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SOURCE: GAZPROM.COM

7 July 2020

GAZPROM'S OIL AND NATURAL GAS EXPORTS FALL SHARPLY

The coronavirus crisis and the ongoing oil price war have both taken its toll on Russia's hydrocarbon trade. Russia's state energy major Gazprom saw the worst outcomes as it has lost a portion of the European sales market, with ever-dropping gas prices. The decline in oil and gas export figures will certainly deliver a severe blow to Russia's budget.

Russian energy giant Gazprom's natural gas export revenue via pipelines decreased by 53 percent year-on-year in the first five months of 2020. Between January and May 2020, the energy giant's revenues slumped to \$9.7 billion, Russia's Federal Customs Service, or FTS, said in a statement. The company's gas exports saw a 23 percent slump, to 73 billion cubic meters,

or bcm. Throughout May, the Russian energy major exported 11.9 bcm of gas worth some \$1.12 billion in what was a 15 percent decrease month-on-month. 2020 is therefore set to be somewhat bitter time for Gazprom as the Russian gas behemoth is likely to see a drop in its figures. Also, throughout 2019, the Russian gas giant delivered 199.2 bcm of gas to the

European Union, Turkey, and China, marking a 1.3 percent drop from record-high 2018 figures. Yet in 2019, it noted a 2.2 percent rise in gas sales to former Soviet republics, collectively referred to as the near abroad, to 37.7 bcm. The crisis did not spare the liquefied natural gas sector either. A combined export revenue of Sakhalin Energy and Yamal LNG decreased by 16 percent year-on-year in the first five months of 2020. In the January–May 2020 period, they traded energy commodities for a total of \$3.4 billion, with a drop in revenues despite a 9 percent jump year-on-year in LNG exports. Russian energy companies sold 27.6 bcm of liquefied natural gas to their foreign partners.

Yet crude oil trades much worse than that. Over the January–May 2020 period, crude oil export revenues decreased by 33 percent compared to 2019, amounting to \$33.7 billion. During that time, crude exports went down

by 3 percent, to 104.4 million tons, with the tenfold slip that took place after oil prices had slashed globally. In May 2020, the country's earnings from oil exports dived by 19 percent year-on-year to \$3.6 billion, with their volumes going down by 12 percent, to 19.3 million tons. According to the data of the Russian Federal Customs Service, the volume of oil exports in the country decreased by 1 percent to 60.14 million tons in the January–May period. Yet Russia's oil export revenues fell by 23 percent to \$22.2 billion during that period. In May, exports of petroleum products went down by 16 percent month-on-month, to 12 million tons while revenues decreased by 15 percent, to \$2.67 billion. Nonetheless, gasoline trades far better than diesel, with the collapse in diesel exports being damaging for the whole data for petroleum products.

7 July 2020

ROSCOSMOS “SPY RING”: RUSSIA’S FSB DETAINS RESEARCHERS ON TREASON CHARGES

Russian security forces have arrested Ivan Safronov, a former journalist who works as an aide to the head of Russia’s space agency, in a move that marks yet another case of detention on treason charges. But other academics, including the one sent to a penal colony, are much older than Safronov. Researchers and scientists have recently become a top target for FSB officers.

Ivan Safronov, an adviser to Roscosmos head Dmitry Rogozin, was detained on July 7 in Moscow by agents of the Federal Security Service (FSB). The former journalist is accused

of leaking state secrets. Roscosmos, Russia’s space agency, said the case against Safronov was not linked to his work as a media adviser to the agency’s director-general. He did not



SOURCE: FSB FOOTAGE

have access to secret information, either. As an aide to Dmitry Rogozin, Safronov was in charge of the agency's information policy. The sole explanation could be that his detention was linked to his previous job. Yet Kremlin spokesman Dmitry Peskov said that was not related to his earlier activities as a journalist. Russia's FSB security service said he was suspected of spying for an unnamed NATO country. The former journalist faces up to 20 years in jail if convicted, with the investigation being conducted under Article 275 of Russia's criminal code. From 2010 to 2019, Safronov, 30, was a correspondent for Kommersant, a Russian daily, where he authored reports on Russia's space industry, military-technical cooperation, and the country's defense ministry. Once fired from Kommersant, Safronov briefly worked at Vedomosti, another Russian newspaper, which he quit after a new acting editor-in-chief was appointed, and the daily started losing its autonomous character.

The question is whether the whole fuss could be used as a weapon against the head of Russia's state space agency. Rogozin has been under fire for the agency's poor performance. Also, the case of Safronov is yet another one in Roscosmos in which Russian scholars have

been accused of treason. A Moscow court on June 22 sentenced Roman Kovalyov, a former senior official at the Central Research Institute of Machine Building, to 7 years in prison. The research institute held links to Russia's state space agency. Kovalyov was arrested in June 2019 and pleaded guilty. He was said to have accepted a deal with Russian investigators. Perhaps he agreed to tattle on Viktor Kudryavtsev, a Roscosmos scientist and fellow scholar who had been arrested back in July 2018. Kudryavtsev was arrested on suspicion of passing classified data on hypersonic technology, or two missiles called Kinzhal and Avangard, to a NATO-linked research group in Belgium.

Treason charges against researchers and scientists, including those working for Roscosmos, have lately become a frequent occurrence in Russia. In mid-June, the Russian authorities charged Petersburg-based Arctic researcher Valery Mitko, 78, with high treason in an ongoing spate of similar investigations targeting Russian academics. Mitko was accused of transferring classified materials to China while traveling there. On July 2, a St. Petersburg court sentenced military analyst Vladimir Neyelov to seven years in a

penal colony after convicting him of spying. According to investigators, he offered a German consulting firm some details about the process of training and preparing operative agents of the FSB. Yet Neyelov argued that the information he provided was not classified. A PhD candidate at the St. Petersburg State

University was detained in the autumn of 2018. Neyelov specialized in Russia's private security firms; he wrote about contemporary armed conflicts and military doctrines, with some of his papers referring to the infamous Wagner Group.

7 July 2020

PUTIN SIGNS DECREE ON CONSTITUTIONAL CHANGES AFTER FALSIFIED “PLEBISCITE”

Russia's constitutional amendments came into force on July 4. Putin signed the decree two days after the Central Election Commission announced the final results of a national vote. Its outcome might have gone in line with what Kremlin senior officials could expect. With the decree, a sweeping package of constitutional amendments will bring into force that among other things open a path for Vladimir Putin to stay in power till 2036. Yet the whole mission to modify the Russian constitution and the poll itself both show that there is something that grapples Russian officials.

