CONTENTS

12 WAGNER MUTINY: AN UNRESOLVED FEUD

23 UKRAINE’S NOVA KAKHOVKA DAM DESTRUCTION: RUSSIAN SPECIAL OPERATION

27 GLOBAL PRICE CAP ON RUSSIAN CRUDE IS NOT EFFECTIVE, EXPERTS SAY

3 RUSSIA SEES DECREASE IN OIL AND GAS REVENUE

4 REASONS AND EFFECTS OF UKRAINE’S DAM COLLAPSE

6 A PRELUDE TO MASSIVE UKRAINIAN COUNTEROFFENSIVE?

7 UKRAINE’S COUNTEROFFENSIVE CONTINUES AT THE WAR CHESSBOARD

9 SHOIGU SETS A TRAP FOR PRIGOZHIN IN THEIR LATEST FEUD

10 RUSSIAN STATE DUMA BACKS ARMY RECRUITMENT OF CRIMINALS

12 WAGNER MUTINY: AN UNRESOLVED FEUD

13 THE END OF WAGNER GROUP: WHAT HAPPENS TO PRIGOZHIN?

15 POLL REVEALS APPROVAL RATINGS OF PRIGOZHIN, SHOIGU, PUTIN

17 DISCOUNTED RUSSIAN OIL REACHES POPULOUS PAKISTAN

18 UKRAINE CLAIMS IT HAS SEIZED STRATEGIC INITIATIVE

20 UKRAINE’S DNIPRO BRIDGEHEAD CAUSES RUSSIAN HEADACHE

21 WAGNER GROUP SETTLES IN NEARBY BELARUS: A THREAT TO UKRAINE?

23 UKRAINE’S NOVA KAKHOVKA DAM DESTRUCTION: RUSSIAN SPECIAL OPERATION

24 CHINA, INDIA IMPORT RECORD HIGH AMOUNTS OF RUSSIAN OIL

26 RUSSIA, UZBEKISTAN REACH GAS SUPPLY DEAL

27 GLOBAL PRICE CAP ON RUSSIAN CRUDE IS NOT EFFECTIVE, EXPERTS SAY

28 RUSSIA’S OIL AND GAS REVENUE AND OUTPUT FELL MONTH BY MONTH

30 U.N. ENDS PEACE MISSION IN MALI: WHAT’S NEXT WITH WAGNER GROUP?

31 WILL MOSCOW STRIKES IN SYRIA AFFECT RUSSIA-TURKEY TIES?
9 June 2023

RUSSIA SEES DECREASE IN OIL AND GAS REVENUE

In May 2023, Moscow’s crucial oil and gas revenues were lower by 33 percent compared to last year. The reason was lower prices amid Western sanctions and fewer gas supplies to Europe. Moscow is running low on windfall profits due to a spike in hydrocarbon prices shortly after the beginning of the Russian invasion of Ukraine.

Budget proceeds from oil and gas taxes plunged 36 percent from a year ago to 570.7 billion rubles ($7 billion), the Russian Finance Ministry said in a statement. Crude oil and oil products, which accounted for some 75 percent of Moscow’s total hydrocarbon revenues in May, saw a 31 percent drop, to 425.8 billion roubles, in budget proceeds for Moscow compared to a year ago based on calculations made by Bloomberg. Taxes from crude and petroleum
products — which accounted for 33 percent of total federal revenues — fell amid Moscow’s expenses to wage the war in Ukraine. In the wake of the implementation of the G7’s price cap policy on Russian crude and the EU-wide ban on seaborne oil and petroleum products, Moscow’s oil revenues fell substantially. Natural gas tax revenues also fell 46 percent last month, compared to a year ago, while tax income from the collection of tariffs on natural gas exports shed 81 percent. In April, Reuters reported that Russia’s budget revenues from oil and gas had fallen by 64 percent year-on-year, and by 5.9 percent month-on-month due to higher subsidies to oil refineries. From January to March this year, the Treasury Department said the Russian federal government’s oil revenues had dropped over 40 percent, falling to 23 percent of the budget—down from 30–35 percent of the budget prior to launching the war on Ukraine. Immediately after the invasion, Russia received windfall profits on an oil price spike created by its war in Ukraine. Today, however, the price cap policy is taking that windfall off the table, which allows for low- and middle-income countries to purchase oil while at the same time making it increasingly challenging for Russia to finance its aggression. Russia’s federal budget recorded a $42 billion deficit in the first four months of the year amid soaring spending on the war in Ukraine, combined with falling energy revenues for war-time coffers.

