

RUSSIA MONITOR

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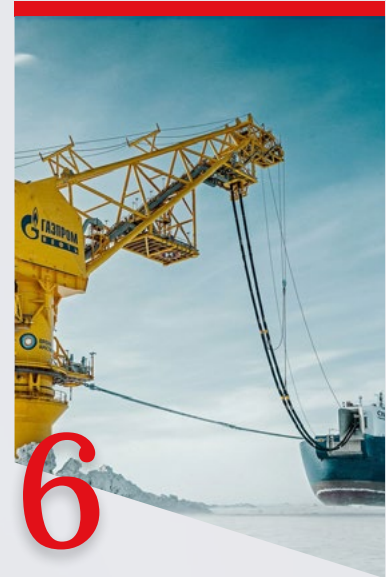
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SOURCE: DENIS-PUSHILIN.RU

7 May 2021

WHAT IS BEHIND RUSSIA'S PASSPORTIZATION OF DONBAS

Over 500,000 people living in the Russian-occupied part of Ukraine's Donbas are now Russian citizens. Issuing passports to people is a political tool already tested in some breakaway regions: Moldova's Transnistria and Georgia's Abkhazia and South Ossetia.

For the past two years, Russia has distributed 530,000 passports to Ukrainians living in the occupied part of Donbas, according to the Russian interior ministry. That makes up a huge figure or roughly a fifth of the whole population of those areas in the Donetsk and Luhansk regions that now are under Russian control. Russian officials seek to double the number by

late 2021, to around 1 million people holding Russian passports. Just 2,000 applications so far have been dismissed. This fast track was made possible by a presidential decree issued by Vladimir Putin in April 2019. With the signature of the Russian president, it is now easier and faster to grant citizenship to the Russian population in Donbas. The mass naturalization

of Ukrainians is part of the hybrid war Moscow has been waging against Ukraine. Russia claims that it is not a party to the Donbas conflict while what happens in Ukraine is a civil war between Kyiv and local rebels. Notwithstanding its claims, Moscow officially meddles with the other country's affairs by distributing Russian passports on special terms. But what is behind that?

Certainly, Moscow issues passports to at least partly satisfy the expectation of some Donbas inhabitants who backed the 2014 rebellion, also in hope of repeating the Crimean scenario. But nothing like that came. Moreover, no one – even the Kremlin – is considering seizing these areas and incorporating them into Russia. Putin wants Kyiv to reclaim Donbas while giving the region a great deal of autonomy and Russian influence throughout it. In this context, issuing Russian passports has the intention to at least partly meet the expectations of Moscow supporters in occupied lands. The mass

distribution of Russian passports has another purpose: to rapidly increase the number of Russian citizens in “people's republics,” a move that makes the abundance of the Russians in rebel forces and their offices less conspicuous.

With so many Russian passport holders in occupied regions, it will be more challenging to reintegrate them with the rest of Ukraine in the future. Even if the conflict sees its settlement quite soon while Kyiv seizes these lands back, so many Russian citizens in Donbas will serve to disintegrate the region and sow turmoil there – and therefore elsewhere in Ukraine. In a nutshell, the Kremlin seeks to plant somewhat a Trojan horse, its fifth column on Ukrainian soil, the more so because the so-called Medvedev Doctrine is still in force. Put forward in 2010 by then President Dmitry Medvedev, it is a set of five principles on the Russian policy towards states of the “near abroad.” According to one of them, Russia will defend its citizens also abroad if they are seen to be at risk. ■

10 May 2021

PUTIN'S MAY 9 SPEECH: SOVIET, OR RUSSIAN VICTORY

Russia's traditional World War Two victory parade and Vladimir Putin's speech show that the Kremlin is making efforts to appropriate the historical memory of what the Russian refer to as the Great Patriotic War. Though the Soviet Union—which consisted of multiple nations—fought a war with the Third Reich, now Moscow is making efforts to be the only one associated with this victory. At the same time, this is in line with Putin's confrontational policy both at home and abroad, toward Western nations. The policy seeks to depict Russia as a besieged fortress being under attack from both the outside and the inside.



SOURCE: KREMLIN.RU

On May 9, Russian President Vladimir Putin received a military parade on Red Square in Moscow. It featured over 12,000 troops and roughly 200 pieces of military hardware. This year's parade was a typically Russian holiday as no foreign leader had been invited to watch the military display. The only foreign official present there was Tajik President Emomali Rahmon. But he attended the military show somewhat incidentally as he had come to Moscow for talks that Putin deems important amid the tense situation in neighboring Afghanistan. In addition to the Tajik leader, the guests included only Russian government and senior officials, lawmakers, and veterans. Yet Putin's speech indicated the Kremlin's desire to "nationalize" this year's parade. On the one hand, the Russian president hailed the great victory of the "Soviet people," while on the other, he denounced the return of "Russophobia" spreading across the world. It was glaring that while saying that, the Russian leader strived to equate modern Russia and the Soviet Union. The goal is to claim the victory over Hitler and to "ban"

claiming complicity in defeating Germany by Ukraine that Moscow sees as its enemy. In his speech, the Russian leader made a slew of references to the present political situation. "Unfortunately there are once again attempts to deploy many things from the ideology of the Nazis by all sorts of radicals and international terrorist groups," Putin said. While speaking to the public, Putin also put forward elements of the war to save historical memory that Moscow had been waging for years. This served as a reminder that "the Soviet people freed European countries from the brown plague," also those that now are showing "ingratitude" to Russia. Of course, the Russian leader decried "attempts to rewrite history, to justify traitors and criminals." Putin's address to the nation confirms one: Moscow will still use holidays as May 9—while many nations commemorate their victory over Nazi Germany on May 8—to impose its own version of history where there is no room for the Ribbentrop-Molotov Pact or Stalin's two-year alliance with Hitler. ■



SOURCE: MEDIA.GAZPROM-NEFT.COM

13 May 2021

HOW LONG RUSSIAN OIL AND GAS RESERVES ARE ENOUGH TO LAST?

Top Russian energy officials deliver a somewhat differing view on the country's gas potential. The environment minister says Russia is able to produce natural gas twice as long as according to the chief of the state's top resources agency. At least both seem to share the same view of Russia's oil output potential. These are just estimates as--according to the government--the situation is dynamic when some deposits are running out while others are being discovered, with their size constantly updated. What is yet vital for Russia's future is how far its deposits stretch, but the global energy demand. The Russian government is less optimistic in this respect, though.

