least 33 Turkish soldiers died in Syria's Idlib province on February 27 in what has been the bloodiest attack against Turkish forces so far. While mounting the Syrian offensive, Ankara said it had no intention to clash with Russia in any way. The statement came amid reports that dozens of Turkish military personnel were killed on February 27 in an attack that must have been carried out by the Russian air force. The air strike happened at night, while Syria's air force carries out offensive tasks only during daytime. On February 28–29, Turkey responded with retaliatory shelling that killed nearly 90 Syrian troops and allied Shia militia men. Turkey claimed that in its drone attacks, held between February 27 and March 1, it severely damaged a few anti-aircraft defense systems, more than 100 tanks, and killed 2,212 Syrian servicemen, including three senior generals. These numbers are of course much heightened, though. What is true, however, is that Turkish warplanes shot down two Syrian bomber jets in the first hours of Turkey's new offensive, Operation Spring Shield, back on March 1. The Russian military accused Turkish forces of directly backing the opposition fighters on the battlefield and of providing them with Stinger air-defense systems.

In consequence, Russia ordered its warplanes to fly higher than 5,000 meters to avoid hits.

An armed confrontation between Russia and Turkey in Idlib region is neither in the interest of Moscow nor Ankara. If a threat of a war breaking out were real, even on a limited scale, Turkey would ban Russian warships from passing through the Bosphorus and then the Dardanelles straits. Since the launch of the intervention in 2015, this is through where Russia has been deploying its forces from the Black Sea to the eastern Mediterranean as part of the Syrian Express operation. Russia sent two of its warships equipped with Kalibr cruise missiles to waters off the Syrian coast. The Admiral Makarov and Admiral Grigorovich frigates left Sevastopol on February 28, Russia's Black Sea Fleet command informed, saying that these two are heading towards the third Black Sea Fleet frigate of this series, Admiral Essen, which has been performing tasks in the Mediterranean since December 2019. Shortly afterward, the Russian Navy dispatched a fourth warship, the large landing ship Novocherkassk, which crossed Turkey's straits of Bosphorus and Dardanelles on March 2 on its way to the Russian naval facility in Tartus. Novocherkassk is a Ropucha-class tank-carrying landing ship. In late February, the Black Sea Fleet sent to Syria a similar-like class ship, the BDK Orsk.



SOURCE: KREMLIN.RU

3 March 2020

WAR OR PEACE? ERDOGAN FLIES TO MOSCOW FOR SYRIA TALKS

When it became clear that Turkish President Recep Tayyip Erdogan will head to Moscow, as Putin has no plan to visit Istanbul, and the Ankara-sought meeting will not involve German and French leaders, it seemed that the Kremlin had outfoxed Turkey. Erdogan was believed to be cast in the role of supplicant when arriving in Russia. The situation yet changed in less than forty-eight hours as Turkey declared a major offensive against the Syrian government on March 1 in a step that boosted Erdogan's negotiating position. In the Kremlin, the Russian and Turkish leaders may hold what could turn into a conclusive meeting for war-ridden Syria. Turkey is probably ready to strike a deal provided that this helps Erdogan save face, while Ankara will not see any changes to Idlib province – compared to what happened there before the offensive – as humiliating. It is worth remembering that Putin is not as strong as it may seem, and with Turkey's advancing any further into Idlib, the al-Assad regime's position may grow weaker. Since 2015, Vladimir Putin's key strategic focus has been to recapture the whole Syrian territory to give it into the hands of Bashar al-Assad.

Turkey is calling for an immediate ceasefire in Idlib, while Russian-backed Syrian regime forces ought to withdraw beyond the line set by the de-escalation deal Russia and Turkey had inked back in 2018. Moscow so far has refused to accept the peace deal, backing the Syrian-led offensive while portraying it as an “anti-terror crusade” triggered by Turkey's failure to comply

with the 2018 Sochi peace deal for Syria. Russian propaganda and top pro-Kremlin journalists began to shore up a narrative on Turkey's illegal presence in Syria. Moscow has long used an analogous argument to target the United States. By contrast, Russia can legally justify keeping military personnel in Syria after it was invited by the Damascus government. According to what

Russia is saying, Turkey's losses in Syria come out of their illegal being in the area where "they back terrorists," as reported by Russian media outlets. Russia said it could not guarantee the safety of Turkish aircraft over Syria, Russian Defense Ministry said on March 2 in a statement. Rear Admiral Oleg Zhuravlev told that the Syrian regime declared the air space over Idlib closed in response to the downing of two Syrian warplanes and killing 19 Syrian soldiers in Turkish drone strikes the first day of an escalating offensive against the Damascus government in Idlib. Turkish aircraft also struck the Syrian military's al-Nayrab airport on the outskirts of Aleppo city.

As Syrian forces have no chance of winning in an open clash with Turkey, Recep Tayyip Erdogan will visit Russia on March 5 for a one-day trip with a trump card of his own. In their February 28 phone call, both the Turkish and Russian leaders agreed to meet in person. On the same day, a Russian delegation met with Turkish officials in Ankara to discuss the latest situation in Idlib, though in vain. Earlier, Erdogan said he would

meet Russian, French, and German counterparts on March 5 in Istanbul -- as the four leaders had gathered to discuss tensions in Syria back in October 2018 -- but Vladimir Putin unceremoniously rejected the idea. A few days later, the Russian leader agreed to hold a face-to-face meeting with Erdogan -- but in Russia, not Turkey. "Russia attaches great importance to cooperation with our Turkish partners," Kremlin spokesman Dmitry Peskov said on March 2, adding Moscow supports Syria in its "fight against terrorism." In Syria, like in Libya, Putin and Erdogan are playing up a game consisting of mutual threats, military provocations, and negotiations. The Moscow meeting may have far-reaching effects for the situation in the Middle East since late January when Russia vowed to reach a truce in Idlib right after Erdogan and Putin had formally inaugurated the TurkStream natural gas pipeline. The promise was yet empty, as Moscow renewed air strikes only a few days later, allowing Syrian forces to claim more territorial gains in the country's last rebel-held stronghold.