“**W**e made this important decision together, as a country,” the Russian president on July 3 said during a conference with lawmakers who worked on drafting the amendments. Yet contrary to what the Russian leader is saying, the constitutional overhaul was imposed forcefully, with Kremlin officials breaching the law to pass the reform package. But for a wide range of fraudulent tricks like saying “yes” or “no” to the whole package, many of whom were both social and populism-tainted, Putin would not have gotten public affirmation that was so vital to his legitimacy to make him rule Russian until 2036. Kremlin critics denounced the results of the plebiscite – with 78 percent “yes” votes and a nearly 68

percent turnout – as falsified and undermining the legitimacy of the amendments. As many as one-third of all ballots could have been rigged, while independent polls showed that if Russians were to vote each update separately, roughly 25 percent of them would approve the amendment poised to reset Putin's term-limit clock to zero. To avoid unpleasant surprises, the Kremlin saw the amendments cover dozens of existing articles, and add several new ones, with the whole process stretched over seven days. Also, Russian voters were allowed to cast their ballot outside polling stations or even vote online. Russian authorities had an ample possibility to have their outcomes rigged, with no proper monitoring or independent scrutiny.



SOURCE: KREMLIN.RU

In consequence, by July 1 morning, thus at the start of the final day of voting, 55 percent of Russia's registered voters had already cast their ballot. But at the end of Russia's seven-day national plebiscite, another 15 percent of Russians turned out for the ballot in what was the most challenging to have the outcomes falsified. The whole vote showed that Putin is no longer popular as the Russian president, nor does he have legitimacy for being an absolute

leader, while Russian society is unable to decry anything now. Thus the Russian regime will keep on mastering new tools for coercion. The paradox is that the country's officials would not do that if Russian citizens showed mass support for Vladimir Putin. But for that, Russians might have taken a far more revolutionary stance. First, there would be no point in tightening repression, and secondly, that would be far too risky.

11 July 2020

BREGANCON PROGRAM: FRANCE'S MACRON TILTS TOWARDS RUSSIA

The ongoing coronavirus pandemic has placed French-Russian rapprochement in limbo for roughly six months following its official kickoff in August 2019 during a meeting at the Fort de Bregancon, a summer residence of the president of France. But now the whole process is gaining momentum. There is yet one more topic that could push France closer toward Russia, with the Libya civil war, where both have similar goals.



SOURCE: KREMLIN.RU

French President Emmanuel Macron on June 27 said he would soon travel to Russia for more talks with his counterpart Vladimir Putin. “The trust-building dialogue initiated with President Putin at Fort Bregancon continues,” Macron tweeted, adding, “we are moving forward and I will soon travel to Russia.” He specifically identified “security in Europe, regional conflicts, and climate, including the melting of permafrost in the Arctic” as topics for discussion. A day earlier Putin had renewed his invitation. Macron’s announcement that he would meet with Putin “at the end of summer” came one day after the two leaders held a video call, Kremlin press service informed. Macron was due to attend the parade on May 9 in Moscow before it was postponed amid the pandemic. Speaking at a video call on June 26, both leaders agreed to talk about Libya where neither Paris nor Moscow could be happy about how the events unfold amidst Turkey’s military involvement. Russian contractors have backed Libyan strongman Khalifa Haftar in his war against forces backing the UN-recognized Government of National Accord (GNA), which is mainly backed by Turkey. Tensions in Libya rose high after an incident, in which both French and Turkish vessels were involved. A French

presidential official said both leaders seem to agree on that stance as “France and Russia share a common interest in the stabilization of Libya and the reunification of its institutions.” High on the meeting agenda was the war in eastern Ukraine. Macron reportedly stressed it was crucial to quickly relaunch a road map aimed at ending the conflict as agreed at the Normandy Four summit in Paris back in December 2019. Both leaders said they hope to see another summit on the Donbas. Also, Macron and Putin promised to cooperate more closely to resolve global crises such as those in Syria and the Balkans, with the latter being particularly intriguing. Just to mention that the French leader vetoed the opening of accession negotiations with North Macedonia and Albania in a move that satisfied Moscow that is fighting to expand its sphere of influence in the Balkans.

In the two-hour talk, the two presidents were keen to extend what is known as the French-Russian Bregancon program, named after a summer retreat of the French president where Macron had welcomed Putin back in August 2019. Macron is “confident of progress in key areas with Russia,” his office said. France stands for the development of European cooperation from Lisbon to Vladivostok, Emmanuel Macron

reiterated while in talks with Vladimir Putin. Macron is setting eyes on replacing NATO forces with EU-backed defense units and making a deal with Moscow on how to divide out its zones of influence. The first step would be to end the Russian-Ukrainian war yet on the Kremlin's terms. Emmanuel Macron is the first Western leader looking to bury the West's post-Crimean policy toward Russia past 2014

-- joint and somewhat agreeing in viewpoints. The French president aspires to "build a new architecture of trust and security in Europe," one that includes Moscow. Likewise, he seeks to impose his reset policy on the whole European Union. Ideally, he looks to fracture the Euro-Atlantic alliance in a bid to forge new security architecture in Europe.

16 July 2020

WATER SHORTAGE IN CRIMEA: RUSSIA MAY MAKE A NEW MOVE AGAINST UKRAINE

Moscow may decide on a military option to gain control of water for the peninsula, Ukrainian military officers say. Of course, that is nothing but a Russian excuse.

According to Ukrainian senior officials, Russia has assembled thousands of its troops in the Moscow-occupied peninsula. This is not accidental, though. The Crimean peninsula has long suffered from water shortages, but these are now often exacerbated

by the ever-more frequent winters with little rain or snow. In the last several months, these difficulties have become critical. According to Russian officials, the region has seen its reserves of potable water decline by 60 percent under Russian occupation. Also, it will entirely

SOURCE: MINOBORON



run out of supplies of this critical natural resource sometime in the summer. Where did drinking water come from in 2013, thus shortly before the Russian annexation? Before, water procured from the Dnieper River in Ukraine, via the North Crimean Canal, made up 86.65 percent of the total water intake; local stocks equaled 8.7 percent; groundwater – 4.41 percent while and seawater – 0.16 percent. But following the peninsula's annexation by Russia, Kyiv cut off water supplies from the Dnieper, forcing the occupiers to rely on local wells, ground water, and reservoirs. During a meeting on the socio-economic development of Crimea and Sevastopol last January, Russian President

Vladimir Putin criticized local officials for their inept attention to solving the water supply issue. Crimean authorities reportedly sought to buy Ukrainian water, but Kyiv refused. According to unofficial reports, bringing water back to Crimea is one of the Kremlin's conditions to begin peace talks. The topic was high on the agenda of the December 2019 meeting of the Normandy Four in Paris as well as of Putin's recent phone calls with his Ukrainian counterpart Volodymyr Zelensky. In Kyiv and elsewhere, concerns are that Russia will exploit the water crisis in Crimea to invade Ukraine, reportedly to "avoid a full-scale humanitarian disaster."