Natural Resources Minister Alexander Kozlov on May 11 said Russia has the equivalent of 59 years of oil deposits and 103 years of gas reserves. The true scale of fossil fuel deposits under Russia's soil could be even larger, but will require additional state support to accelerate exploration in hard-to-reach areas, he added. As some deposits are depleting, others are not exploited to their fullest, according to the official. His assessment differs from the one submitted sometime earlier by the head of the Russian Federal Agency for Mineral Resources, Evgeny Kiselev, according to whom the country holds the equivalent of 58 years of oil deposits and over 60 years of gas reserves. At the same time, he added that these are just conventional figures that would see constant

shifts as research technologies are developing. Throughout 2020 production of oil and gas condensate in Russia dropped by 8.6 percent, hitting the decade-worst result of 512 million tons. In 2020 the country produced more than 693 billion cubic meters (bcm) of natural gas. Meanwhile, the Natural Resources Ministry announced a new federal scheme to reproduce the country's base of mineral resources. Russia seeks to supply its gas stocks by at least 700 bcm per year by 2024, according to the paper. The target is some 2,800 bcm of gas by 2024, of which 400 bcm in the Arctic. Adopted in June 2020, the Russian energy strategy expects its gas production level to reach between 795 and 820 bcm by 2024. ■

13 May 2021

UKRAINE CHARGES PUTIN ALLY WITH HIGH TREASON

Kyiv's main pro-Russian politician Viktor Medvedchuk is wanted by Ukraine's Security Service, or SBU. Ukraine's chief prosecutor charged the lawmaker with treason. The new and so far strongest blow dealt to Medvedchuk could further sour tensions on the Ukraine-Russia border, unleash retaliatory steps from Moscow and add some fuss to the agenda of a possible meeting between the U.S. and Russian leaders.

Ukraine has indicted two Ukrainian lawmakers. Charges under several articles were also brought against Medvedchuk business partner Taras Kozak. Earlier both had been witnesses in the case of illegal activities in Russian-occupied Crimea. Medvedchuk, who is the head of the political council of Opposition Platform – For Life, allegedly stole business assets belonging to Ukraine. Ukraine's Security Service has searched the home of Kremlin-

friendly tycoon and many other related premises. Earlier Ukrainian authorities had announced sanctions against Medvedchuk and his wife; the couple had its financial assets frozen on suspicion of “financing terrorism.” Soon after that, Russia began amassing its troops near the Ukrainian border, thus sending a threat of war. Medvedchuk is an experienced politician. Some twenty years ago he was chief of staff to former Ukrainian



SOURCE: KREMLIN.RU

President Leonid Kuchma, the country's "eminence grise." Despite his openly pro-Russian stance, he sat at the negotiating table with Russia back when Petro Poroshenko was in power. Medvedchuk has a deep personal relationship with Putin, who is the godfather of Medvedchuk's daughter. The leader of Ukraine's pro-Russian opposition party has in the past visited Moscow more than once and has been a guest at the Kremlin. Taras Kozak, who is another suspect in the case, is an owner of pro-Russian TV channels, de facto controlled by Medvedchuk. In February Ukrainian authorities imposed sanctions against the businessmen and barred the outlets from broadcasting. Also, Kozak's businesses were involved in the illegal coal trade in Donbas. The latest decision from Ukrainian authorities prompts an open conflict with Medvedchuk and the country's Kremlin-friendly political groups. One might

expect a tit-for-tat response from Russia. Also, Moscow has not withdrawn all of its troops it had dispatched to the country's border with Ukraine back in March and April. Thus a series of war-related threats may start again and it is to be expected that pro-Russian rebel fighters in Donbas along with the Russian military kick off intensified military provocations on the front line. Mounting tensions between Moscow and Kyiv may affect the announced meeting between Biden and Putin. These are rather unlikely to break the summit but certainly will shape its agenda. Interestingly, Ukraine charged Medvedchuk with treason shortly after U.S. Secretary of State Antony Blinken visited Kyiv, a move probably suggesting U.S. approval. A few days ago the U.S. biggest fuel pipeline network was shut down by a cyberattack, possibly from Russia. ■



SOURCE: KREMLIN.RU

14 May 2021

RUSSIA PLEDGES SUPPORT FOR TAJIKISTAN AMID DETERIORATING SITUATION IN AFGHANISTAN

During the recent Moscow visit of Tajik President Emomali Rahman, Vladimir Putin said that Russia is helping to strengthen Tajikistan's armed forces and build up its military contingent in the country. The Kremlin is looking to stake out its military position in the Central Asian country amid a deteriorating security situation in neighboring Afghanistan. As U.S. and NATO contingents plan to leave the country, it will slip into further violence and civil war while the Taliban will only grow in force.

The leader of Tajikistan made a trip to Moscow on May 8–9. Rahmon was the only head of state to attend the Moscow ceremonies but the trip allowed him an opportunity to meet with Russian President Vladimir Putin on May 8 and again the next day during the parade on Red Square. This can be considered a symbolic emphasis from Moscow of the mounting importance of its Tajik ally. What is yet important is firm decisions. At the meeting, Putin said Russia is making efforts to build up its military facility in Tajikistan. The Central Asian state hosts about 7,000 troops from Russia. Putin did not conceal his intention to boost security across the region amid the concern over Afghanistan. After the United States and NATO started withdrawing troops from Afghanistan as of May 1, the Taliban began their offensive. Only a few days before Russian Defense Minister Sergei Shoigu made a trip to Dushanbe where he met with Rahmon. Both officials signed a deal on a common air defense space. Tajikistan seeks the best possible ties with Russia—not only amid the simmering threat in Afghanistan. Hundreds of thousands of Tajik jobseekers immigrated to Russia. The money they send to their families is a major part of the gross

domestic product of Tajikistan—one of the poorest republics in the post-Soviet zone. Following his visit to Tajikistan, Shoigu rushed to neighboring Uzbekistan, which also borders Afghanistan. In Tashkent, he outlined a plan for Russia-Uzbekistan military cooperation for the next few years. Russian steps in the Central Asian republics around Afghanistan have another purpose in addition to the Taliban threat. Moscow may feel disturbed as some are saying that having quit Afghanistan, the United States has no intention of leaving the region. Russia could be willing to deploy some military installations in Uzbekistan or other neighbors of Afghanistan to use them in future operations if needed. The situation exacerbates further with the activity of the so-called Islamic State in Afghanistan whose rebels are fighting against the government, the Taliban, and the country's minority Shiite Muslims. The last of them was the target of a Kabul bomb attack that killed nearly 50 people, mainly schoolgirls. The blast took place the same day when Putin hosted Rahmon in Moscow. Taliban attacks targeting the government forces will only intensify in the coming weeks approaching September 11, 2021, set as the deadline for all U.S. and NATO forces to leave Afghanistan. ■

19 May 2021

RUSSIA CONDUCTS DOUBLE-TRACK DIPLOMACY IN ISRAEL-HAMAS CONFLICT

Moscow must take careful steps amid the recent flare-up in the Middle East. The Kremlin enjoys warm ties with the Islamist movement Hamas and has to take into account the stance of the whole Muslim world. On the other hand, Vladimir Putin has established a special relationship with Israeli Prime Minister Benjamin Netanyahu. Through its good ties with the two parties to the conflict, the Kremlin could try to mediate. Nonetheless, this seems a tough task at the moment so Russia will just urge the two sides to stop attacks.