9 June 2023

REASONS AND EFFECTS OF UKRAINE’S DAM COLLAPSE

Ukraine has been aware of Russian plans to destroy the Kakhovka dam that upheld Ukraine’s largest reservoir since last autumn. Back then, however, Russian troops retreated from the western section of Kherson province while the Dnieper River became a hundreds-long barrier between the Russian and Ukrainian positions.

The timing of blowing up the dam was not incidental as Kyiv had announced the start of a much-awaited counter-offensive just a few hours earlier. Russian forces might have destroyed the dam for two reasons. First, they might have done so to obscure the Kyiv offensive—as Ukraine did by deploying Russian volunteers to Belgorod shortly after Russian forces seized the city of Bakhmut. Secondly, it was an effort to prevent Ukrainian assault throughout the river. If these were to sabotage, they would have drawn Russian attention—as did recent incursions into the Belgorod region. Now the Russian command assumes that with such flooding in the lower part of the Dnieper, it can almost let go of the defense of the eastern bank of the Dnieper River and redeploy some troops to where the Ukrainians have just begun
to push. A sudden Russian move showed to what extent Moscow felt nervous about the Ukrainian offensive in Donbas. Perhaps Russia saw the attack coming and thus destroyed the dam, an event that dealt a massive blow to Russian forces. Water supplies to Russian-occupied Crimea were damaged while some areas on the left bank were flooded, forcing Russian troops to leave their positions. Perhaps, now focused on tactical targets, Moscow ignored the far-reaching consequences of the flood. A proper tactical move of Russia was to prevent Ukrainian troops from crossing the Dnieper River before advancing on Crimea. Yet only if Ukraine actually planned to do so, which now remains a mystery. A flood prevents both sides from operating on this sector on the front line. Furthermore, the destruction of the Kakhovka Dam in Ukraine caused widespread flooding and, consequently, long-term environmental damage. ■
14 June 2023

A PRELUDE TO MASSIVE UKRAINIAN COUNTEROFFENSIVE?

Ukraine’s long-awaited counter-offensive to retake territory from Russia’s occupying forces has begun, with the first ten days of offensive operations in many spots along the frontline. Ukrainian troops are seeking to explore some vulnerabilities in the Russian defense and mislead the enemy to discover where to break the frontline most successfully.
In the first phase of the long-awaited counteroffensive, Ukrainian forces made efforts to find vulnerabilities in the Russian defense. Ukrainian troops have pushed Kyiv’s counteroffensive on four sectors of the front line with Russia. Full-frontal fighting along the Orikhiv-Tokmak and the Vremivka-Mariupol axes, as well as towards Toretsk (north of Donetsk) and Bakhmut, has been hard going. Ukrainian losses should not come as a surprise—especially if discussed publicly by Russia in the early days of the counteroffensive. This is normal for the assaulting side, focused on pushing through the heavily fortified positions, built up for the past six months. It is little surprising if Ukrainian troops launched an assault on a sector where Russia expected a major strike. It is natural if the defending side has an advantage in tactical air combat. Thus it is impressive that Ukrainian forces advanced a distance ranging from a few hundred meters to a few kilometers and managed to recapture seven settlements by June 13. While doing so, they did not suffer as heavy losses as might have been expected, with a 3–1 ratio advantage while launching an offensive operation. Ukraine is still outnumbered and outgunned, especially in the air. So why is Ukraine still hoping to win? Any party that chooses when and where to stage an assault can dispatch there far more troops than the defending party. This is the spot Ukraine has been searching for since the counteroffensive began. At least seven settlements were liberated by June 13. Ukraine has not scrambled its group, which consists of up to twelve brigades outfitted with Western weapons, that had been trained for that purpose. Instead, it is waiting for the best timing and sector to stage an attack. ■