17 July 2020

KADYROV'S HITMEN

A Chechen asylum seeker was shot dead outside the Austrian capital whilst Georgian secret services have foiled a plot to kill a journalist. These seemingly look like two different stories yet have much more in common: they involve hitmen that kill either for the Chechen strongman Ramzan Kadyrov or the Kremlin. Sometimes Russian special services get involved in assassinations, sometimes these are hired guns.

A man who was assassinated close to the Austrian capital, Vienna, on July 4 was Mamikhan Umarov, known as Anzor Umarov or Anzor of Vienna, a former Chechen separatist and a critic of Chechen leader Ramzan Kadyrov. Umarov fled to Austria in 2005 where he lived under the name of Martin Beck. In 2007, he was granted refugee status. According to him, he left Chechnya as he feared that the authorities could start to look for new victims. In the past, he served as a police officer in Chechnya. Umarov also called himself a former member of

the security services of the separatist Republic of Ichkeria. He was killed by two other Chechen immigrants, a proof that the Europe-based Chechen diaspora is infiltrated by Kadyrov and his people. Shortly before the Vienna killing, Georgian secret services had thwarted a plot to assassinate a journalist who had made an verbal attack on Vladimir Putin on live television last year. Kadyrov often uses people in the Chechen diaspora in Europe to assassinate his enemies. Some estimates put the number of Chechens living in the European Union at over 100,000.



SOURCE: KREMLIN.RU

The Russian authorities may have used the flow of Chechen refugees in the past decade as a vehicle for planting their operatives across Europe. Over the years, Kadyrov developed a tool for controlling the Chechen diaspora

by using criminal rings and blackmailing their relatives in Chechnya. Today, the Kremlin has a slew of its agents amongst Chechen diaspora members in Austria, France, Belgium, and Germany.

17 July 2020

THE KREMLIN USES RADICAL RUSSIAN IMPERIAL MOVEMENT TO DESTABILIZE THE WEST

The Russian propaganda machine seeks to promote the image of a destabilized West. Also, the Kremlin is fomenting Western disputes by training and offering assistance to the far-right, often neo-Nazi, circles throughout Europe. In it, the Russian Imperial Movement (RIM), a white supremacist group, plays its role. For years, RIM has conducted illegal activities but continues its “mission” with the blessing of Russian officials -- who yet do it unofficially. This has not changed even after the U.S. had labeled a white supremacist group as a terrorist organization.



SOURCE: MINOBORON

Though the Russian Imperial Movement was founded roughly two decades ago, it has gained momentum only in the past seven years, for two core reasons. First, in 2014, it started deploying its volunteers to Donbas and got involved in Russia's annexation of Crimea. Secondly, the Russian Imperial Movement has become more interested in backing far-right movements throughout Europe whilst making attempts to coordinate their moves. With the movement being on the rise and spreading geographically, a few months ago, the U.S. Department of State designated the Russian Imperial Movement as a whole alongside three of its leaders as a terrorist organization, though the Russian Imperial Movement does not operate in the United States. What was enough was the group's activity throughout Europe, with its camps in St. Petersburg for combat training in which German neo-Nazis took part. The Russian Imperial Movement is an organization that trained individuals who then

later attempted to carry out terrorist attacks in Sweden, or who were sent to fight in the war in Donbas or Libya, where, as mercenaries, they advanced Moscow's interests.

Russian authorities shield the Russian Imperial Movement and its members even following their being named as Specially Designated Global Terrorists. Why? RIM adheres to an ultranationalist ideology and aims to bring Russia's tsarist rule back. The group is known for disseminating anti-Semitic, anti-Western, and anti-Ukrainian rhetoric whilst getting involved in regions that are key for Russia and its interests. Also, it establishes transnational networks with like-minded neo-Nazis and white supremacist groups in a move that adds new benefits to Moscow. Likewise, the Kremlin is mounting potential to destabilize its hated West while Russian services can hire spies amongst non-Russian nationals that engage politically.



VLADIMIR PUTIN'S MEETING WITH PRESIDENT OF AZERBAIJAN ILHAM ALIYEV AND THEN-PRESIDENT OF ARMENIA SERZH SARGSYAN, AUGUST 2014. SOURCE: KREMLIN.RU

21 July 2020

ARMENIA-AZERBAIJAN BORDER FIGHTING PROMPTS RUSSIA TO CHANGE STRATEGY

The latest flare-up in the Armenia-Azerbaijan armed conflict does not change much in the balance of power through the South Caucasus. With their military potential and deals they had sealed with other states, neither country is poised to emerge a victor. Most importantly, after the latest border spat, Russia has shifted its stand on the feud both Armenia and Azerbaijan have been locked for the past three decades. Recent years particularly saw the Kremlin's tilt from a pro-Armenian view towards the center, to mediate possible peace talks rather than take sides with Armenia.

Over a few days in mid-July, the heavy fighting erupted on the Armenia-Azerbaijan border, making it the deadliest escalation since the April 2016 Four-Day War. Interestingly, clashes occurred north of Azerbaijan's breakaway region of Nagorno-Karabakh, and not there. Unlike Turkey whose

officials declared firm support for Azerbaijan -- the Turkish defense minister held a meeting with his Azeri counterpart -- Russia took on a neutral stance, chiefly to Armenia's sour regret. It was by no accident that the country's military stirred up a military clash outside Nagorno-Karabakh.