SOURCE: KREMLIN.RU

Hamas is ready to halt attacks against Israel on a mutual basis and under international pressure on Israel, the Russian foreign ministry said in its May 12 statement that came after talks with the Palestinian movement. Russia's Deputy Foreign Minister and Putin's special envoy for the Middle East and Africa Mikhail Bogdanov held a meeting with Mousa Abu Marzouk, deputy leader of Hamas. Russia has for years had cordial ties with the movement controlling the Gaza Strip. Hamas has even its official representation in Moscow. Also, Russia sells some weapons to Palestine--albeit through some proxies. For Moscow, it is vital to have decent ties with Israel. Vladimir Putin meets frequently with Benjamin Netanyahu and the two countries are tied with a deal on Syria--Moscow gives the green light to Israeli forces to conduct raids against targets linked to Hezbollah and Iran. A day after the Russian foreign ministry published its statement, Putin commented on the Israel-

Hamas conflict. A statement put out by the Kremlin after Putin spoke to UN Secretary General Antonio Guterres via video read: "In light of the escalation of the Palestinian-Israeli conflict, it was stated that the primary task is to stop violent actions on both sides and ensure the safety of the civilian population," Earlier Putin had had a phone call with his Turkish counterpart, Recep Tayyip Erdogan, who was in favor of taking firm steps toward Israel. Yet the Russian leader refrained from any harsh declarations, in fact not sharing Erdogan's viewpoint. Putin does not want his country's relations with Israel to sour. Russia is following its policy there on two tracks. As the Kremlin cares for good relations with Netanyahu, the country's foreign ministry echoes the stance of Hamas to the whole world. Russia will restrain its activities to this tactic while not taking part in mediation talks as these are quite unlikely to succeed. ■



SOURCE: WIKIMEDIA

20 May 2021

RUSSIA'S STATE DUMA VOTES TO LEAVE OPEN SKIES TREATY

Moscow made another effort to smash the post-Cold War arms control system, this time for conventional weapons. Russia has just made a big step towards the exit from the Open Skies pact. The West will soon lose an ability to control the Russian armed forces, albeit their stockpile is not full.

Russia's State Duma, the lower house of parliament, on May 19 voted to withdraw the country from the Open Skies deal, an international treaty allowing surveillance flights over military facilities following the departure from the accord by the United States. The Russian exit is yet to be endorsed by the upper house of parliament, the Federation Council,

and needs to be signed by President Vladimir Putin to take effect. The Open Skies treaty was signed in 1992 and entered into force in 2002. It allows its 34 members to conduct short-notice, unarmed observation and surveillance flights over one another's territories to collect data on military forces and activities. The United States exited the treaty on November 22, 2020,

saying Russia had made multiple violations to it. Notably, Russia introduced flight restrictions over its westernmost exclave of Kaliningrad, Abkhazia, and South Ossetia. Moscow has deplored the U.S. withdrawal, saying this dramatically changed to its disadvantage. The Russian air force is no longer able to conduct flights over the United States, but America's NATO allies can still gather data on Russia. No one will then prevent them from passing

it to Washington, formally an ex-member of the treaty. Some media have reported that the administration of President Joe Biden, who replaced Trump at the White House, is eager to consider rejoining the accord. But the document is devised in a way making it easier to pull out of it than to rejoin it. In the light of the State Duma's recent decision, the treaty will lose its significance as soon as Russia leaves it. ■

20 May 2021

RUSSIA HAS PRODUCED LESS CRUDE OIL IN 2021

Russia's biggest oil company produced 3.7 million barrels of crude oil throughout the first quarter of 2021, marking a 19.2 percent drop year-on-year. Other Russian oil producers saw a decline in their energy output, too, amid OPEC+ curbs.

SOURCE: WIKIMEDIA



Rosneft said in a statement that “a drop in oil output throughout Q1 comes from production cuts as imposed by the Russian government under the OPEC+ deal.” Oil production went down by 19.2 percent in Q1, a 5.9 percent drop compared with Q4 2020. In the first three months of 2021 Russia’s hydrocarbon output nosedived to 4.8 million barrels of oil equivalent per day. It is some 17.2 percent less year-on-year and 5.6 percent less quarter-on-quarter. Gas output figures dropped by 8.9 percent year on year, to 1 million barrels of oil equivalent per day. Lukoil also saw its output figures decline, albeit slim. Oil production excluding the West Qurna-2 project (Iraq) was 18.8 million tons in the first quarter of 2021, which is 2.4 percent higher quarter-on-quarter and 11.2 percent lower (y-o-y) in average daily terms.

Oil production dynamics were driven by the OPEC+ agreement concluded in April 2020,

which led to limitations on oil production by the group in Russia and at certain international projects. Due to the agreement, oil production by the group in Russia was cut in May 2020 by about 310,000 barrels per day, or by 19 percent, as compared to the first quarter of 2020, and has been gradually recovering subsequently. In Q1 2021, oil production in Russia was 130,000 barrels per day higher compared to May 2020. High viscosity oil output at Yaregskoye field and Usinskoye field increased by 4.3 percent (y-o-y), to 1.3 million tons. Implementation of drilling programs at V. Filanovsky and Y. Korchagin fields in the Caspian Sea increased total oil and gas condensate production in the quarter by 1.6 percent (y-o-y) to 1.9 million tons. Russia’s average hydrocarbon output - excluding the West Qurna-2 project - dropped by 7.6 percent, to 2.152 million barrels of oil equivalent per day. Gas production stood at 8.8 billion cubic meters, some 5.6 percent more than the same period last year. ■