20 March 2020

PUTIN SEEKS TO STAY IN POWER THROUGH UNLAWFUL CONSTITUTIONAL AMENDMENT

Russian President Vladimir Putin is in a rush to push forward changes to the country's political system – while not waiting for any adverse effects of the latest coronavirus outbreak nor the global oil price war. In mid-January, Putin unveiled a constitutional overhaul, which the parliament backed in March, whereas Russian people need to accept updates in a vote planned for April this year. Further changes bolster the president's position while giving a hint that Putin will not take up a new job, but stay in the Kremlin. Added to this is a mere fact that such manner of introducing an amendment is absolutely unlawful. The president's shake-up of Russian politics shows that he does not care about legal procedures -- in a fully conscious mode. Putting the law aside, Putin made it clear that what really matters is what both him and his closest associates seek.



SOURCE: KREMLIN.RU

On March 17, Russian President Vladimir Putin signed a decree setting the date for April 22, 2020, for a nationwide vote on constitutional amendments. Nevertheless, as he said, the referendum may be postponed if the situation with the spread of the coronavirus in Russia turns serious. In the nationwide vote, Russian citizens will have to comment on updates to the constitution, first initiated by Vladimir Putin in January 2020 and then backed by lawmakers on March 10–11. An amendment to the constitution provides for lifting the term limits for Vladimir Putin once he steps down in 2024. Interestingly enough, the suggestion was not made by a Kremlin-appointed constitutional working group that reunited well-known public figures, including politicians, cultural figures, or sportspeople.

A constitutional amendment that could allow President Vladimir Putin to stay in power for the next twelve years was first put forward by Valentina Tereshkova, who made history when she was the first woman to travel into space. Among those most interested in securing Putin's solid power grip are people belonging to his inner circle. These are the "state oligarchs": heads of state-run firms or owners of private companies yet with close links to the Kremlin. In the second group, there are "political technocrats": Sergey Kiriyenko, Sergei Shoigu,

and Anton Siluanov. But those who have most to lose are the siloviki, alongside such businessmen as Gennady Timchenko, Igor Sechin, or Arkady Rotenberg. They are involved in all Putin's crimes, serving or having served as heads of Russian special services. If the COVID-19 disease continues to spread across the country, Putin's popularity ratings could be in danger, as they have recently dropped compared to what they rose in 2014 in the aftermath of Russia's annexation of Crimea from Ukraine. Thus, Putin is pressing on. The incumbent president's term was slated to end in 2024, while the rules currently in force forbid him from running for a third consecutive mandate. The update would give Putin the chance to run again when his current term ends, by effectively resetting the clock on his previous presidential terms, so his previous terms would not count. Suffice it to recall that Putin's Russia upholds the tradition of the Soviet Union as the incumbent leader called the 1991 Soviet fall the "greatest geopolitical catastrophe" of the twentieth century. With the new constitution recalling the Soviet Union, Putin made a gesture toward a vast communist electorate as well as those having a nostalgia for the pre-1991 era. Also, the amendments could enshrine the mention of God, which is the Kremlin's nod to the Russian Orthodox Church.



SOURCE: FUNCTION.MIL.RU

21 March 2020

CORONAVIRUS IN RUSSIA: UNBELIEVABLY LOW INFECTION FIGURES AND BELATED MEASURES

Russian crisis management center said on March 22 the country will not impose strict quarantine measures amid the recent coronavirus outbreak. The latest decision came despite daily 30 percent growth in cases, which is like in Spain, Germany, or France. Still, there are no plans to cancel, postpone or restrict the spring call of citizens for military service. What matters most for Russian decision-makers is to maintain social peace and stability nationwide. Hence the reassuring declarations by the President and the Prime Minister who announced financial support for the affected industries and the gradual introduction of further measures to prevent the spread of coronavirus. Nevertheless, the real scale of the epidemic in Russia remains unknown. It is not just about tests that are far less effective than those conducted in Western countries -- Russia's battle with coronavirus is weakened amidst the ongoing crisis in the country's health service.

In line with the Kremlin's "besieged fortress" politics, the Russian authorities long focused on nothing but just isolating the country from the outside. Back in late January, thus shortly after Beijing acknowledged the outbreak, Russia ordered the closure of its borders with China

and Mongolia, and limited air and train service while barring Chinese nationals from entering the country. In a proactive step, on March 16, Russia closed its borders with Iran and European states, even Belarus, to halt the virus' spread, and then on March 18, shut its borders to foreigners

entirely. At that time, hard-line steps were taken to prevent the epidemic from worsening. It was not until mid-March that only older citizens were advised to stay at home. From March 16 onward, Russia started shutting state museums, theatres, and schools, as well as introduced a ban on mass gatherings. A special regime was introduced throughout the country, yet with some differences. While in Moscow and outside there has barred all outdoor events and limited indoor meetings to fewer than 50 people, the Leningrad region banned events with more than 100 people. What can yet be seen is that the Russian authorities are pushing forward further measures step by step so as not to spark panic. This is essential for keeping the regime's stability while sticking to the plan of a "nationwide referendum," giving full legitimacy to the recent constitutional amendments that will allow Putin to hold an even tighter grip on power. President Vladimir Putin has ordered a vote on the constitutional amendments on April 22, saying it will take place if the epidemiological situation allows or otherwise will be moved to a new date.

On March 17, government officials and Russia's Central Bank unveiled new economic and regulatory measures to reduce the impact on the economy exerted by both the coronavirus crisis and dropping oil prices. An anti-crisis fund package would be worth some \$3.9 billion. Meanwhile,

a new hospital is being built quickly outside of Moscow to treat COVID-19 patients. It will be located in Babenki, about 50 kilometers southwest of the Russian capital. Once created, the infectious diseases facility will be able to admit 500 patients. The independent Novaya Gazeta newspaper ascribed Russia's somewhat optimistic official count of 367 confirmed cases as of March 22 to the fact that the country's tests are far less sensitive than those conducted elsewhere. In fact, there may be more infected than this, even ten times as many, according to some opposition politicians and doctors. It is more relevant for the Kremlin to control what is said about coronavirus than to ensure decent working conditions for health facilities and offer treatment for the infected. A new coronavirus information center was established to monitor social media for disinformation that may spread panic. Since early March, Roskomnadzor, Russia's communications regulator, ordered social networking websites to take down information about the coronavirus outbreak that it says is fake and threatens to disrupt public safety. Meanwhile, Moscow is seeking to reap some benefits, chiefly by sending a group of Russian military virologists to battle coronavirus in Italy, as well as eight mobile brigades of military medics, special disinfection vehicles, and other medical equipment.