Armenia is a member of the Collective Security Treaty Organization (CSTO). Under the Russia-led military alliance, an offensive against its member offers an intervention yet elsewhere outside the separatist region. As the fighting broke out in another Armenian region, Yerevan was right to expect aid from other fellow members. Yet under evident pressure from Moscow, Pashinyan's cabinet could not count on that. This all came to the bitter disappointment of Armenia: Russia has no intention of entering the game despite a clear-cut defense deal that stipulates military aid for Armenia everywhere but in Nagorno-Karabakh. Yet Moscow abstained from taking any action: Kremlin spokesman Dmitry Peskov urged Armenia and Azerbaijan to show restraint whilst not saying who was to blame after the deadly escalation in fighting along the Armenia-Azerbaijan shared border. At a July 17 meeting, Russia President Vladimir Putin and members of Russia's Security Council much discussed the recent flare-up in the fighting.

Moscow remained neutral -- though Russia is Armenia's strategic ally and the sole country to offer security guarantees, has military bases in Armenian Gyumri and Erebuni, with thousands of troops, air forces, tanks, and artillery. This might stem from cooler ties with Armenia after Nikol Pashinyan took office -- and Moscow's relations with Azerbaijan have somewhat warmed in recent years, a proof of which were phone calls between the Russian and Azeri defense and foreign ministers shortly after the fighting between Armenia and Azerbaijan widened.

Apparently, whilst mitigating its policy in the South Caucasus, the Kremlin hopes to earn much more throughout the region. But this does not modify the two top vectors in the Russian strategy. First, Armenia remains a key ally regionwide. Second, the longer the feud over Nagorno-Karabakh is unsettled, with Armenia and Azerbaijan being actually at war one with another, the better for the Kremlin and its "divide and conquer" principle.

21 July 2020

PUTIN ORDERS COMBAT READINESS CHECK NEAR UKRAINIAN BORDER

On July 17, a snap combat readiness check kicked off, with troops of Russia's Southern and Western military districts. It also involves airborne troops and marine infantry from the Northern and Pacific Fleets. Russian President Vladimir Putin ordered to dispatch 150,000 personnel and 26,000 pieces of military hardware to the site.



SOURCE: MINOBORON

More than 400 aircraft and over 100 vessels will also take part in the military event in the Black and Caspian Seas. The Russian military was tasked with conducting as many as 56 tactical drills, according to Russian Defense Minister Sergei Shoigu. As part of the drills, the Russian missile brigade of the 58th Army in North Ossetia (Mozdok Base) test-fired the Iskander-M battery at the training ground in Stavropol Krai. With the drills, the military seeks to ensure security in Russia's southwest, where Shoigu sees a "serious threat" from terrorism, thus pointing at Ukraine. The country borders areas of both the Russian Western and Southern Military Districts. The check will test the readiness of Russian armed forces for the Caucasus-2020 military maneuvers scheduled for September. Yet officials in Kyiv are fearful of the drills being used to invade Ukraine. But the country has now no intention of remaining idle. Defense Minister Andriy Taran said the

leadership of Ukraine's Defense Ministry and the armed forces plan to conduct Joint Effort-2020 strategic command exercises also in September, as a symmetrical response to Russia's Caucasus-2020 war games.

A snap combat readiness check has fit into the Russian military landscape. It could be ordered for either individual units or armed forces, with those involving a whole military district being of the biggest importance. With these inspections, the Russian command has an answer to the question of how it actually could wage war. The recent check in both the Western and Southern Military Districts is not a new story; a comparable one took place last year in the Central Military District. It involved airborne troops, transport aircraft, and brigades from other military districts, including the Southern and Eastern ones. Another striking resemblance is that the combat check took place shortly before the Tsentri-2019 strategic drills.



SOURCE: KREMLIN.RU

22 July 2020

RUSSIA'S STALEMATE ON SYRIA

The situation in war-torn Syria has stalled for a couple of months. Russia had to align with Turkey and halted the Syrian government's air and ground campaign into rebel-held Idlib province. As diplomatic efforts prove futile and ties with al-Assad's regime deteriorate whilst Moscow and Turkish are seeing the chill in bilateral relations, none of which help the so-called Astana format, three-way talks between the key foreign powers in the Syrian conflict.

What symbolizes Russia's stalled position in Syria is a July 14 bomb attack that hit the route of the joint patrol of Turkish and Russian troops in Idlib's de-escalation zone, wounding three Russians. In March, Russia and Turkey agreed on a ceasefire in Idlib after months-long offensive of Syrian government forces, backed by Iran and Russia, against rebel insurgents. Though the Kremlin managed to help the Syrian leader fight the rebellion and recapture most of the country's regions, it is little clear how Russia could take advantage of this success. Tensions rise high between

Moscow and Damascus, with Iran playing its role in the ongoing conundrum. But worldwide, the Kremlin is unable to strike a deal in a move that is tantamount to the world's accepting al-Assad's rule and the current balance of power in Syria whilst paving the way for billion-dollar deals to rebuild the war-ravaged country. Russia has recently come under strident criticism from the UN Security Council over its proposals to send humanitarian aid to Syria. In a new report, the United Nations wrote about Russia's war crimes in Idlib. So Putin somewhat dusted off the Astana format, a tool that has in

the past offered an array of benefits to Russia. A virtual meeting between the Turkish, Iranian, and Russian leaders took place on July 1, a day after international donors had pledged a total of \$7.7 billion to support Syrian refugees and host countries at an EU-UN joint conference. Also, Russian President Vladimir Putin told his counterparts from Turkey and Iran that there was a need for peaceful dialogue between the opposing forces in Syria's civil war. Hot spots of terrorism still remain in Syria's Idlib and other regions, he added. Moscow officials suggested that an inclusive inter-Syrian dialogue be promoted within the framework of the constitutional committee in Geneva. In a three-way joint statement, Russia, Turkey, and Iran said there is no military solution to the Syrian war that should find its settlement

in a political process. In a video conference, Iran added it is out of the question to curb its involvement in Syria. "I emphasize that the fight against terrorism will continue until it is completely eradicated in Syria and the region in general," Iranian President Hassan Rouhani said in a live broadcast. Yet the Turkish leader said Turkey's "fundamental priorities are to safeguard Syria's political unity and territorial integrity." This irked officials in Washington. U.S. Special Representative for Syria James F. Jeffrey said trilateral talks between Russia, Turkey, and Iran are what he labeled a patent attempt by the Russians and the Iranians to seize the initiative from the United Nations. Washington put it shortly: no cooperation under the Astana process.