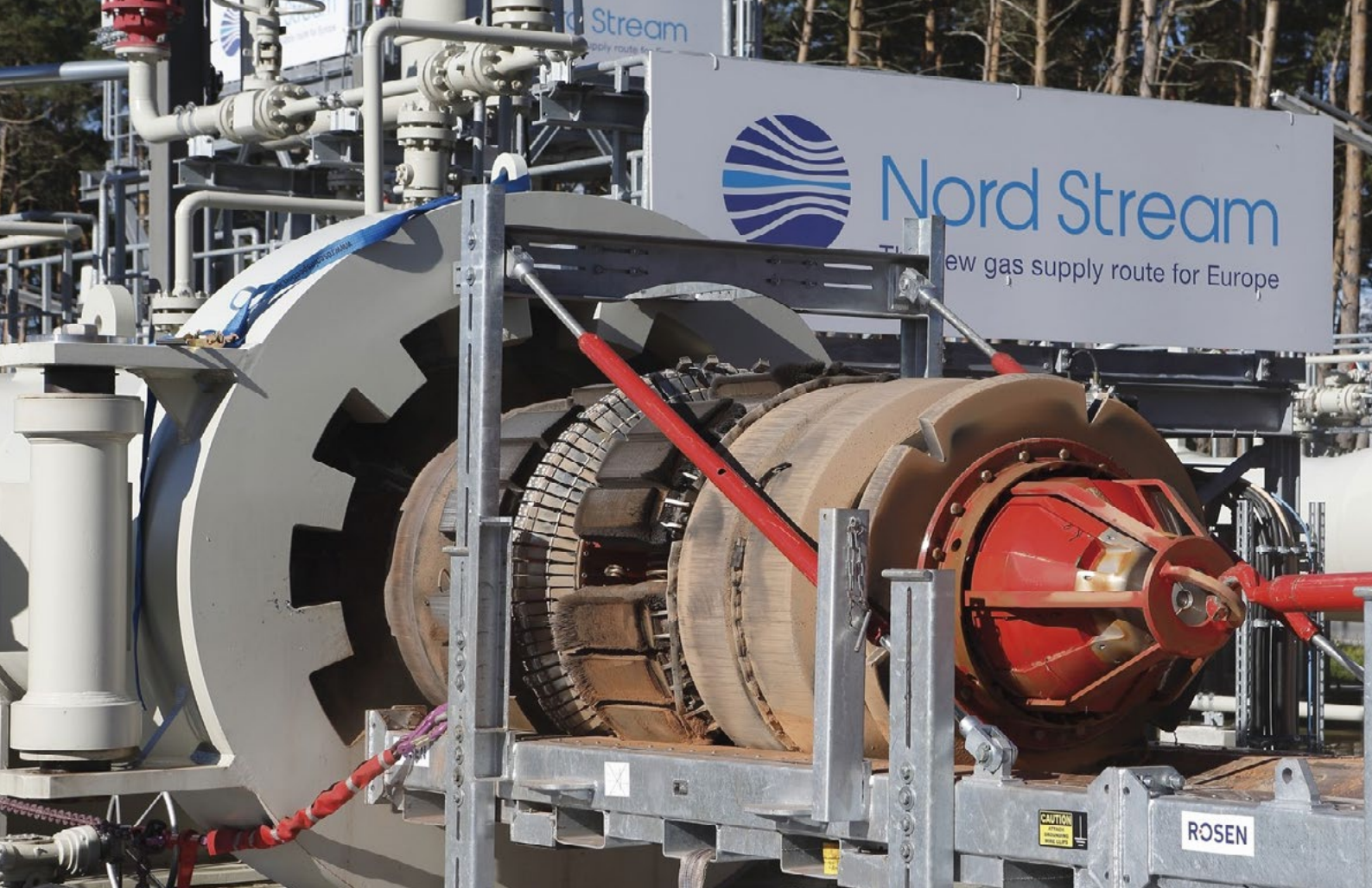
21 May 2021

NORD STREAM 2: GERMANY IS MORE IMPORTANT FOR BIDEN THAN UKRAINE AND POLAND

The United States will not halt the construction of a dangerous gas pipeline for its Central and Eastern European allies amid its eagerness to get along with Berlin. It is a return to the policy of Barack Obama back when the United States put European affairs into the hands of Germany. The announcement to suspend new sanctions against Nord Stream 2 could come as a surprise as this takes place between a meeting between Joe Biden and Vladimir Putin, which certainly enfeebles Washington’s negotiating position.

U.S. media have reported that the White House had no intention of taking any steps to stop the construction

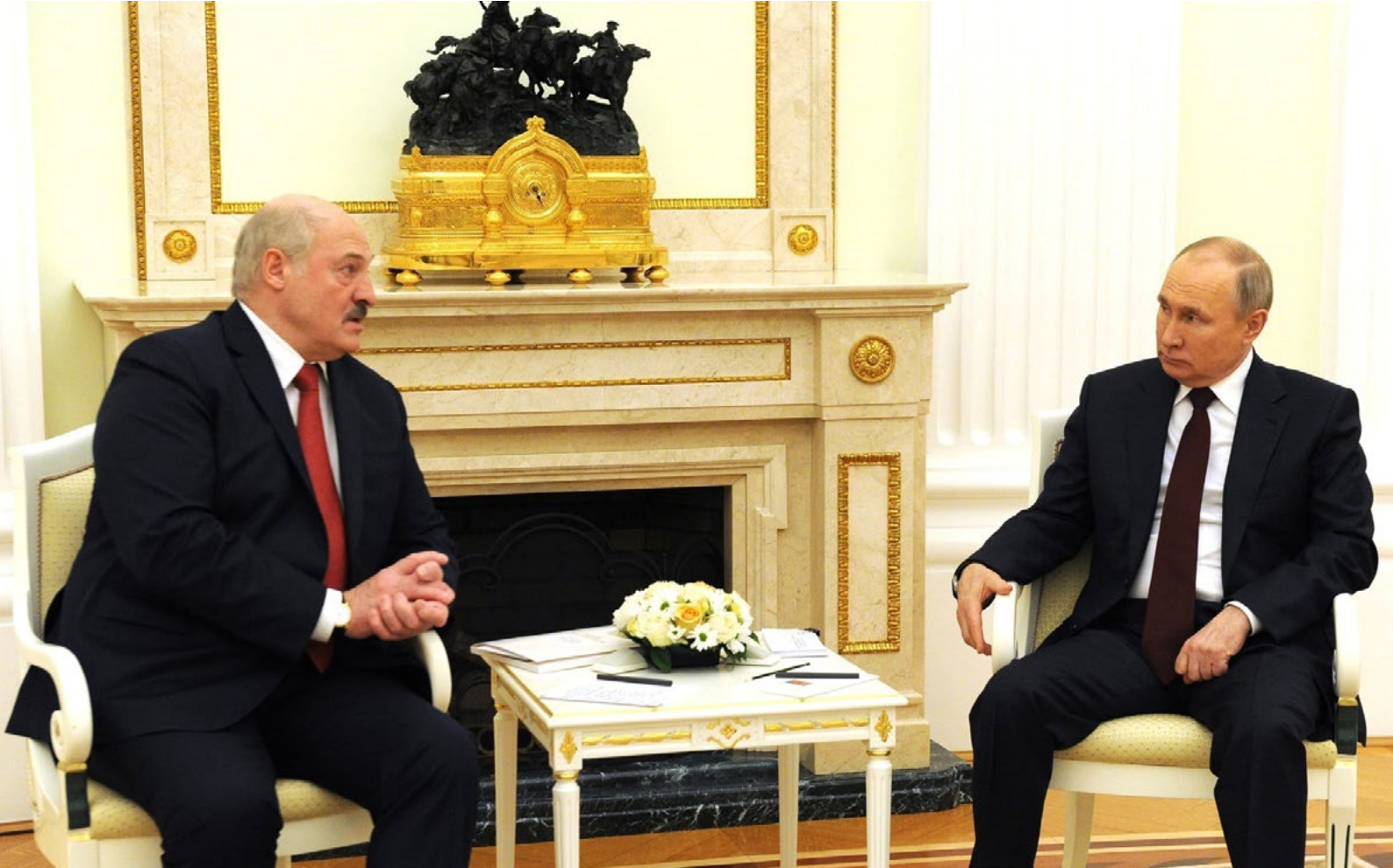
of Nord Stream 2. The Biden administration plans to waive sanctions on a company building a controversial gas pipeline, though admitting it