21 June 2023

UKRAINE’S COUNTEROFFENSIVE CONTINUES AT THE WAR CHESSBOARD

Ukraine’s long-awaited counteroffensive somewhat lost momentum after two weeks of heavy fighting. The command ordered a pause to add some updates to the tactics to neutralize a Russian advantage.

In the second week of the operation, Ukrainian forces liberated 113 square kilometers of territory. Why so little progress has been made so far? The problem consists of Russia’s defensive fortifications, minefields, an operational advantage in the air and electronic warfare systems, as well as artillery assaults. Ukraine managed to break Russia’s defense line on two sectors—near Kamianske in the western part of Zaporizhzhia province and, most importantly, near Velyka Novosilka at the border between western Donetsk and
eastern Zaporizhzhia oblasts, some 20–30 km away from Russia’s main defense line. Ukraine has also announced that it has retaken seven other towns: Lobkove, Levadne, Novodarivka, Neskuchne, Storozheve, Makarivka, and Blahodatne. These towns are on the edges of Russian-occupied territory in the Zaporizhzhia region and the southern Donetsk region. Some progress has been made, with forces moving in several directions in the south and the east near Bakhmut. Ukrainian forces also advanced near Krasnopolivka, about 12km northeast of Bakhmut. Ukrainian forces are advancing down the Siversky Donets-Donbas canal. If they reach a road linking Bakhmut and Horlivka, a communication line of a Russian grouping in Bakhmut may be cut off. Russian attempts to stage an assault are usually failed. Ukrainian forces did not give up any territorial gains they had managed to seize, perhaps amid weak Russian backup forces. Russia has redeployed most of its troops from the eastern bank of the Dnieper River to some front sectors in Zaporizhzhia and near Bakhmut. Ukraine’s Deputy Defense Minister Hanna Maliar said the “biggest blow” in Ukraine’s military campaign is yet to come. Ukraine has proved highly adept at weakening the enemy while retaining most of its forces for a counteroffensive. Kyiv has so far deployed between 25 and 30 percent of the grouping for full-frontal assaults. Only three of the twelve storm brigades for counterattack have been scrambled. Ukraine’s strategy consists of harassing the invader, thus forcing Russian troops to spend a massive amount of artillery ammunition while revealing their positions. This is still the first phase of open operations.
21 June 2023

SHOIGU SETS A TRAP FOR PRIGOZHIN IN THEIR LATEST FEUD

Russian Defense Minister Sergei Shoigu ordered all “volunteer units” involved in Moscow’s ongoing invasion of Ukraine to sign such contracts by the end of June to standardize Russian forces. The decree was in fact another chapter of a running feud between Shoigu and Yevgeny Prigozhin, the founder of the notorious Wagner mercenary group.
RUSSIAN STATE DUMA BACKS ARMY RECRUITMENT OF CRIMINALS

The lower house of Russia’s parliament said it had voted to give its initial backing to legislation that will allow the Defense Ministry to sign contracts with suspected or convicted criminals to fight in Ukraine. People convicted of sexual crimes, treason, terrorism, or extremism would not be able to sign up.