SOURCE: MNR.KRG.ORG

29 March 2020

RUSSIA'S ROSNEFT PAID EXORBITANT AMOUNT TO MYSTERY CONSULTANT IN KURDISTAN

For years Russia has been the biggest foreign investor in Iraqi Kurdistan. Of all the country's majors, state-run oil giant Rosneft has been most active, serving a comparable role to that in Venezuela. It offers loan guarantees to the local authorities, thus representing the interests of the Russian state. Like before, some of Rosneft's deals are murky and perhaps have more in common with politics than business.

Rosneft was first reported to have been in partnership with the government of Iraqi Kurdistan back in 2017. Between 2017 and 2018, Rosneft advanced \$3.2 billion to the Kurds in exchange for future oil deliveries. Of this, \$1.2 billion covered the region's budget deficit. In early 2019, Rosneft agreed to convert \$1.8 billion of its advances into a 60 percent stake in the oil pipeline that provides the only route for the company to export the region's oil. Rosneft said it would own 60 percent of the pipeline, with current operator Iraq's KAR Group retaining 40 percent. It was only later that Iraqi Kurdistan's debt to Rosneft grew by another \$1 billion. Russia's state oil company

Rosneft has reportedly paid \$250 million by the Russian oil company's Swiss subsidiary, Rosneft Trading SA, to a mystery consultant to help secure deals in Iraqi Kurdistan. Rosneft Trading signed an agreement with the unnamed consultant back in 2017. The latter's aid pertained to "advisory services relating to Rosneft's proposed concession agreement and production sharing contracts with the Kurdistan Regional Government of Iraq." The amount of \$250 million, first reported by Bloomberg, is large by the standards of financial advisory contracts, though its size was relative to the value of Rosneft's deals in Kurdistan. To date, Morgan Stanley scooped a whopping \$120 million

for its advisory services in the \$66 billion takeover of U.S. seeds company Monsanto by German drug and crop chemical maker Bayer.

The mystery consultant got the money to evaluate exploration assets in the region. But political lobbying in Erbil and Baghdad is even more vital here. Iraqi Kurds are often at loggerheads with the Iraqi government over control of oil assets. Rosneft's Iraqi assets are controlled by Singaporean subsidiary, RN Middle East Pte Ltd, created in 2018 by Rosneft as a holding company for its

investments in Kurdistan. Rosneft and Russia need to be extremely cautious while in Kurdistan as the Baghdad government takes a dim view of any oil deals between the Kurdistan Regional Government and foreign investors. But when the Kurds lost the city of Kirkuk after a failed independence attempt in 2017, Putin made a tilt towards Baghdad's deal with Tehran and Ankara to secure Moscow's interests in Kurdistan. Iraq, in turn, seeks to avoid a clash with Russia as the latter does business there and is a crucial ally of Iran.

29 March 2020

CORONAVIRUS IN RUSSIA: MOSCOW'S SOBYANIN PLAYS A RISKY GAME

With the coronavirus epidemic, plunging oil prices and an increasingly acute crisis in the country come political intrigues and fierce competition for influence and power. In Russia's fight against the coronavirus crisis it was Moscow's mayor Sergey Sobyenin who came to fore, at least for now. During public appearances, the city official usually stood alongside the Russian leader while his much-touted actions were set as an example to other governors throughout the country. But this might be in line with Sobyenin's political calculus as the Moscow top official might view the nationwide struggle against the novel virus as a good relief from its far more critical post at the central level. But not everyone is happy to see it. But Sobyenin's rival is Russian Prime Minister Mikhail Mishustin.

Sobyenin's role is crucial in managing the epidemic as the capital has seen the most confirmed Russian cases by far. Most importantly, though, Putin has ordered the creation of a special working group – with Sobyenin in charge – within the State Council to fight the spread of the coronavirus. But this is somewhat a dual power as the country's prime minister ordered the government's coordinating council for combatting the coronavirus. For Sobyenin, this might be the last chance to fight for the status of one of Russia's most influential figures. Yet Mishustin has just entered the game and he is likely to solidify his position as the country's prime minister. Though Kremlin-endorsed Sobyenin gained priority as

Mishustin praised him for Moscow's anti-crisis solution, urging governors to follow suit. Perhaps he knew what he was doing. The epidemic can get soon get out of control, making Sobyenin a scapegoat. Besides, the Kremlin told the Moscow official not to be ahead of the crowd.

While Mishustin praised Moscow's approach toward the fight against COVID-19, saying all governors should follow suit, Kremlin press spokesman Dmitry Peskov framed this as an instruction coming from the Presidential Administration and its head, Anton Vaino. Sobyenin is the first Russian senior official to have said Russia is facing a difficult situation and the real number of those



SOURCE: KREMLIN.RU

who are sick is much higher than official figures indicate, due to poor coronavirus tests. Sobyenin informed the Russian president back on March

24, thus a week after Putin had called the situation under control.

29 March 2020

RUSSIA'S ROSNEFT EXITS VENEZUELA, SECHIN REAPS DOUBLE BENEFIT

Russian oil giant Rosneft sold its assets in Venezuela to the Russian government. The company would be receiving a settlement payment worth a 9.6 percent share of Rosneft's equity capital, or some \$4 billion. This means a gift for Rosneft's shareholders in what may be a maneuver to dodge any U.S. sanctions -- all from the Russian taxpayer's pocket. Furthermore, the company's asset valuation is far higher than anyone could expect.