23 July 2020

SHELL AND GAZPROMNEFT START JOINT PROJECT IN RUSSIA'S FAR NORTH

Petroleum giant Royal Dutch Shell is amongst foreign firms that have neither quit nor curbed their projects in Russia after the country had been hit by punitive measures. The oil major is not fearful of the economic crisis in Russia, the sharp decline in hydrocarbons prices, or serious problems of Russian energy companies. Gazpromneft, Gazprom's crude oil arm, said it had teamed with Shell to set up a joint venture to explore for and develop hydrocarbons on the Gydan peninsula in the Russian Arctic.

Both energy firms sealed a deal to form a joint venture to carry out exploration and development work on the Leskinsky and Pukhutsyayakhsky license blocks. Upon completion of the deal, each partner will hold a 50 percent interest in the joint venture. Both firms will manage the joint venture on a parity

basis. Later this year both firms are expected to obtain corporate and regulatory approvals in a move that allows them to complete the deal. The cluster is located in the northeastern part of the Gydan peninsula. Its assets are characterized by a low degree of geological knowledge and significant remoteness from the



SOURCE: GAZPROM-NEFT.RU

transport and oil and gas infrastructure. The 3,000 square kilometer Leskinsky license block lies in the Taymyr district of the Krasnoyarsk Krai. It is expected to host around 100 million tons of oil equivalent, according to preliminary estimates. The adjacent 800 square kilometer Pukhutsyayakhsky block is far smaller and lies in the Tazovsky district of the Yamal-Nenets Autonomous Okrug. It is supposed to contain 35 million tons of oil equivalent. Currently, 2D seismic surveys have been completed on both blocks. The first prospecting well is expected to be drilled in the Leskinsky area by the

end of this year. Data will be used to refine the geological concept and prepare a future project development plan. The Gazpromneft-Shell deal in the Gydan peninsula shows that despite sanctions and tightened budget Russia is a strategic direction for the British-Dutch energy major. Shell has halted some of its new projects amid bad external conditions yet will go ahead with those of Salym or Sakhalin-2. Also, Shell, as one of the Western companies, has granted financing for the Nord Stream 2 energy pipeline.



SOURCE: GAZPROM-NEFT.COM

24 July 2020

RUSSIA CONSIDERS MEXICO-STYLE OIL HEDGE

Russian President Vladimir Putin has tasked the government with considering the possibility to hedge the country's oil and gas revenues to protect them from the price decline, Kremlin spokesman Dmitry Peskov said on July 23. This came as a comment to a fresh report by Bloomberg. Citing unnamed senior officials, the agency reported that Russia was considering a Mexico-style hedge. Like Mexico did in the past, hedging massive oil and gas export revenues might protect Russia from any drops in prices.

It is thus no surprise that the country is wondering how to shield its budget if prices fall any further. Russia's finances will take a big hit this year after oil prices have collapsed amid global coronavirus lockdowns and a price war with Saudi Arabia. Two other government officials who spoke with the RIA Novosti news agency on condition of anonymity said Russia's Finance Ministry was against the plan. It already

has a system for protecting the budget against swings in oil prices. The country's finance officials use revenue when crude trades above \$40 a barrel to buy foreign exchange for the national wealth fund and spends from it to finance the budget when oil prices are lower than \$40 per barrel.

The hedge would be an additional tool to support the National Welfare Fund when oil

prices fall. “Indeed, responsible agencies are discussing different hedging mechanisms, the possibility to resort to this method, which some countries use to hedge risks of unstable pricing environment,” Peskov told journalists. Under the latest proposal, the government would use money from its wealth fund to buy the put options, which would generate profits if oil prices fell. Mexico has used a similar system since 1990 via put options the government buys from a small group of investment banks and oil companies. Mexico pays most, according to Wall Streets officers, but this offers a billions-worth tool to support the state budget when

oil prices fall. Though it did not occur so often, in 2015 and 2016, Mexico saw a full recoup. Russia is unlikely to go for a full-insurance option, though. Mexico is paying around \$1 billion per year to hedge exports that are around 25 percent of Russia’s. Interestingly, no other crude oil major followed suit with a similar mechanism. Perhaps Moscow will go for it just to cripple the U.S. shale industry as it did during the oil price war earlier this year. If Russia followed the Mexican model, it could hinder the U.S. shale industry, where dozens of small- and medium-sized companies rely on hedging to finance their drilling budgets.

25 July 2020

WAR IN THE RUSSIAN FUEL MARKET?

As Russia’s demand for fuel revived after the coronavirus pandemic, the country’s oil majors -- with their gas station networks -- have a clear advantage over independent market actors. The former first and foremost enjoy state from state officials.

The Federal Antimonopoly Service, or FAS, Russia’s antitrust watchdog, does not recognize concerns of the Russian Fuel Union, in short RTS, an organization that brings together independent gas station owners, over wholesale gasoline prices as justified. That is what stems from the statement issued by Armen Khanyan, head of the department for regulation over fuel-and-energy complex and chemical industry of the Federal Antimonopoly Service. The Federal Antimonopoly Service got a letter from the Russian Fuel Union in which its president, Yevgeny Arkusha, asked to tackle

the difference in detail and wholesale prices.

The organization believes that efforts to restore Russian fuel output do not go in line with the increase in demand that hit the level of 5–10 percent between May and July. “Thus back then and whilst exporting gasoline supplies, some producers placed them on the exchange market before delivering them to their own gas stations,” Arkusha wrote in the letter. According to RTS, wholesale prices grew dramatically, with retail that followed. This growth dramatically exceeded the inflation



SOURCE: GAZPROM-NEFT.COM

level, the RTS wrote further on. This delivers a severe blow to independent gas stations that must raise their prices to the levels that surpass those of Russia's biggest oil stations. Besides, the latter can make money on selling and exporting wholesale fuel. Thus RTS asked Russia's antitrust watchdog to take sufficient steps to stop these gaps, especially to examine efforts made to boost fuel output and its delivery to the domestic market.