The move formalizes the recruitment of prisoners for the war in Ukraine, a practice spearheaded by the Wagner mercenary group last year before the Defense Ministry took over prison recruitment. Once the law is in force, Putin will no longer need to sign decrees to allow convicts to join the army. Under the proposed changes, a contract could be
concluded with someone being investigated for committing a crime, who is having their case heard in court or after they have been convicted but before the verdict takes legal effect. A new law describes some rules for the conditional release of prisoners from penal colonies and detention centers. The Defense Ministry could either offer a contract to convicts or mobilize them. To be fully exempted from criminal proceedings, convicts that fight in Ukraine will have to earn a state award or be released from the military. Legally, the purpose of such a “state of emergency” is to legalize efforts to allow inmates to join the Russian army. The new law means that convicts who have been mobilized or signed a contract with the Defense Ministry can be conditionally released from detention. Amnesties will be legally offered to criminals and crime suspects who agree to serve in Russia’s war in Ukraine provided that their charges are punishable by up to five years in prison. These include theft, robbery, fraud, and some crimes against people’s health and safety. In addition to the “conditional” release in exchange for participation in the war, the new bill contains several incentives to go to war for prisoners, as well as for persons on the loose of suspects in criminal cases. The amendments pertain to recruiting inmates during mobilization and wartime. The Russian Supreme Court ruled on May 18, 2023, that the mobilization, which was announced back in September 2022, is still valid until it is revoked by presidential conflict while the duration of war is the period between its commencement until a cessation of hostilities.
WAGNER MUTINY: AN UNRESOLVED FEUD

The Wagner march on Moscow ended up aborting the rebellion. It did not end the conflict but just postponed its final resolution. With a so-called 24-hour coup by Russia’s mercenary boss, Yevgeny Prigozhin, there are neither winners nor losers. The armed rebellion seemingly ended but it revealed major cracks in the Putin regime.

The Wagner coup attempt did not glimpse any threat of civil war in Russia. Wagner fighters were also unlikely to seize the Kremlin. The short-lived insurrection immediately hit the headlines around the globe with its bloody events—as a dozen or so soldiers were killed in the mutiny. Prigozhin, and the forces with him, were in no position to challenge Putin’s grip on
power directly, seeking to force the Russian leader into some concessions instead. And he did. Tensions came to a head at the Wagner Group and its desperate chief when the Defense Ministry announced that all private military companies, including Wagner, would have to sign contracts by July 1. However, Prigozhin had some accomplices in Moscow who were either conscious of this plan or might have wanted to stand idly and watch the insurrection, thus sabotaging Putin’s decisions. Prigozhin ordered his forces to turn back from their march on Moscow, saying he was abandoning the armed rebellion in a move that revealed weaknesses in the Russian regime. Authorities in Russia said they would drop charges against Prigozhin, once a close confidant of Vladimir Putin. None of this means the Putin regime will collapse soon. Assessments of what actually happened in Russia should be undertaken in a few more days, preferably weeks. Meanwhile, it is unclear when and why Prigozhin would head to neighboring Belarus. Prigozhin’s rebellion raises questions about the Wagner Group, its African footprint, and a range of companies operating in Russia and abroad, as well as Prigozhin’s troll farm. In the long run, that refers to what Putin will do next. The fact that the upstart Prigozhin could even mount an armed mutiny with his private military company is an embarrassment and political blow for Putin and his regime, including Rosgvardia and the FSB, led by Gen. Viktor Zolotov and Alexander Bortnikov, respectively, as well as the Russian military command, notably its intelligence, the GRU. Putin’s regime looked damaged after forgiving Prigozhin’s treachery. If the Russian leader seeks to save face, he has no choice but to draw consequences that may include major personnel reshuffles. Many senior military officials and deputy military chiefs will be relieved from their duties. Otherwise, no one will ever again take Putin’s regime seriously, which may prompt new rebellions.

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29 June 2023

THE END OF WAGNER GROUP: WHAT HAPPENS TO PRIGOZHIN?

The aborted Wagner mutiny and some failed efforts of its boss Yevgeny Prigozhin to maintain a strong position means the end of Wagner as we know it. The empire of Prigozhin is now crumbling.