Russia, via the state company Rosneftegaz, which took over Venezuelan oil assets, owns somewhat over 50 percent of Kremlin-controlled Rosneft's capital. International shareholders include BP, which has 19.8 percent, and Qatar via QH Oil Investments LLC, which owns another 18.9 percent. As part of the deal, the state's share in Rosneft dropped to 40.4 percent, yet Rosneftegaz remains the group's principal shareholder. What may be unusual is the mere fact that Venezuela's

assets were somewhat overvalued, as they stand for 10 percent of the whole group's value. A Rosneft's subsidiary is slated to receive a 9.6 percent share. The Kremlin was fearful of U.S. sanctions against Rosneft amidst its operations with Venezuela. Earlier, restrictions had struck a blow to two of its subsidiaries as they traded Venezuelan oil. So how could Russia benefit from the Venezuelan transaction? So now Rosneftegaz may be hit with U.S. sanctions, but Rosneft is out of the reach



SOURCE: MPPRE.GOV.VE

of Washington's restrictions. This is because Rosneftgaz has less than 50 percent of its shares. Meanwhile, in line with the U.S. sanction laws, limits can be imposed against any entity that has at least 50 percent of shares. Rosneft, through its selling of Venezuela-based assets, can expect the lifting of sanctions on its subsidiaries.

Rosneft is one of the biggest investors in the Venezuelan energy industry. The company's investments throughout the country were worth some \$9

billion as of 2019, according to Reuters calculations. Venezuelan state-owned oil company PDVSA has its outstanding debt to the company of \$800 million. Rosneft said the Venezuelan assets marketed include those in the joint ventures of Petromonagas, Petroperija, Boqueron, Petromiranda, and Petrovictoria, as well as in oilfield services companies, commercial and trading operations. Russia's ambassador to Venezuela, Sergei Melik-Bagdasa-rov, said that the deal would allow the two countries to continue working together.

29 March 2020

RUSSIA'S LUKOIL MAKES HIGHER PROFIT

Though bereft of much of financial favors from the state, Lukoil, one of the biggest Russian oil firms, reported good commercial results for 2019, even despite falling oil prices. This came with the growing importance of the giant's gas-related activities and its push toward foreign energy projects.

Russia's Lukoil released a financial statement for 2019, saying its net profit for last year was 640.2 billion roubles (\$8.64 billion) compared with 619.17 billion roubles a year before. The company said the growth was mainly upheld by the refining, marketing and distribution segment, covering

its poor-to-modest income amid falling oil and fuel prices. In 2019, Lukoil's sales were 2.4 percent lower than a year before. These were somewhat offset by weaker rouble (all Russian majors earn in dollars and spend in roubles) and an increase in crude oil sales volumes due to higher production



SOURCE: KREMLIN.RU

and trading volume. Lukoil's EBITDA for 2019 increased by 10.9 percent year-on-year. Also, profit attributable to the company's shareholders rose to 3.4 percent year-on-year. Free cash flow went up by 26.4 percent year-on-year while capital expenditures remained almost the same as in 2018 and amounted to 450 billion roubles a year later.

The gas sector has grown in value for Lukoil. In 2019, its total output was 35 bcm, thus 4.5 percent more than a year before. The energy company is stepping up efforts to develop its gas-related activities through its projects in Uzbekistan. The Russian oil giant has gone far beyond its domestic market, also outside Africa and South America. Lukoil has traditionally left its footprint both in the Balkans and Central Asia. The Russian oil giant is a crucial investor to the oil and gas sector

in Uzbekistan, where it has already put as much as \$8 billion. The major's top projects include the Kandym gas processing complex with an annual capacity of over 8 bcm of natural gas as well as the South-West Gissar and Ustyurt Region fields. In 2019, Lukoil increased gas output in the Uzbek Kandym plant by 7 percent to 14.1 bcm after it had launched a new gas processing facility in the fields cluster. The company's projects are essential for the Central Asian state. For instance, Uzbekistan's President Shavkat Mirziyoyev hosted Vagit Alekperov, CEO of Lukoil, and other Lukoil representatives, including Denis Rogachev, Senior Vice President for Overseas Oil and Gas Production, and Sergey Nikiforov, Vice President for Central Asia, Middle East and North Africa, to discuss opportunities to enhance their existing partnership.



SOURCE: KREMLIN.RU

29 March 2020

PUTIN'S POPULARITY RATINGS AMIDST CORONAVIRUS OUTBREAK

Two Russian public opinion research centers have unveiled two different president's popularity ratings. A survey by state-run VTsIOM found that Russian people consolidate themselves around state authorities in the time of crisis, thus as expected. Vladimir Putin is now facing a chance to fight down a downward trend and its recent slip in approval ratings that began back in 2018 after raising of the retirement age and tax hikes. The president's visit to the infectious diseases hospital, then followed by a televised address to the nation, boosted his popularity ratings, the pollster said. But another Russian polling company the president's ratings are dropping.

V TsIOM poll could somewhat show that the Kremlin's fight against the coronavirus outbreak proved accurate. On March 25, Vladimir Putin has declared that the week from March 28 to April 5 will be a nationwide paid holiday to encourage Russians to stay at home, and he postponed a vote on proposed constitutional amendments, which had been planned for April 22. Shortly after, the president's approval ratings grew to 63.5 percent from 60.3 percent a week before. Also, 69 percent of respondents said they

trusted the Russian leader, contrary to 67 percent a week earlier. A survey by the state-funded pollster known as VTsIOM found that 67 percent of people said they trusted Putin more than any other politician. Asked about political party preference, 32.5 percent of respondents chose United Russia, 14.2 percent would vote for the Communist Party while 11.5 percent and 5.7 percent of people opted for the Liberal Democratic Party of Russia and A Just Russia, respectively.