SOURCE: NORD-STREAM.COM

should be blacklisted. There were “presidential waivers” for the company running the project, Nord Stream 2 AG, and its chief executive, Matthias Warnig, according to German officials. They will be included in the Department of State report. In it, the Department of State will urge to blacklist four companies and four vessels ended in the construction of Nord Stream 2. In April, the Biden administration reversed the legal approval from the Department of Justice to impose sanctions against Warnig amid an ongoing internal debate over which entities meet the legal threshold for sanctions. The U.S. administration could suspend sanctions against Nord Stream 2 AG and its chief Mathias Warnig, a former Stasi intelligence officer and a member of the board management at Rosneft, yet it is doubtful to make such a step. Surprisingly, Biden is making a step back instead of boosting his negotiating position and meet Vladimir Putin after

introducing sanctions, offering to withdraw them in exchange for Russian concessions. “Biden’s tough rhetoric on Russia is meaningless if words aren’t backed with action,” John Bolton, a former national security adviser to Donald Trump, wrote skillfully on Twitter. Republican officials have criticized the administration’s stance on Nord Stream 2. Michael McCaul, the top-ranking House Republican on foreign affairs, said: “If the Putin regime is allowed to finish this pipeline, it will be because the Biden administration chose to let it happen.” He added: “It is a Russian malign influence project that threatens to deepen Europe’s energy dependence on Moscow, render Ukraine more vulnerable to Russian aggression and provide billions of dollars to Putin’s coffers.” Finishing the Nord Stream 2 pipeline will deal a blow to America’s loyal allies throughout Central and Eastern Europe: Ukraine, Poland, Slovakia, and the Baltic countries. ■



SOURCE: KREMLIN.RU

24 May 2021

LUKASHENKO ACCUSED OF HIJACKING THE PLANE, PUTIN INVITES HIM TO FURTHER REPRESSION

Forcing a passenger jet flying from Greece to Lithuania to land in Minsk to detain a passenger is an act of state terror of the Belarusian regime. A brazen KGB operation would not have been possible without the approval--and perhaps the aid--of the Russian special agencies. Vladimir Putin has responded to Western weakness, also that of Joe Biden who decided not to impede the construction of the Nord Stream 2 pipeline.

A Ryanair jet was en route from Athens to Vilnius. Minsk confirmed that Lukashenko ordered his military to scramble a Mig-29 fighter to escort the plane that ultimately landed at a Minsk airport after a bomb threat. After the diverted plane landed in the capital of Belarus, Belarusian authorities detained the exiled reporter Raman Pratasevich. The journalist faces criminal charges in Belarus. No explosives were found on the plane. Pratasevich previously served as the editor-in-chief of opposition news outlet Nexta and then a political outlet hosted on the Telegram messaging app called “Belarus of the Brain,” which the Belarus authorities have labeled as extremist. Reactions from top Kremlin-friendly journalists show that the whole operation was staged by special services. Pratasevich suspected that someone was following him already in Athens airport. If it is true that the Belarusian State Security officers were behind the operation, this will confirm a sharper

course in Lukashenko’s policy. The dictator imprisoned opposition leaders or forced them to leave the country, ordered the arrests of prominent ethnic Polish activists, and most recently closed the last independent news outlet in Belarus. The brazen effort to divert the Ryanair airliner may show how much Lukashenko feels unpunished. This would be difficult to imagine happening without consent from Putin. At the same time, the Russian leader had gotten so many hints that the West would turn a blind eye to many belligerent actions from Russia and its ally Belarus in exchange for a promise to “normalize” relations with Moscow. The reaction of the West to the hijacking of the jet by Lukashenko will test the true intention of the United States or the European Union from Moscow’s point of view. If no firm steps are taken, Putin will feel encouraged to act more aggressively, not towards top Western nations, but Ukraine, Georgia, the Baltic countries, or even Poland. ■

25 May 2021

CRACKED U.S. SANCTIONS LEAVE NORD STREAM 2 CONSTRUCTION UNHARMED

Russian vessel Fortuna has started laying pipes for the Nord Stream 2 gas pipeline in German waters, the gas project reported on May 23. A few days earlier the U.S. administration had added the vessel to its black list. The ship had earlier laid pipes in Danish waters. The vessel will be working in German waters until June 30, according to the schedule.



SOURCE: NORD-STREAM2.COM

News of resuming works in German waters was reported just a few days after Washington had decided to introduce new sanctions on Nord Stream 2. The U.S. Treasury Department on May 21 placed on a sanctions list Russia's Marine Rescue Service, three companies, thirteen vessels, including the Akademik Cherskiy, Fortuna, and other barges, tugboats, and supply vessels. Yet the Joe Biden administration waived sanctions on Nord Stream 2 AG and its chief Matthias Warnig. Swiss-registered Nord Stream 2 AG is owned completely by Gazprom. Warnig is a German national, former East German intelligence officer, and a close friend of Vladimir Putin. The U.S. Department of State submitted a report to Congress saying it would not introduce penalties on the company building Nord Stream 2. However, the paper confirmed that both Nord Stream 2 AG and its executive Matthias Warnig were involved in activities

subject to sanctions under U.S. law. It is in the U.S. "national interest" to dismiss sanctions, the document says. This is due to two reasons. First, Biden is keen to maintain a good relationship with Germany. The price Washington intends to pay for its friendship with Berlin is to give consent to complete Nord Stream 2, a pipeline that Germany cares much about. Secondly, the U.S. leader is looking to meet Vladimir Putin so he refrains from any steps that would deal a blow to Russia. Not incidentally, the U.S. administration lifted sanctions against the company building the controversial gas pipeline and its executive right before U.S. Secretary of State Antony Blinken met Sergey Lavrov in Iceland. Both officials were satisfied with the talk. Furthermore, the Kremlin does not criticize the U.S. sanctions package in force that halts the construction of the gas link. "We need to look at this," Kremlin spokesman Dmitry Peskov was quoted as saying. ■



SOURCE: GAZPROM.RU

25 May 2021

GAZPROM IS OPTIMISTIC ABOUT EXPORT FORECASTS

The state-run gas company Gazprom outlined its priorities for this year at a series of press conferences before the general meeting of shareholders. The company's management also shared its export plans. The firm hopes to see a year-on-year increase in its gas sales figures. Interestingly, the company's top priority is to send gas via pipelines to China. At the same time, Gazprom intends to develop its LNG trading division.