“Wagner will no longer participate in hostilities” according to Kyrylo Budanov, head of Ukraine’s Military Intelligence Directorate (HUR). Indeed, they for weeks have not fought as they had been moved to Luhansk after seizing Bakhmut while some of them participated in Prigozhin’s rebellion. Budanov’s claims should not be taken for granted—it is the end of Wagner as we know it but many of its fighters could remain on the battlefield, fighting alongside the Russian army. Does the end of Wagner’s involvement in Ukraine change the
situation on the battlefield? Not at all. Wagner fighters were given a specific mission in Russia’s war in Ukraine—back the Russian army in the first weeks of fighting and then helped Russian forces seize Bakhmut in bloody fighting. When the front line stabilized in Ukraine and Russia seized Bakhmut, its forces began to brace for a Ukrainian counteroffensive—where Wagner fighters were no longer useful. The Russian army will welcome many Wagner mercenaries who boast far better combat skills than thousands of conscripts. A few months-long training will never be a substitute for a real fight. Russian President Vladimir Putin said some Wagner fighters would have the “opportunity to continue serving Russia by entering into a contract with the Ministry of Defense or to return to your family and friends. Whoever wants to can go to Belarus.” Some Russian convicts agreed to serve in Wagner on the front lines of Russia’s war in Ukraine in exchange for their freedom. The exact terms are unclear. Even if some Wagner fighters move to Belarus while Prigozhin is still in talks with Lukashenko, Wagner will never be the same group, even under the same name. Wagner could move up to 1,000 mercenaries to Belarus. If those include senior military personnel, that would mean success for Prigozhin, who could be able to rebuild the group by recruiting privates. Newly erected tents on a disused military base are expected to house up to 8,000 Wagner group mercenaries. The question is whether Prigozhin makes use of them. Wagner Group is just part of Prigozhin’s businesses including a catering company providing food to schools, public institutions and military bases, a gold and diamond mining concern, and a troll factory. The last of them has been a valuable asset for the Kremlin to exert pressure on Western states. Moscow began to dismantle Prigozhin’s corporate behemoth. The warlord’s
Russian public support for exiled Wagner Group head Yevgeny Prigozhin has somewhat collapsed amid his short-lived rebellion on June 23–24. The share of people viewing the man, who seemed short-listed for the upcoming presidential election in Russia, negatively nearly doubled after the mutiny. The approval rating of Russia’s Defense Minister Sergei Shoigu, Prigozhin’s arch rival, also dropped. According to Levada Center, the mutiny has not as much dented Vladimir Putin’s popularity. Importantly, his position has weakened in the eyes of top Russian officials. He might be seen as a weak leader, which could encourage conspiracy. Putin has never been threatened by a domestic revolution, also due to the political apathy of Russian society.

The most recent opinion poll on Prigozhin was conducted by the independent polling agency Levada Center on June 22–28, before the mutiny and shortly afterward. Prigozhin had the approval of 58 percent of respondents two days before the uprising, per Levada. Respondents’ support for Prigozhin dropped to 31 percent during the mutiny, and after its unsuccessful conclusion remained at 29 percent, Levada reported. The number of those who said they were willing to vote for Prigozhin in a hypothetical future presidential election halved due to the uprising; from 19 to 10 percent in the course of the week. According to Levada, before the coup, Prigozhin was referred to as a “fighter for truth”, a “genuine leader,” and a “patriot”, after the mutiny respondents called him negatively, saying “he sparked unrest” or “was greedy wanting more power in Russia.” So is Prigozhin’s political career doomed to fail? Not really, as some 30 percent of respondents still view him positively. It is notable for the Wagner chief that the whole story eroded trust in Russian elites. Respondent attitudes to Shoigu—who Prigozhin has accused of trying to destroy Wagner—also fell over the course of the
chaos. Approval for Shoigu fell from 60 percent before the insurrection to roughly 50 percent afterward. 81 percent of respondents supported Putin before the rebellion (June 22–23), dropping to 79 at its peak. By June 28 when Prigozhin abandoned his gambit, Putin’s approval had risen to 82 percent. In May, some 67 percent of respondents told Levada they believed Russia was moving in the right direction. At the height of the Wagner mutiny on June 24, this figure fell to 53 percent, the lowest figure since Russia invaded Ukraine. Sentiment recovered somewhat after the situation stabilized, but still, only 61 percent are now positive about the country’s direction. This is below the average of 67 percent in May. However, that is a safe result for the regime while Putin needs to sack some of his prominent officials. Otherwise, a new crisis will erupt in Russia that Prigozhin will be watching from Belarus.
29 June 2023