Secondly, the association seeks to ensure better control over stock exchange transactions. Thirdly, RTS wants to lift fuel import ban to Russia as soon as possible. The letter does not provide any new information, Khanyan said. The FAS official noted that it had decided to raise fuel sales standards long before RTS submitted its letter. Also, Russia's antimonopoly watchdog and the Ministry of Energy sent a joint letter to government officials in which

they asked to suspend fuel imports. According to the FAS representative, gasoline supplies to the stock exchange are now around 19 percent whilst diesel – roughly 10 percent, with the standard of 10 percent and 6 percent respectively. “Thus with this, wholesale prices of motor fuels stabilized whilst they have followed a downward tendency for the past few weeks. As for retail, price change does not exceed the 3 percent inflation rate, with gasoline going up by 1.8 percent and diesel – 1.4 percent,” Khanyan said in an interview with RIA Novosti. As he said, FAS and the Ministry of Energy had earlier developed measures for the stability of the fuel market that triggered price drops on the stock exchange market. According to Khanyan's statement, independent gas stations cannot count on state aid. Perhaps Russia's state-run or state-aided oil majors will only strengthen their market position.



PHOTO CREDIT: ALEXEI PESTRIKOV

26 July 2020

JULY BRINGS SWEEPING CRACKDOWN IN RUSSIA

Shortly after Russians cast their ballots in a much-discussed constitutional plebiscite to consolidate Putin's life-long grip on power, the Russian regime kicked off a clampdown on dissent and curbed any signs of independence amongst the ruling elite, notably in Russian regions. The Kremlin has no intention of quitting its harsh course or just waits patiently if -- like in Khabarovsk Krai -- there emerges the imminent risk of violence.

As Russian euphoria over the annexation of Crimea faded over time, Putin saw his popularity ratings dwindle year by year. A turning point was the 2018 controversial pension reform that hit hard Putin's traditional supporters. The Russian president could not shirk responsibility for the extremely unpopular social reform. Thus his ratings rapidly went down. This is why Putin ordered a tightly managed vote on constitutional changes that would pave his way to extend his stronger-

than-ever rule before social support collapses. The Russian leader's plan began in January this year yet got stuck in limbo with the staggering coronavirus pandemic that shed the spotlight on a series of shortcomings in Putin's policy whilst discarding his image of a strong leader, especially amongst his most avid supporters.

So the Kremlin began to rush and sealed Putin's grip on power as soon as in early July. State officials kick-started a purge in a showcase that



SOURCE: AF.MIL

Putin can control everything, also seeking to halt or at least impede any negative trends for his rule over the country. On July 6, journalist Svetlana Prokopyeva was convicted in Pskov of “justifying terrorism” and was ordered to pay a fine over an article she wrote in 2018 in which she discussed a bombing outside the Federal Security Service (FSB) offices in Arkhangelsk. Just a day after, Ivan Safronov, a former journalist and an adviser to the head of Russia’s space agency Roscosmos, was detained by the Federal Security Service on suspicion of treason. On July 8, authorities stormed the apartment of opposition activist Pyotr Verzilov, and on July 9, the homes of at least five other opposition activists were raided in Moscow. One thing connected them: earlier all had campaigned against Putin’s constitutional amendments.

On July 22, a Russian court sentenced Yuri Dmitriyev, a history researcher and the head of the Memorial Association in Karelia in northern Russia, to 3.5 years in prison. But Russia’s elites got a severe blow, too. Safronov’s

detainment undermined the position of Dmitry Rogozin, the head of Russia’s space agency. Rogozin has been under fire for the agency’s poor performance. But what grabbed most attention are recent events in Russia’s Far East. Vladimir Putin dismissed Sergei Furgal, the former governor of Russia’s Khabarovsk region, as the latter had been arrested on July 9. His imprisonment was not accidental, though. The unexpected emergence of allegations stemming from so long ago has people wondering why the regime found it was perfect time to use them against the governor. Why? The Kremlin sent a warning signal to all governors to keep their emotions in check. Many regions are now on the brink of economic collapse as Moscow burdened them with the fight with the Covid-19 pandemic yet refused to offer aid. Thus both people and regional officials began to express growing dissatisfaction. The Kremlin will stand to defend its course, as exemplified by the arrest of Furgal, replaced with a Kremlin-loyal person in a somewhat ostentatious move, and its showy disrespect for days-long rallies in Khabarovsk.



SOURCE: SOVCOMFLOT

27 July 2020

NOVATEK DELIVERS LIQUEFIED NATURAL GAS VIA NORTHERN SEA ROUTE

Russia's private energy firm Novatek made its first-ever delivery of liquefied natural gas from its Yamal LNG eastbound to Japan via the Northern Sea Route. This marked yet another event where the Northern Sea Route served a pivotal role for the Russian economy, notably its hydrocarbon exports. Sometime earlier, a Russian LNG tanker had arrived in China via the Northern Sea Route, roughly two months earlier than previous such voyages.

The LNG cargo was delivered by the LNG tanker Vladimir Rusanov under a spot contract and unloaded at the Ohgishima LNG Terminal in Japan in accordance with the delivery schedule. This LNG cargo was its first successful experience of entering and unloading an Arc 7 ice-class LNG tanker in a Japanese port, Novatek said in a statement.

This opens up fresh scope for new shipping opportunities, according to the company's management team.

The future launch of a transshipment terminal in Kamchatka will significantly expand our opportunities to cost competitively deliver and supply LNG to the entire Asia-Pacific region," said Lev Feodosyev, Novatek's first deputy

chairman of the management board. Novatek has enjoyed a wider window of opportunities since it began using the Northern Sea Route to dispatch its energy commodities. Russia's largest private natural gas company Novatek conducted a voyage using Sovcomflot's ice-breaking LNG carrier, the Christoph de Margerie, to examine how feasible an eastward voyage on the Northern Sea Route would be in May, almost two months earlier than usually. The navigation season usually starts in July. Yet weather conditions in Russia's Far North are harsh so the vessel is escorted by the nuclear icebreaker Yamal. The Christophe de Margerie vessel, an Arc7-classed LNG tanker, arrived in China on May 31.

It took just twelve days to reach Cape Dezhnev at Chukotka, Russia's easternmost continental

point, after setting out from Sabetta during the 2,563-nautical mile voyage. "This successful voyage across the Northern Sea Route in May allows us to move one step closer to realizing the full transit potential of the Northern Sea Route" Igor Tonkovidov, CEO of Sovcomflot, was quoted as saying. "Also, it significantly opens the window of our shipping opportunities, with increased efficiency of Arctic industrial projects," he added. "The record-early eastward journey of the Christophe de Margerie is proof that the shipping lane along the Northern Sea Route has become available for cargo transits two months earlier than usual. We made yet another serious step ahead towards more likely year-round navigation efforts in the area," he said.