The general meeting of Gazprom's shareholders will take place on June 25. A press conference was called on May 14 to present the company's development priorities to be set at the shareholders meeting. On May

18, Gazprom convened a conference to discuss the company's strategic development and domestic investment projects. The company held another one on May 20, this time to discuss its operations abroad. Gazprom is moderately

optimistic about the gas demand in Europe throughout 2021. The company's underground gas storage facilities are now filled 33.6 percent of their total capacity, which is below the 2015–2020 baseline. The replenishment of gas deposits remains poor amid an unusually cold winter and the company's decision to redirect some liquefied natural gas into Asia. Gazprom officials claim that the process of replenishing inventories may last longer than until October, prompting high gas prices in the summer. Throughout 2020 Gazprom Export sent 174.89 billion cubic meters (bcm) of natural gas to European countries. Last year the list of its biggest European consumers included Germany (45.8 bcm), Italy (20.8 bcm), Turkey (16.4 bcm), Austria (13.2 bcm), France (12.4 bcm), and the Netherlands (11.8 bcm). In 2020 Gazprom had some 33 percent of the share in the European energy market. This year Gazprom hopes to send into Europe between 175 and 183 bcm of gas. At the same time, Russia is eyeing up better results as it managed to add new directions to its map of energy exports. In January 2020 Gazprom launched gas supplies

via the TurkStream pipeline to Turkey and the Balkans. The gas giant is looking to send gas to Hungary via the pipeline in the fall of 2021. Furthermore, construction on the Nord Stream 2 pipeline resumed in December 2020. In light of some latest U.S. decisions, the pipeline will likely be ready this year. The company is also noting the increasing importance of its exports into Asia. In December 2019, Gazprom started pumping gas to China via its Power of Siberia pipeline. In 2020 Russia delivered a total of 4.1 bcm of natural gas to the Chinese market. Works are underway to construct the second and the third line of Power of Siberia. At the same time, Gazprom is quitting its two gas pipeline projects: Iran-Pakistan-India and Sakhalin-Hokkaido, satisfying the demand through LNG supplies. The energy giant is also betting on liquefied natural gas exports. Gazprom also had a “breakthrough” year in 2020 in its LNG trading division as volumes doubled to 7.4 million tons. Furthermore, in 2019 Gazprom traded liquefied natural gas to seven countries while this number doubled in 2020. ■

25 May 2021

NOVATEK BECOMES ONE OF PUTIN'S FAVORITE COMPANIES

Russia's biggest private gas producer has for years been seen as the one from where even Vladimir Putin could reap benefits. As a private firm, Novatek does not have to follow the same transparency rules as state-run giants. A key businessman in the company is Gennady Timchenko whom the Russian leader met back in the 1990s. It seems that the Kremlin has chosen Gazprom as a key piped gas company while Novatek will emerge as the country's number one liquefied natural gas producer.



SOURCE: GAZPROM.RU

Leonid Mikhelson, the CEO of the private company Novatek, has friendly ties with the Kremlin. Vladimir Putin has for years asked state authorities to favor the company in which Gennady Timchenko, billionaire tycoon and “Putin’s treasurer,” still occupies a vital role, albeit informally. Year by year, Novatek is slowly but steadily taking a piece of the Russian gas market from Gazprom. It has a way stronger position for LNG exports, too. With Putin’s decision, Gazprom lost its monopoly on gas exports, albeit so far only for liquefied natural gas commodities. Over the last years, the natural gas producer has obtained a significant number of license areas across the country and started the development of huge new projects, mostly in the Arctic where Novatek is now developing its flagship Yamal LNG and Arctic LNG 2. By 2023, the first train of the Arctic LNG 2 is due to be up and

running. Novatek now produces some 5 percent of liquefied natural gas across the globe. And by 2035, the Russian LNG production is to reach 140 million tons, which will make the country a world leader in the field. In their meeting on May 17, Putin cherished Novatek for the company’s results, saying these go along with some Kremlin-advocated projects, also to develop the Northern Sea Route. Putin also praised Novatek for its “serious contribution to the development of green energy” and offered his full support to the company’s plans to build a network of LNG filling stations across Europe. According to Mikhelson, about 2,000 tons of LNG is now every month delivered to filling stations abroad, notably in Poland and Germany. LNG filling stations are also being built in Russia. Truck manufacturer KAMAZ is now reportedly building a big number of engines and vehicles that can operate with liquified fuels. ■



SOURCE: GAZPROM.RU

26 May 2021

GAZPROM IS NOT KEEN TO GIVE UP CONTROL OVER YAMAL FIELDS TO NOVATEK

Russian energy giant Gazprom alone cannot efficiently manage the gigantic Tambey fields, neither does it plan to give up its control over the resources to its biggest rival. The state-run firm does not bow to pressure from the Kremlin, either. The company will indeed give its exclusive license to a business partner in a newly established venture, but not to Novatek.

Gazprom will grant the development license to exploit the giant Tambey fields. They are believed to hold up to 5.2 trillion cubic meters of natural gas, which is

14 percent of Gazprom's reserves and more than all of Novatek's total resources. The former business has long sought to claim the gas assets that were yet offered to Gazprom and

a company controlled by Arkady Rotenberg's former business partner. Novatek made efforts to purchase the field to develop its liquefied natural gas production facilities. However, Gazprom is not interested in giving up its control over the resources. The Russian state-run energy giant and Ruzgazdobysha--where Artiom Obolenskiy, a former associate of Arkady Rotenberg, has majority package--on May 21 signed a deal to develop the Tambey fields. Gas from the Tambey field on the Yamal peninsula will be used for a massive gas processing plant in Ust-Luga, built jointly by Gazprom and Ruzgazdobysha. Licenses for the Tambey fields will be distributed evenly in a new joint venture Tambey Gazdobysha. The fields are due to start gas production in 2026. Back in 2017, Gazprom and Ruzgazdobysha signed a letter of intent on the joint exploration of the Tambey fields. It was shortly after Mikhelson had asked Putin to help purchase the gas fields, saying Novatek would need them to develop new LNG projects. Gazprom and Ruzgazdobysha decided to jointly exploit the Tambey field after Mikhelson

again put the topic on the agenda, asking Putin for help in April. Mikhelson allegedly met Gazprom's Aleksei Miller, offering him a combination of cash and company shares for the fields. Supposedly it was all with the blessing from Vladimir Putin. But Gazprom still opposed a deal. Now the state-run giant is in a hurry to implement its deal with Ruzgazdobysha that impedes the rival company to purchase the deposit as Novatek also has the support of the government. The Russian energy ministry said it was more profitable for the state to use gas from the Tambey fields in Novatek LNG facilities the Yamal peninsula than to develop them as a conventional pipeline project, which is what Gazprom plans. Russia's new government Program on Liquefied Natural Gas adopted in late March said gas from the Tambey fields would be used to produce liquefied natural gas. According to Leonid Mikhelson, without the reserves, it is impossible to put into practice the presidential decree to boost LNG output to 64 million tons each year by 2030. ■

26 May 2021

TOP U.S. AND RUSSIAN OFFICIALS HOLD TALKS AHEAD OF BIDEN-PUTIN MEETING

First, top U.S. and Russian diplomats held a meeting, followed by the talks between security chiefs. A summit between the U.S. and Russian leaders is coming close. Statements after both meetings show that only a disaster could torpedo a face-to-face talk between Vladimir Putin and Joe Biden.