DISCOUNTED RUSSIAN OIL REACHES POPULOUS PAKISTAN

In June, Pakistan received its first-ever cargo of Russian crude oil in two batches containing 100,000 tons of oil each. Pakistan may use Chinese yuan to pay for discounted Russian crude oil, beneficial for the two countries. Energy cooperation between Moscow and Islamabad has just been inaugurated. Interestingly, the United States has accepted the idea of shipping Russian oil to energy-starved and dollar-strapped Pakistan.

During its long journey, the cargo of 100,000 tons of oil was split into two at Oman because the Karachi port was unable to handle the bigger ships. From Oman, the two smaller ships, carrying 50,000 tons of oil each, set sails for Karachi. The oil will be processed by the Pakistan Refinery Limited (PRL). The oil shipment, which stands at $18 per barrel, comes at a time when the country has little in foreign reserves to cover regular energy imports.
As of June 2, Pakistan’s foreign exchange reserves fell below $10 billion, according to the state’s central bank, while reserves stand at $4 billion, barely enough to cover a month’s worth of controlled imports. In April, the U.S. Department of State turned a blind eye to Pakistan’s purchases of Russian oil to save the country’s sinking economy. Energy imports make up the majority of Pakistan’s external payments. Pakistan’s purchase gives Moscow a new outlet to add to growing sales to India and China, as it redirects oil from Western markets because of the Ukraine conflict. Pakistan paid for its first government-to-government import of discounted Russian crude oil in Chinese currency, said Petroleum Minister Musadik Malik. Squeezed by sanctions, Russia decided to switch to Chinese or Emirati currencies to pay for energy commodities instead of dollars. The United States prohibited American dollar transactions with the Russian central bank, one of many sanctions imposed on Russia amid its invasion of Ukraine.

29 June 2023

UKRAINE CLAIMS IT HAS SEIZED STRATEGIC INITIATIVE

Ukraine claims it has seized the initiative at the front as it continues its counteroffensive, while Russia appears to be mired in confusion following a rebellion attempt by the Wagner Group. Valerii Zaluzhnyi, the commander in chief of Ukraine’s armed forces, said on social media that he had a telephone conversation with the Chairman of the US Joint Chiefs of Staff General Mark Milley. He reportedly told Milley that Ukrainian forces have “managed to seize the strategic initiative at the front and have been pushing forward.” That was confirmed by Ukrainian military personnel and the country’s deputy defense minister. Oleksiy Reznikov, Ukraine’s defense minister, said Ukraine has not yet deployed most of its forces.

The Ukrainian military is continuing its tactic that consists in exploiting vulnerabilities within the Russian army and damaging Moscow’s supply lines and resources. Three weeks into the long-awaited counteroffensive, Ukraine is continuing its march and capturing new swathes of territory. If Ukrainian military personnel, who generally say little about their army’s progress, are inclined to boast, the situation could be even worse for Russia than one might think. Gen. Mark A. Milley spoke with Commander-in-Chief of the Ukrainian Armed Forces Gen. Valerii Zaluzhnyi on June 28 by phone. Ukrainian forces have “managed to seize the strategic initiative at the front and have been pushing forward.”
forward,” he wrote immediately after the call. Ukrainian forces seem to be advancing rapidly toward the direction of Bakhmut, pushing the Russians from their positions south and north of the city, perhaps to eventually force them to retreat. There have been reports of Ukrainian progress between the provinces of Donbas and Zaporizhzhia. The abortive mutiny in Russia further complicated Russia’s standings. Moscow cannot deploy 20,000 Wagner mercenaries. Now stationed in Luhansk province. Some might be relocated to Belarus, others seek to come back home, while the remaining Wagner fighters—once their army contracts are signed—must be assigned to appropriate units.