Also, leaders of the last three groupings came at the fore of politicians whom people trust most. Nonetheless, the state-owned FOM polling agency's survey unveiled something different. The Russian leader has had their job ratings climb to 60 percent following his televised speech, down from 65 percent. Putin's result in trust ratings slipped from 60

percent to 56 percent. Also, 49 percent said they disapprove of the job the Russian prime minister is doing, up from 45 percent sometime earlier. The poll found that 45 percent of people are against the ruling United Russia party while it currently attracts 41 percent of decided voters.



SOURCE: KREMLIN.RU

29 March 2020

RUSSIAN OIL TYCOON EMBROILED IN WAR, SECHIN BECOMES PUBLIC ENEMY NO. 1

Since March 6, the global oil market has seen an ongoing price war. And yet, Russia has witnessed a war going between CEO of Rosneft Igor Sechin and other oil firms that spoke against Russia's withdrawal from the OPEC+ pact. Massive losses amidst the declining oil prices have struck a blow to everyone, including the federal budget, but Rosneft can expect tax breaks and the Kremlin's backing, as it was the case in the past. Other companies like privately held Lukoil are now in a far worse position, though. Not surprisingly, the firm lambasted the Sechin-orchestrated decision to pull out of the OPEC+ deal. CEO of Rosneft is the most influential figure that exerts a tremendous impact on the country's oil policy.

Recent oil-related events have exacerbated strains within the country's business and political circles. Once Russia withdrew from an OPEC+ deal to cut oil output, Saudi Arabia and some other states said they would introduce a massive drop in the price of crude while announcing a sharp increase in oil sales from April 1 onwards. Of course, oil prices nose-dived after major producers failed to reach an agreement to reduce production. So rock bottom oil prices that force Russia to sell crude at a net loss will undoubtedly impact its budget -- meaning some \$3 billion less amidst prices near Russia's break-even price of \$42 a barrel -- while delivering an extra blow to Russian citizens as the rouble is falling to record low levels. Sechin, who is behind all this, said oil prices would come back to their pre-March levels by late 2020, along with the fall of the U.S. shale industry. But hardly anyone is prone to believe his words. Losses incurred are real and pertain to today's reality while affecting all Russian oil companies. The biggest of them, state-owned Rosneft, can always count on the Kremlin's aid while privately held companies are in a far worse position. Sechin's and the government's decision is most criticized by Lukoil, but other firms like Gazpromneft, Surgutneftegas, and Novatek also spoke in favor of keeping the OPEC+ deal in force. Though the last firm trades gas, not crude. However, the ongoing decline in oil prices will hit

gas exporters, thus Gazprom and Novatek, though sometime later.

Many contracts see the prices of gas being tied to that of crude. Amongst those being against Russia's walking out of the OPEC+ deal were Leonid Mikhelson, CEO of Novatek, and thus his business associate Gennady Timchenko. The latter businessman holds shares in Surgutneftegas, an oil company reportedly having links to Vladimir Putin. It is to be expected that Sechin's opponents, with Lukoil's Alekperov and Timchenko, will take retaliatory steps once oil prices declined to their record low. This may yet pose a tough challenge for them both as Sechin has a profound influence on the government. Though he has long been at loggerheads with Dmitry Medvedev, the businessman now holds close ties to Russia's incumbent Prime Minister Mikhail Mishustin. Same went for Dmitry Kozak, former deputy prime minister, who is now a senior Kremlin official, while Finance Minister Anton Siluanov saw his role diminished. They all limited Sechin's ambitions to a great extent. But once they were kicked out of the cabinet, Rosneft's boss got what he wanted, leading Russia out of the OPEC+ agreement that he long objected to. It could be reasonably assumed that Putin gave him some time until autumn. Signs are that Moscow may try to sit at the negotiating table with Saudi Arabia, which hints that even the Kremlin did not expect such repercussions of its withdrawal from OPEC+.



SOURCE: KREMLIN.RU

29 March 2020

RUSSIA'S CORONAVIRUS CASES PROMPT PUTIN TO CHANGE STRATEGY

Russian President Vladimir Putin agreed that his country is no longer an exception amid the global coronavirus outbreak. Its closure of the border with China brought adequate, albeit short-term results, as most people affected with the novel virus came back from trips to Europe, in particular from popular tourist destinations like Italy or Spain. On March 25, Putin addressed the nation on the coronavirus outbreak in a televised speech in what became a turning point for the Kremlin's fight against the epidemic. It yet seems that Putin made a mistake when he announced a paid week off work for all instead of putting in place a set of restrictions like those launched earlier in other countries. As the Russians lack self-discipline mechanisms, there may be even more cases of coronavirus infections.

The number of infected people jumped to 1,534 as of the morning of March 29. Most of the cases are in Moscow, where the number of patients topped over 1,000, but the epidemic has stretched nationwide. Many Muscovites gathered in the city's parks to barbecue. Also, they fail to keep a distance of two-meter physical distance in public. Russia temporarily shut all its borders starting March 30, yet the coronavirus epidemic has already fanned out nationwide.

To date, Russia's confirmed cases of coronavirus have been low, chiefly due to many errors made while diagnosing COVID-19 patients. After Moscow shifted its coronavirus testing system, with samples no longer being sent to a lab in Siberia as it had a testing protocol that did not recognize most coronavirus-positive results, this was already too late. Once Vladimir Putin visited the infectious diseases hospital and talked to his ministers and aides, he canceled a referendum and gave Russia

a week off in order to stop the virus spreading. The nationwide vote was initially to be held on April 22. Yet it is not binding as constitutional amendments have become a fact. Notwithstanding this, Putin seeks social legitimacy. All signs are that the vote could see low turnout while the president's fellow citizens largely objected to it. Hence, the coronavirus outbreak is a convenient excuse for the

Kremlin to put off the plebiscite, while it remains unknown when this could take place. In addition comes a drop in the rouble, as oil prices fell to their lowest, and so did revenues to the Russian federal budget. This stems from a damaging war for market share between Saudi Arabia and Russia after the latter quit the OPEC+ deal.



SOURCE: GOVERNMENT.RU

30 March 2020

IS THIS THE END OF RUSSIA-BELARUS OIL SPAT?