28 July 2020

U.S. SAYS RUSSIAN MILITARY CONTINUES TO PROVIDE SUPPLIES TO LIBYA

Over the past few years Russia has been heavily implicated in the Libyan civil war where they take sides with one camp. But it was only recently that the United States has provided evidence for this, thus seeing Libya as yet another place in the world where the U.S. and Russian interests clash. Also, it is the key strategic place for both sides. The United States says that Russian-backed hired guns breach the UN arms embargo and thus fuel the Libyan conflict. United States Africa Command (AFRICOM) revealed that 2,000 Russian mercenaries from the Wagner Group have been operating in Libya.

U.S. Africa Command has mounting evidence that Russia, through the Wagner Group, continues to deploy military equipment and arms in Libya. "Russia continues to play an unhelpful role in Libya by delivering supplies

and equipment to the Wagner group," Marine Corps Maj. Gen. Bradford Gering, Africom director of operations, said on July 24. "Imagery continues to unmask their consistent denials," he added.

Russian Federation and private military company Wagner fighter-bomber, air defense, and resupply operations underway at Al Khadim Airfield, Libya.



SOURCE: UNITED STATES DEPARTMENT OF DEFENSE

The U.S. assesses that Russia supplied Wagner forces operating in Libya with fighter aircraft, military armored vehicles, air defense systems, and other supplies. This makes the whole situation far more complex and increases the risk of mistake whilst leading to the escalation of violence on Libyan soil. Russia's top goal is to build up its military presence in Libya, according to the U.S. military. "The type and volume of equipment demonstrate an intent toward sustained offensive combat action capabilities," General Gregory Hadfield, AFRICOM deputy director of intelligence, said in a statement. Russian military cargo aircraft, including IL-76s, continue to supply Wagner fighters. Russian air defense equipment, including SA-22s, is present in Libya and operated by Russia, according to U.S. photos and video footage.

Satellite photos also show Wagner utility trucks and Russian mine-resistant, ambush-protected armored vehicles are also present in Libya. That is the third time AFRICOM has made specific accusations against Russia. Earlier the U.S. military had accused Russia of sending fighter jets to Libya to assist Russian mercenaries there, and of planting mines outside Tripoli. In May, U.S. Africa Command reported at least 14 Mig-29s and Su-24s had been flown from Russia to Syria, where their Russian markings were painted over to camouflage their origin before they traveled into Libya. The U.S. military assesses that the warplanes are being actively flown in Libyan airspace. In July, the United States said they had photos of improvised explosive devices and a concealed anti-personnel mine found outside Tripoli.



SOURCE: GAZPROM-NEFT

29 July 2020

RUSSIA GAINS FRESH OPPORTUNITIES TO SHIP CRUDE TO CHINA

Russia sees China as a top priority destination for its gas and oil exports. This is chiefly because the Northern Sea Route hosts more cargo vessels, alongside the network of oil and gas pipelines -- either existing or planned -- running from Russia's hydrocarbon-rich regions to China. Also, the situation on the Chinese market is helpful for Russian energy giants and their expansion plans. Despite the devastating coronavirus pandemic that locked down China for weeks, the country's overall crude oil imports during the first half of the year rose 9.9 percent compared to the first half of 2019.

With augmented oil and gas output potential in the Arctic, Russia seeks first and foremost to boost its deliveries, notably liquefied natural gas supplies, into Asia. In July, Russia's Gazprom Neft has shipped its first crude oil cargo with Arctic oil to China via the

Northern Sea Route. The firm said it took 47 days to deliver a cargo with 144,000 tons of light Novy Port oil grade to the Chinese port of Yantai from Russia's northwestern city of Murmansk.

Russia's private natural gas company Novatek is now the major company to use the Northern Sea Route to ship its hydrocarbon commodities into Asia. But Gazprom Neft, the oil arm of gas giant Gazprom, is also betting on the Northern Sea Route to carry its cargoes. In 2013, the company began to export Arctic-sourced crude oil and so far has delivered at least 40 million tons throughout Europe. With its 250 million tons of oil reserves, the Novy Port field is one of the biggest oil fields in the Russian Arctic, and this is from where deliveries arrived in China. Gazprom Neft says it can ship crude to Europe year-round -- and at a low price -- through the delivery system it had elaborated with Novatek that includes the Prirazlomnaya offshore platform, the Arctic Gate offshore oil terminal in the Gulf of Ob, an enhanced fleet of ice-breaking vessels (with LNG carriers), ice-breaking escort vessels, and the Murmansk

offshore terminal. In the east, there are more natural constraints, as very thick ice makes deliveries outside the summer period extremely tough for much of the time, and the costs higher than those to Europe.

Earlier Novy Port crude oil was shipped to Europe, and not eastwards. Though Gazprom Neft has long sent its crude via oil pipelines to China, with this brand-new capacity, other Russian companies could have an extra advantage to send its crude, and not just Novatek that has delivered its liquefied natural gas. Also, Gazprom Neft is making attempts to increase its crude volumes it could ship from the Arctic to the Far East. In 2017, the firm acquired development rights to two new assets -- the Tazovskoye and Severo-Samburgskoye fields -- both in the Yamalo-Nenets Autonomous Okrug.

29 July 2020

U.S. LAWMAKERS SEEK NEW NORD STREAM 2 SANCTIONS BUT RUSSIA DOES NOT STAND DOWN

The United States has toughened its stance on the Nord Stream 2 energy link. The U.S. Congress added to its version of the National Defense Authorization Act, or NDAA, a provision extending the list of entities that may be involved in the project. U.S. Secretary of State Mike Pompeo warned investors that had put their money into the Russian natural gas pipeline project prior to Washington's first punitive measures that they could also face sanctions. As the Kremlin says it will wait until the final version of sanctions is published, Germany is making efforts to lobby the U.S. Congress. Also, Denmark has granted permission for the last portion of the Russian Nord Stream 2 natural gas pipeline to be constructed, with its go-ahead to kick-start works in early September.



SOURCE: NORD-STREAM2.COM

On July 20, the U.S. House of Representatives passed its version of the National Defense Authorization Act that also recommended stiffening punitive measures against any businesses that might help build the Nord Stream 2. The United States Senate on July 23 passed the \$740 billion National Defense Authorization Act for Fiscal Year 2021. U.S. senators agreed to would expand existing bans to include penalties on any foreign parties providing underwriting services, insurance or reinsurance, and pipe-laying activities. With such sanctions, both Russia's Nord Stream 2 and TurkStream are in deep trouble.