In addition, a serious reshuffle of the Russian military is expected in the light of the Wagner uprising. Regardless of what is actually known and whether Gen. Surovikin was detained, that must have been a morale killer for the Russian army. The mercenaries’ downing of several aircraft is another embarrassment for Moscow. During their march toward Moscow, Wagner mercenaries shot down seven Russian aircraft, including two reconnaissance helicopters. One of Russia’s few IL-22M airborne command post aircraft was shot down during Wagner’s brief revolt, which could dramatically impact Russia’s air force command and coordination capabilities.
29 June 2023

UKRAINE’S DNIPRO BRIDGEHEAD CAUSES RUSSIAN HEADACHE

No breakthrough in the Ukrainian offensive occurred in late June while Russian troops are being ousted, bowing to Ukrainian pressure. Furthermore, Ukrainian forces gained a small foothold on the left bank of the Dnipro River, which could prompt a Russian assault on the Kherson section of the front line.
Ukraine’s counteroffensive against Russian forces is “going slower than people had predicted,” but is making steady progress, Chairman of the US Joint Chiefs of Staff Gen. Mark Milley said at the National Press Club on June 30. Milley stressed that, while slowly, the Ukrainians were pushing ahead. “(The offensive) is advancing steadily, deliberately, working its way through very difficult minefields, 500 meters a day or 1,000 meters a day,” he said. Ukrainian forces continue offensive operations on both the southern and eastern sections of the front. Ukraine has reported heavy fighting near Lyman, in the northern Donetsk region, and near Avdiivka and Mariinka. Offensive operations so far have yielded modest gains in the southern regions like Zaporizhzhia. The fighting continues in the direction of Bakhmut where Ukrainian troops—slowly albeit steadily—continue to seize areas north and south of the city. Ukraine’s military command said around 50,000 Russian troops are stationed near Bakhmut. In late May and early June, Wagner fighters quit the area, but that did not compromise Russian military positions in Ukraine. The spokesman for Ukraine’s eastern military command said Russian forces had 300 tanks, more than 330 artillery systems, and 140 missile systems in the area, in addition to airborne and mechanized troops as well as some mercenaries. By late June, Russian forces also failed to destroy a Ukrainian bridgehead on the left bank of the Dnipro. A group of some 100 Ukrainian troops remain in fortifications by the Antonivsky Bridge near Kherson. Russia is suffering high numbers of military casualties while attempting to assault the Ukrainian foothold. The Antonivsky Bridge across the Dnipro River connected occupied Kherson with the left bank. The main bridge over the Dnipro River in Ukraine’s Kherson region was destroyed on November 11, 2022. On June 23, Ukrainian forces almost certainly started to move to the left bank of the Dnipro River near the eastern part of the Antonivsky Bridge that was not destroyed back in November. Russian troops have been unable to oust the Ukrainians from their fortified positions. Among the Russian units stationed in this area are elements of the 7th Guards Mountain Air Assault Division, which is part of the Russian Dnipro Group of Forces (DGF).

29 June 2023

WAGNER GROUP SETTLES IN NEARBY BELARUS: A THREAT TO UKRAINE?