Russia and Belarus have reached a temporary agreement for limited oil supplies. After months-long talks, Moscow agreed to drop any premiums to suppliers. The two countries came to a deal for crude flows after oil prices suffered a historic collapse.

The oil premium is paid to Russian companies that sell crude to Belarus to compensate them for lower prices in oil trade abroad, much below the market level. This has worked for years as Minsk reaped some benefits anyway. Since 2011, Belarus bought Russian crude at an average Urals price yet without export duty and a discount of \$3.70 per ton. Added to these were shipping costs between

the Russian border and refineries. Crude suppliers got \$15 per ton more than if they exported oil through ports, while Belarus paid no oil customs duty. Besides, they could count on premiums. But this was long to the liking of both Minsk and Russian suppliers, while the Russian federal budget incurred some losses. But with an increase in the price of oil sold to Belarus after Russia introduced

the so-called tax maneuver, Minsk demanded that Moscow drop the premium that is \$11.7 per ton of crude. Neither Russian energy major nor the state authorities agreed to do so. Since early 2020, Belarus and Russia have not reached an oil supply agreement. Meanwhile, Minsk received limited amounts of oil from small Russian suppliers to maintain refinery runs at minimal levels while looking for alternatives.

The two countries came to an agreement for crude flows after oil prices suffered a historic collapse. On March 11, the Belarusian prime minister presented a new proposal for Russian oil companies. Ten days later, the two countries reached a deal to ensure deliveries of Russian oil to the Belarusian oil refineries. Russian oil firms have made some

concessions, especially amidst a global recession caused by the coronavirus outbreak, seeking any ready markets, in particular as loyal as the Belarusian one. Russian oil companies drop crude premiums, or \$126 million per year, while 40 percent, thus \$85 million a year, of their award will be compensated by the state. But the amounts will hit comparable levels only if Russia delivers to Belarus some 18 million tons of crude as it did last year. Interestingly, Belarusian Prime Minister Syarhey Rumas said priority would be given to Russian oil firms that had sold crude without the premiums charged over the past three months. Among these are the Gutseriyev family's oil firms Russneft and Neftisa. However, Russia's biggest oil company Rosneft is on the hook in Minsk.

30 March 2020

RUSSIA'S GAZPROM LOST IN COURT BATTLE WITH POLAND'S PGNIG

Russian state-run gas giant saw yet another failure in a legal spat with a Central and Eastern European company. First, it lost a court battle with Ukraine's Naftogaz and now Poland's largest gas distributor PGNiG emerged victorious in its litigation with Gazprom. The Stockholm arbitration court said in a ruling that the price of gas in the Yamal Contract failed to reflect the price level on the market and was overstated. Thus, Russian gas giant Gazprom must pay about \$1.5 billion in a pricing dispute case. Warsaw sees its latest victory as a vital sign that proves its years-long policy of reducing reliance on Russian-sourced gas. Poland is developing its Swinoujscie LNG terminal while planning to build a new facility in Gdansk. Also, efforts are currently underway to construct the Baltic Pipe, a gas pipeline that is expected to connect Poland with Norwegian gas fields. Thus, Poland will be able to scrap Russian gas flows when its deal with Gazprom expires by late 2022.

Poland's PGNiG lodged a lawsuit to an arbitration court back in February 2016, complaining about gas prices as set out in its Yamal contract with Russia. The Stockholm court said the amount Poland had to pay for Russian gas flows was overstated and failed to reflect the price level on the energy market. The court's ruling applies

from November 1, 2014, onwards. This means that the Russian company will be required to pay back to PGNiG an estimated \$1.5 billion, which is the difference between the prices calculated based on the new formula and the amounts actually paid by Poland's PGNiG.



SOURCE: KREMLIN.RU

Gazprom has not yet commented on the ruling. Russia's Gazprom Export, a Gazprom's subsidiary, said it was studying the decision of the Stockholm arbitration court on reviewing Russian gas prices it had offered to the Polish energy company. Yet it remains unknown whether Russia will abide by the ruling. By late 2022, Gazprom will quit the Polish energy market anyway. In the past, the Russian gas firm failed to comply with unfavorable court

rulings, as was the case with Ukraine. In response, Naftogaz filed lawsuits to arrest Gazprom's assets in third countries, which brought some positive effects. Poland also has a possibility of doing so to force the Russians to comply with the ruling, even on its own territory. Alongside PGNiG, Gazprom has shares in a company that oversees the Polish section of the Yamal gas pipeline.

30 March 2020

RUSSIA SUFFERS MAJOR SETBACK IN THE BALKANS

North Macedonia has officially become NATO's 30th member. With the new North Atlantic Alliance member in the Balkans, Russia has seen a blow delivered to its policy aimed at banning former Yugoslav republics from joining Western blocs. Though Russia used a wide range of methods -- from economic to intelligence ones -- it is unable to stop their friendly Orthodox states' march towards EU and NATO membership.

North Macedonia has officially become the bloc's newest member after Spain was the last alliance member to ratify the membership of the former Yugoslav republic. Earlier all NATO-member parliaments had voted to approve the country's membership. Macedonia's accession to the military bloc was possible after resolving a

decades-long feud between Skopje and Athens. Greece barred its neighbor from being in talks with the Alliance, mostly amidst the country's official name. The conflict aroused as Athens accused Macedonia, whose full name then was the Former Yugoslav Republic of Macedonia, or FYROM, of appropriating symbols and figures that



SOURCE: WIKIPEDIA COMMONS

are historically considered part of Greek culture while fearing their neighbors had territorial drives against its own province of Macedonia. Athens and Skopje came back to the negotiating table following a protracted political crisis – additionally fueled by Russian services, backed by Serbian intelligence – when Gruevski’s center-right ruling party lost power over the country.