During their July 24 phone call, Vladimir Putin and Donald Trump did not discuss any sanctions against the Nord Stream 2 energy pipeline, Kremlin spokesman Dmitry Peskov told journalists. Moscow sees these measures as unacceptable, he added. According to the Kremlin official, Russia is now waiting for how the U.S. Congress will ultimately deliver its final stance on sanctions. Peskov added that both Russia and its partners had voiced concerns over sanctions against Nord Stream 2. "Our partners and us find them unacceptable. We believe these sanctions are a breach of international law," Kremlin spokesman added.

Just a couple of days before, Die Linke party lawmaker and the chairman of the economic and energy committee of Germany's Bundestag, Klaus Ernst, had addressed U.S. senators and representatives in a letter, urging them not to add extra sanctions to the bill setting policy for the Pentagon. Also, the U.S. Department of State said it would lift legal provisions that shielded companies that had invested in the project before restrictive measures were introduced. These are Gazprom's five Europe-based firms that offered roughly half of the \$11 billion worth of investment.

Despite this, Russia trumpeted a success the Danish Energy Agency (DEA) on July 6 authorized the use of Russian ships able to lay the final part of the Nord Stream 2 gas pipeline. The two pipe-lay vessels the Akademik Cherskiy and Fortuna -- and the Ostap Shereremeta and the Ivan Sidorenko, both smaller than the first two, can start laying pipes in Danish waters not earlier than in September. As cod spawns in those waters in July and August, work in that area is prohibited on environmental grounds. Some of the vessels are owned by Gazprom Fleet whilst others remain under the control of other Russian businesses. Russia deployed them as Western-based Allies stopped operations within the project when faced with massive U.S. sanctions.



SOURCE: KREMLIN.RU

30 July 2020

PUTIN REVEALS GRANDIOSE PLANS FOR RUSSIA'S NAVY

Russia will add new vessels and weapons to its navy this year, Russian President Vladimir Putin said as he attended a naval parade marking the country's Navy Day. Russia's navy is amongst those to have seen least upgrades, with other arms of the Russian armed forces having been a priority over the past few years. Whilst modernizing Russia's fleet, officials used to pay attention to its underwater vessels, but are now far more concerned on surface vessels, their firepower, and amphibious capability.

Speaking at the July 26 naval parade in St. Petersburg and the nearby town of Kronshtadt, Vladimir Putin said the navy would get 40 new vessels this year. He also spoke of a new generation of Russian "miracle" nuclear weapons, or the Tsirkon hypersonic cruise missile and the Poseidon underwater nuclear drone. Opening the parade, he said that six more vessels two nuclear underwater ships, two frigates, and a pair of landing crafts were

laid down at Russia's shipyards in the past few days.

Whilst attending the traditional Navy Day parade, Putin said Russian vessels would be outfitted with modern hypersonic cruise missiles and underwater nuclear drones. So when will the Tsirkon and the Poseidon finally sow fear amongst Russian enemies? Putin did say that. It was only the defense ministry that

said these were “in their final phase of testing.” Interestingly, the Kerch shipyard started to develop new assault ships that are to replace France’s Mistral as Paris swiftly canceled the deal following Moscow’s annexation of Crimea. Russia’s new landing crafts will carry up to 20 large helicopters and some 900 marines.

Also, the St. Petersburg shipyard is now making two upgraded Project 22350 frigates

to allow them to carry 24 instead of the 16 anti-ship missiles carried on the preceding frigates. Besides, a shipyard in Severodvinsk is developing a pair of fourth-generation Yasen-M attack submarines. Vladimir Putin asked both the country’s military and its domestic defense industry that to make the share of cutting-edge vessels surpass 70 percent by 2027.

30 July 2020

LUKASHENKO AND ELECTIONS: WHAT’S NEXT FOR BELGAZPROMBANK?

Belgazprombank, a Russian-owned commercial bank based in Belarus, is now at the heart of pre-vote clampdown after its long-time CEO, Viktor Babaryka, was barred from running in the country’s presidential run-off. As investigators entered the bank, state authorities delivered a hint they seek new management board to be installed.

SOURCE: KREMLIN.RU

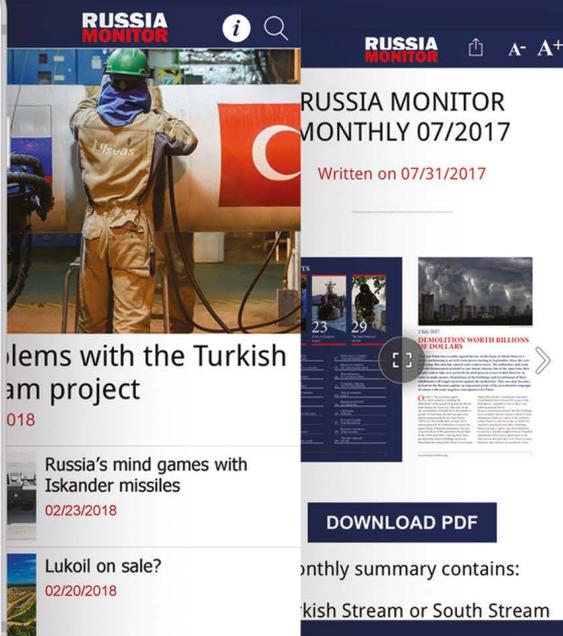


Pavel Kallaur, the chairman of Belarus's central bank, said in an interview with a Belarusian state-run TV broadcaster that he was keen to team up with Russia to decide the fate of Belgazprombank. On June 15, Belarusian authorities took control of the bank, shortly after the Committee for State Control, or KDK, had opened a criminal case against employees of the bank, including its top managers. This sparked anger amongst Gazprom and Gazprombank officials, as these two Russian majors control the Belarus-based bank.

The Committee for State Control said on June 11 it had begun to carry out searches in the bank

amidst the detainment of Viktor Babaryka, a potential top challenger to Belarusian President Alexander Lukashenko in an upcoming presidential election and former head of Belgazprombank, who led the commercial bank for 20 years. Law enforcement officers opened criminal cases on suspicions of tax evasion and money laundering. Babaryka was arrested on June 18, along with his son and campaign manager, Eduard. As many as thirty other people were detained, of whom some were the bank's executives. What Kallaur said might imply Minsk's swift attempts to settle the spat over the Gazprom-controlled commercial bank.

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