National Security Advisor Jake Sullivan and the Secretary of the Russian Security Council Nikolay Patrushev on May 24 held consultations on United States-Russia relations

in Geneva. The meeting was an important step in the preparation for a planned U.S.-Russia summit, according to a statement published after the meeting. Interestingly, it contained



SOURCE: MID.RU

no mention of differences between the United States and Russia. Both officials yet expressed confidence that mutually acceptable solutions could be found in a number of areas, according to the paper. “The sides agreed that a normalization of U.S.-Russian relations would be in the interest of both countries and contribute to global predictability and stability,” the document reads. The details of any face-to-face meetings have not yet been agreed upon though many sources claim the two leaders will meet in June when Biden is set to arrive on his first trip to Europe as U.S. president—to attend the G7 summit in the United Kingdom and then a meeting with EU and NATO leaders in Brussels. U.S. President Joe Biden and Russian leader Vladimir Putin are likely to hold their meeting in Geneva. Only a disaster could prevent Putin and Biden from holding a face-to-face conversation. The U.S. administration is seeking to avoid anything that could dissatisfy the Kremlin, also by lifting sanctions on the company constructing Nord Stream 2. The news was reported on the same day Antony Blinken held a high-level meeting with Sergey Lavrov in Reykjavik. Comments from top Russian officials show that Moscow is satisfied with Washington’s latest decisions.

“The very fact that the conversation took place is positive,” Kremlin spokesman Dmitry Peskov said, quoting Lavrov who called the meeting “constructive.” The top U.S. diplomat urged cooperation on a range of interests, including the Covid-19 pandemic, climate change, dealing with the nuclear programs in Iran and North Korea, and Afghanistan. New concessions from Washington bring the two parties closer to the summit while encouraging Russia and its allies to make aggressive moves. Shortly after waiving U.S. sanctions on Nord Stream 2 AG and the “constructive” meeting between Lavrov and Blinken, Putin quoted the alleged citation from Madeleine Albright who denied having said that Siberia was a wealthy region and it was unfair that these resources belonged to Russia. “Everyone wants to ‘bite’ us somewhere or ‘bite off’ something of ours, but those that would do this should know that we will knock out the teeth of all of them so they aren’t able to bite,” the Russian leader said, yet again mentioning the development of the Russian armed forces. It is hard to believe that the Kremlin had no idea of Lukashenko’s plan to hijack the plane to imprison a Belarusian dissident who was on board. The incident occurred on the same day Patrushev flew to Geneva to meet Sullivan. ■



SOURCE: WIKIMEDIA

26 May 2021

RUSSIAN STRATEGIC BOMBERS IN SYRIA ARE A PROBLEM FOR NATO

Russia said it had the ability for the first time to operate long-range strategic nuclear-capable bombers from its air base in Syria. The Hmeymim airfield was upgraded allowing Russia to manage long-range aircraft from the base, also Tupolev Tu-22M3 bombers. Three long-range bombers of that type had flown to Hmeymim. They would hold training exercises in new geographical areas over the Mediterranean Sea before returning to their permanent airfields in Russia.

At the Hmeymim military base, works were completed to reconstruct the second runway and install new lighting and radio equipment. Runways at the base had been made longer by some 300 meters and are now 3,200 meters long so that the base could manage large aircraft. Russia now can handle aircraft of all types from the base, according to the country's defense ministry. Naturally,

the Hmeymim base is essential for Russia not only for the Syrian civil war as other aircraft are doing well there. From the airfield Russian strategic bombers can make long-haul flights in many directions. Russian nuclear-capable aircraft are thus having a bigger range, notably in the Middle East and the Mediterranean. Also importantly, as the base has been upgraded, Russian air forces can now give some rest

to light aircraft, in the past often used for combat operations in Syria. Now Russia can use heavy bombers that are designed for such missions. By enhancing the capabilities of the Hmeymim base for strategic bombers, Russia now presents a threat to NATO's southern

wing. It is to be expected that Russia intensify its often-provocative patrol flights over the Mediterranean Sea and North Africa, as so far it has done in the Black Sea, the Baltic Sea, the Arctic, and near Alaska. ■

27 May 2021

ROSNEFT MAKES NEXT STEP TOWARDS DEVELOPMENT OF VOSTOK OIL

Rosneft officially starts construction of its Sever Bay seaport on the coast of peninsula Taymyr as part of the Vostok Oil project. Its first part allows the loading of up to 30 million tons of crude each year. By 2030, the volumes will increase to 100 million tons per year once the second and third stages are completed.

SOURCE: SOVCOMFLOT.RU



The infrastructure object will be located in the eastern part of the Yenisey Bay, within the seaport of Dikson in Taymyr that recently saw some upgrades. Through the Sever Bay seaport, volumes are to be exported to Russia and both westwards to European markets and eastwards to the Asian region via the Northern Sea Route. The company responsible for designing the terminal is LenMorNIIProekt while its main contractor is Taymyrneftegaz-Port. Works will be carried out in three stages. The first includes the building of a temporary service harbor for unloading of construction materials with an annual capacity of 0.88 million tons of oil. It will also carry out bank protection of the terminal territory, build a checkpoint, storage areas for general cargo, and refueling loaders. In the second stage, the terminal will have an increased capacity to handle 26.1 million tons

of crude per year. The third stage includes the installment of navigation equipment and safe shipping systems in the adjacent waters. The projected port waterfront will be 1,276 meters long. Once fully developed, the facility will have an estimated annual capacity and shipment of 28.36 million and 26.98 million tons of crude oil, respectively. In 2019 the Russian government decided to give the local seaport of Dikson international status to boost shipments on the Northern Sea Route. It is also planned to construct a terminal in the Sever Bay having a capacity to handle up to 25 million tons of oil per year. The deposits for the new terminal hold more than 1 billion tons of crude oil. At a meeting with Vladimir Putin in November 2020, Igor Sechin pledged to the Russian leader that the Sever Bay terminal would help ship 30 million tons of oil via the Northern Sea Route by 2024 at the latest. ■

27 May 2021

RUSSIA RESUMES OIL PRODUCTION IN LIBYA

As Libya's political and military situation returned to the relative normal, the country is now seeing a renewal of business activities, also in its oil and gas sector. So also Russian companies resumed production; they secured many licenses in the country back at the time when Gaddafi was in power.