Back in February 2019, the former Yugoslav republic changed its name to the Republic of North Macedonia. Russia waged a propaganda campaign to torpedo a referendum that could pave the way for Macedonia to settle the name spat. This was in vain, though. After resolving its name dispute with its neighbor, Greece has also agreed to drop

objections to North Macedonia’s eventual European Union membership. Inhabited by some two million people, North Macedonia eventually joined NATO in what was the bloc’s victory over Russia in the Balkan game. As Moscow failed to thwart Macedonia’s statehood, now there is yet another bitter pill to swallow. Three years ago, Macedonia joined the bloc as the next Slavic Orthodox country in the Balkans. Russia’s sole foothold consists of Serbia and Bosnia’s Serb-majority Republika Srpska, and these may be chosen by the Kremlin to sow discord in the Western Balkans. Thus, it is chiefly about two Balkan hotspots: Serbia’s conflicts with Kosovo and Republika Srpska’s withdrawal from Bosnia and Herzegovina.



SOURCE: WIKIPEDIA COMMONS

31 March 2020

RUSSIA SEEKS GOOD TIES WITH TALIBAN

In its policy towards Afghanistan, Russia has long attempted to make U.S. and NATO military forces quit the country. What Moscow sees as a milestone is the U.S.-Taliban peace accord, saying it is ready to cooperate with Islamists once they seize power in the country. But they may get on badly with the incumbent government in Kabul. While offering support to the Taliban, Russia should be cautious as this could hamper its ties with Kabul. Afghanistan is yet another country where Moscow is playing a double role, attempting to keep the best possible relations with all major actors involved.

Russia said it expects to build ties with the Taliban as U.S. military engagement in Afghanistan appears closer to an end. “We want to have normal ties with any new administration in Kabul,” President Vladimir Putin’s envoy to Afghanistan, Zamir Kabulov, said in an interview. “The Taliban understands very well that when they join the government, they will need to work for national interests and for that they will need good relations with Russia,” he added. Moscow has sought good relations with the Taliban as U.S. troops pledged to quit the country. The U.S.-Taliban peace agreement provides for the U.S. and its allies to pull out all troops within 14 months

in return for a Taliban pledged to fight Islamic State and al-Qaeda. The deal also sets the stage for the Taliban to hold talks with Afghanistan’s government in Kabul to decide the political future of the country.

Russia has been in talks with the Taliban for a couple of years, making efforts to serve as a mediator between the group and the Kabul government. Washington has accused Russia in the past of supplying weapons to the Taliban. Moscow yet said that Islamic State is more dangerous and the Taliban are fighting against the terror group. Taliban delegations have arrived in Moscow more than

once despite the February 2003 Supreme Court decision to designate them as a terror group. Taliban officials had met Afghan politicians in Moscow in November 2018 as well as in February and September 2019. What surfaced as Moscow's strate-

gic goal is to rebuild its influence in Afghanistan, which seems to explain its efforts to forge cooperation with the official Afghan government, also by sending military hardware while offering help in training local troops and army officers.



SOURCE: МУЛЬТИМЕДИА.МИНБОРОНЫ.РФ

31 March 2020

RUSSIAN ARMS INDUSTRY GETS A LIFELINE

Russia's intense and long-term efforts to modernize its military inventory got the country's arms industry into deep trouble. Some of the state's flagship arms production plants are now in a difficult situation, thus the Kremlin seeks to help them by erasing their outstanding debts. Naturally, the money to keep them afloat will come from the taxpayer's pocket as Russian state-run banks are to bear the brunt of canceled debts.

The Russian government has announced its intention to restructure the debts of the Russian military industrial complex for 750 billion roubles (\$11 billion), half of this amount will be written off, Deputy Prime Minister Yuri Borisov was quoted as saying. The remaining one will be restructured for fifteen years at 3 percent per year. In early December 2019, Borisov suggested that

between 400 and 450 million roubles be written off while saying the remaining part should be restructured. The state's defense industrial complex is indebted to the amount of \$36 billion. In late December 2019, Vladimir Putin signed a decree outlining plans to wipe out a large portion of the debt collectively owed by the country's defense industrial complex. The document was classified

and no public version was released until Andrei Kostin, the head of state-run VTB Bank, gave an interview to Russia's Rossiya 24 TV channel.

The arms industry sector's debt is not distributed evenly. According to Borisov, 90 percent of the liability falls on several companies, including the United Aircraft Corporation, the United Shipbuilding Corporation, Uralvagonozavod, High-Precision Complexes and Almaz-Antey. The massive debt of the Russian arms industry has

grown over time as Russian arms companies are in no rush to fill the orders placed by the Russian army. With the president's decision to nullify a portion of the industry's debt, Russian banks could suffer a massive blow. Meanwhile, defense companies say this will not solve the problem that primarily consists in understating contract prices for the Russian army. Arms manufacturers lose money and prefer to export military hardware. Thus, priority is given to external clients, and not domestic ones.

31 March 2020

KOZAK-YERMAK PLAN ON DONBAS: A TRAP FOR UKRAINE

Ukrainian President Volodymyr Zelensky, who is well aware of his dropping popularity ratings, is making efforts to reshuffle both the government and his presidential administration. For its part, the Kremlin is looking to take advantage of an increasingly severe crisis in Kyiv. Interestingly, those who are now Russia's top allies in Ukraine are both the leader of the country's biggest pro-Russian party and, quite unexpectedly, the head of the Ukrainian President's Office. On March 11, Andriy Yermak accepted a plan to establish an advisory board in Russian-occupied Donbas in a move that hints Kyiv's recognition of the zone's separatist authorities. A day before Viktor Medvedchuk suggested that the Normandy Format be broadened to include a parliamentary dimension. Zelensky is unable to take action as he needs to team up with Medvedchuk's party to hold critical votes in the parliament.

For the time being, thus amid the coronavirus outbreak, the Ukrainian leader is forced to wait a while before making a decision that would pave Moscow's way for further concessions, leading to Moscow-devised peace solutions that may not necessarily bring profits to Kyiv. Back in February, both Russia and Ukraine added new chief negotiators. Ukrainian President Volodymyr Zelensky's Chief of Staff, Andrey Yermak, is a former film producer, while Dmitry Kozak, a successor of Vladislav Surkov, now serves as Putin's new point man for Ukraine. This was meant to ease one's policies towards another, and this is precisely what is taking place, though to the benefit of Moscow. At the Contact Group's meeting, on

March 11, in Minsk, Belarus, Russia's presidential envoy, Dmitry Kozak, and the Ukrainian presidential envoy, Andriy Yermak, agreed to establish what they named the Consultative Council, or a platform that would officially cast the Ukrainian side and Russia's proxies in Donetsk and Luhansk. Russia is positioned officially as an impartial observer, and so are Germany and France, while the OSCE would mediate in talks. Once it takes effect, the solution will mean a great deal for the Kremlin. Namely, Kyiv will pull out of its current rule of not holding direct talks with the separatists. And thus, this move would somewhat empower the "people's republics." Secondly, with such a state of affairs, Russia could further push for



SOURCE: PRESIDENT.GOV.UA

its thesis on “Ukraine’s civil war” that it has long promoted, basically since the conflict broke out. Thirdly, bringing the war to nothing but Kyiv’s internal spat will allow Moscow to ask Western countries to ease sanctions, as, in its eyes, Moscow is not an aggressor.

Though agreed back on March 11, the documents were kept secret, pending the final approval that was expected on March 25 but did not emerge. However, the documents’ full text leaked to the Ukrainian media, sparking general turmoil. Ukraine’s opposition parties have accused Zelensky and Yermak of betrayal, while some presidential officials are against holding talks with separatists. While Yermak defended the plan, Zelensky remained silent. Another factor is the fast-moving coronavirus crisis, with the entire case having been put aside amid concerns over the COVID-19 pandemic. The March 25 did not take place, while, during a videoconference, the Ukrainian negotiating team said it would not confirm the deal, at least for the time being. Although Zelensky bought

some time, it is not sure whether he will pull out of the controversial agreement. With the crisis and plummeting prices, the Ukrainian leader is setting eyes on tremendous success, and he is still dreaming of bringing peace back to Donbas. This is also what most Ukrainians still want to materialize. But in order to push constitutional amendments, the president’s party needs to find a credible ally. What may seem obvious choice is Medvedchuk’s Opposition Platform-For Life, whose leader is Putin’s top key ally in Ukraine. On the eve of the Yermak-Kozak meeting in Minsk, a delegation of Ukrainian opposition deputies, headed by Medvedchuk, paid a visit to Russia’s State Duma and the Kremlin. While in Moscow, the pro-Russian politician put forward some ideas on behalf of his country’s parliament that yet go far beyond his powers. But Ukraine’s president seems to have turned a blind eye on Medvedchuk’s proposals as it needs to side with pro-Kremlin deputies to gain a majority in the Verkhovna Rada. And yet there is no doubt that this will be a costly business for the president.



SOURCE: NORD STREAM2 / AXEL SCHMIDT

31 March 2020

NORD STREAM 2 STUCK IN THE WAITING ROOM

Though the Russia-to-Germany gas link was frozen after Washington had introduced a batch of sanctions, there is still a chance to complete it. Both Berlin and Moscow so far have invested many financial and political means to defend their joint undertaking. Perhaps, Russia will keep its promises and complete Nord Stream 2 on its own.

It is to be expected that Moscow will press ahead with the construction, taking advantage of the global coronavirus turmoil. Both Russian and German lobbyists are making efforts to soften U.S. sanctions that staled the project. Meanwhile, Moscow is putting into practice its plans to complete the construction on its own. The ship, Akademik Cherskiy, in February left the port where it had been stationed in Nakhodka on Russia's Pacific coast. It is the sole Russian pipe-laying vessel able to meet Denmark's requirements to perform further work in the country's exclusive economic zone. Also, Switzerland's Allseas said it had suspended its pipe-laying activities in anticipation of the U.S. sanctions imposed back in

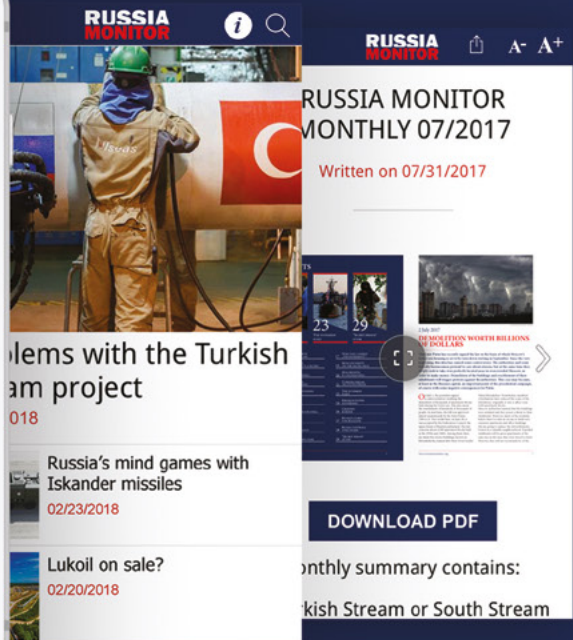
December 2019. Though this postponed the launch of the Russia-to-Germany energy link, the project could still be completed. The pipeline would be completed, possibly in late 2020 and early 2021, Russian Energy Deputy Minister Pavel Sorokin said on February 18 in Berlin, thus confirming what Vladimir Putin had told journalists in January.

Berlin also seeks to finish the project. German Chancellor reiterated that Nord Stream 2 is nothing but a commercial project, criticizing U.S. punitive measures. In January, Gazprom and its partners turned to German regulator Bundesnetzagentur to define the competition rules and exempt the

project from the EU gas directive, which provided for the unbundling of transmission system operators from energy suppliers. But the EU document says that pipelines that remained completed as of May 23, 2019, would not be subject to the full force of the proceedings. Russian-German efforts show that Nord Stream 2 remains a threat to the security

of Central and Eastern European nations. Berlin has the intention of becoming a top regional gas hub while Moscow seeks to halt transit through countries like Belarus and Ukraine. Ultimately, the Kremlin will be able to turn off the gas tap yet with no prejudice to Gazprom's key strategic EU customers.

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