Gazprom EP International has resumed crude oil production in Libya under its joint venture agreement with Germany's Wintershall Dea. This took place last fall though the company's officials have informed about this only now. Oil production facilities reopened after a ten-month hiatus amid a fragile political and military situation in Libya that indeed shook the country's oil exports. It was only last fall when the civil war saw some stability and works resumed at Libya's port facilities, terminals, and

then also mining facilities. Gazprom informed that the Russian and German businesses transferred the duties of the field development operator in Blocks 91 and 107 in the Sirte Basin to the joint venture they had established with the Libyan National Petroleum Company (NOC). The company's name is Sarir Oil Operations B.V. As part of it, Gazprom aims to increase production from 43,000 barrels per day to 62,000 barrels per day this year. Gazprom EP International holds 49 percent in the joint



SOURCE: GAZPROM-INTERNATIONAL.RU

venture with Wintershall Dea, Wintershall Aktiengesellschaft (WIAG). The latter company is a development operator in Blocks 91 and 107 in Libya. Nine oilfields were also discovered in the area; they are now being exploited. The As Sarah field located within contract Block 91 is the largest of them. Gazprom is not the only Russian business present in Libya. There

is also Tatneft that seeks to continue the oil projects it was forced to halt due to the civil war. It was present in Libya under a 2005 concession deal until 2014 when the country plunged into wartime turmoil. In 2019, the company said it had conducted a feasibility study for the development of new deposits in the Ghadames Basin. ■

27 May 2021

THE FAILURE OF RUSSIA'S VACCINE DIPLOMACY

Yet once again Russia has failed to handle some technological constraints of its economy. This time is about the production of the Russian Covid-19 vaccine Sputnik V. So far the country has completed just 8 percent of all orders it had gotten from other countries. Those that purchased the jab earlier received small portions of it as Russia has problems producing its vaccine.



SOURCE: WIKIMEDIA

So far Russia has secured a deal with other states to deliver 205 million doses of Sputnik V, which could be enough to vaccinate some 100 million people around the globe. Russia sells its product at a reasonable price (about \$10 for two doses), which is affordable for many poor countries. Pfizer and other Western vaccines are and probably will continue to be more expensive than Sputnik V. The costs of labor and quality production in the West are considerably higher than in Russia, and vaccines are produced by the private sector as opposed to the state project conducted by the Kremlin. Yet Russia sent just 16.3 million doses of its jab, notably to Argentina, Mexico, and Hungary. Others got some slim portions of Sputnik V; for instance, Venezuela, which is a staunch ally of Moscow, received just 2 percent of vaccines it had ordered. Honduras got less than 1 percent (40,000 doses out of 4.2 million) while Sri Lanka even less than 0.5 percent (15,000 out of 13 million). The situation looks better in Uzbekistan that received 10 percent of all orders. In December 2020 Venezuela signed a contract with Russia to acquire enough of the

Sputnik V coronavirus vaccine to inoculate 10 million people. The country received to get it all by late March 2021 but instead received just 430,000 doses for 215,000 people. By exporting en masse its Sputnik V vaccine to countries across the globe, mostly in Latin America and Asia, Russia hoped to reap some political and financial benefits. However, it was confirmed what was said back in 2020 about Russian plants being unable to produce such quantities. And yet they do not manufacture so many vaccines for the domestic market as many Russians refused to inoculate while state authorities do not offer any incentives, eyeing up to use Sputnik V outside the country. Russia now has seven centers for the production of Sputnik V. There are undoubtedly lots of qualified specialists and modern technical appliances in these centers, but since Soviet times Russia's dispersed mass production has always been plagued by the uneven quality and, especially, quality control. The Kremlin is exerting political and administrative pressure on Sputnik V production centers to produce as much and as quickly as possible to fulfill a list of foreign

contracts that grows longer each day. Russia's production capacity of Sputnik V is yet rather low. Hence, Russia is pushing both to sell its vaccines abroad and seal deals with countries to produce Sputnik V. According to the latest reports, Moscow finds it challenging both to rapidly manufacture the jab and comply with its

quality standards. Six Russian pharmaceutical companies are producing a total of 40 million doses of jabs each month. But naturally, they cannot stand the pace. In the six first months of 2021, Russia seeks to produce 80 million doses, which is three times less than initially planned. ■

28 May 2021

KREMLIN RESPONDS TO PRESIDENT DUDA'S STRONG WORDS ABOUT RUSSIA

Russia is “not a normal country” but rather “an aggressor state”, Polish President Andrzej Duda said during a state visit to Georgia, at the border between Georgia and the Russian-occupied breakaway region of South Ossetia. Duda's vocal criticism of Russia triggered a reaction from the Kremlin.

The Polish leader flew to Georgia for a state visit on May 26–27. He was the only foreign leader to participate in the event to celebrate Georgia's Independence Day. Duda also visited the administrative border between Georgia and South Ossetia. He added that these Georgian breakaway regions had been illegally taken over by Russia. While saying so, he meant South Ossetia and Abkhazia. “In both regions, Russia did the same by attacking Georgian territory, occupying these areas, making efforts to establish quasi-state entities, and destabilizing the situation,” Duda said. Also, the Polish top official referred to similar Russian activities in Ukraine's Donbas and strongly defined the core of the Russian state today. “Russian, aggressive and imperial actions that take away people's

development opportunities, take people's normal lives, lead to the destruction of states, lead to a war situation, when people are killed or wounded, these are actions that cannot be accepted by the international community,” the president said. “Russia is not a normal country, but rather an aggressor state, this can be seen in places like this,” the Polish leader was quoted as saying. He also urged other countries to take firm action. The Kremlin responded to what the Polish president had said. “We feel bad about such rhetoric. We do not like it, and we do not accept it,” the Kremlin official told journalists. “Russia seeks friendly relations and mutually beneficial cooperation with all neighbors, including Poland,” he added. There is something more than just words that accurately describe



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SOURCE: PREZYDENT.RP

its policy that Russia seems to dislike. The fact that the president of Poland, a country that is among the most important NATO and EU states, visited Georgia is somewhat puzzling for Russia and its plans. Russian officers in Georgia have long pushed for destabilizing the

country to paint it as not yet ready to integrate with the West. With visits like that of Duda, the West shows its nations still care about Georgia, which is not in line with what Russia seeks to accomplish. ■

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