Wagner fighters relocating to Belarus after their failed mutiny in Russia could prompt a heightened threat to Ukraine. It is little possible as Wagner mercenaries in Belarus will not pose a threat to Kyiv. They can only launch hybrid operations. For this reason, however, Wagner’s presence in Belarus has sparked fear in Latvia, Lithuania, and Poland.
The presence of an armed group could run some risks for neighboring states, notably Poland, Lithuania, Latvia, and Ukraine that the Lukashenko regime considers hostile. Wagner mercenaries have been aligned with both hybrid warfare and conventional combat. The latter seems unlikely given how many fighters are ever to move to Belarus. So far, only 1,000 Wagner mercenaries will be relocated to Belarus. Up to 8,000 fighters from Wagner’s private military force may be deployed there. Are they a real threat to Ukraine’s northern border? Of course not, but they might get involved in sabotage. However, no longer as a group capable of advancing along the frontline Ukraine has been fortified for the past eighteen months. Wagner mercenaries have set up their new base in a region that borders Russia, and not Ukraine. A move of Wagner’s Russian mercenary troops to Belarus would create a greater regional threat to NATO states rather than Ukraine. In a most dangerous scenario, Wagner mercenaries could help perform hybrid warfare operations, by smuggling migrants to the border or staging provocations. A small group of mercenaries could run a serious risk as they might stage provocations at the border of Belarus, Ukraine, and Poland. Wagner troops will no longer fight in Ukraine, which is good news for Kyiv. And so is Prigozhin’s mutiny, followed by disbanding the mercenary group. A small group of Wagner’s fighters could go to Belarus while probably most of them will join the Russian army, but no longer independently. Some mercenaries are believed to be relieved from their combat duties. Perhaps the remaining ones will join Wagner bases in Africa and Syria.
30 June 2023

UKRAINE’S NOVA KAKHOVKA DAM DESTRUCTION: RUSSIAN SPECIAL OPERATION

A huge dam in the Russian-controlled area of southern Ukraine has been destroyed, unleashing a flood. It was a Russian operation that crippled a Ukrainian counteroffensive operation along the Dnieper River on the Kherson section of the front line.

Massive flooding from the destruction of the Kakhovka Dam on June 6 has devastated towns along the lower Dnieper River. The collapse of the Kakhovka dam has already caused more than $1.5 billion worth of damage to Ukraine, in addition to environmental damage, according to Ukraine’s Prime Minister Denys Shmyhal. Hundreds of people in the Russian-occupied left bank of the Kherson region were left to perish. Russia
China’s imports of Russian crude oil jumped by 15.3 percent compared to May last year and surged by 32.4 percent compared to the 1.73 million bpd crude imports from Russia in April, per data from the Chinese General Administration of Customs cited by Reuters. Russia again overtook Saudi Arabia as the top supplier of crude oil to China. Saudi Arabia, Russia’s main competitor in the Chinese market, shipped 1.72 million bpd of its crude to China in May, down by 16 percent month-on-month. Saudi Arabia was China’s top supplier in 2022. Early this year, Russia was the single largest crude oil supplier to China in

only evacuated Russian passport-holders from flooded settlements in occupied Kherson Oblast, while others died. Catastrophic floods engulfed towns and villages in southern Ukraine. The destruction of the Nova Kakhovka dam may have distracted the Ukrainian military but eventually did not prevent it from launching an assault. Ukrainian forces would not be able to carry out an amphibious landing. Russian forces sought to damage the dam since they had seized it a year ago. Russia had prepared for this operation for at least two weeks, removing military hardware and raiding settlements along the Dnieper. It was a signal for the Ukrainian military. Just before blowing up the dam, Russian forces withdrew to the third line of defense, outside the flood zone. The dam breach temporarily prevented Ukraine’s offensive actions on that section, allowing Russia to shift some of its forces to the endangered sections. Russian forces began to leave positions shortly before blowing up the dam while satellite imagery showed a blast in the main facility of the Russian-controlled hydroelectric power plant. Ukraine’s Security Service (SBU) said it intercepted telephone communications between Russian military personnel that “confirm” Russia’s involvement in the destruction of the Kakhovka dam. By destroying the dam and causing damage in the area, Russia made small gains in the territories Moscow claims to be “part of the Russian Federation.” All in all, Russia’s one more crime against humanity counts less than the command’s drive to avoid failure at any cost.

30 June 2023

CHINA, INDIA IMPORT RECORD HIGH AMOUNTS OF RUSSIAN OIL

China’s imports of Russian crude oil jumped to 2.27 million barrels a day in May. Also, India is purchasing record amounts of Russian crude. Russia is selling record amounts of discounted crude oil.
January and February, Saudi Arabia reclaimed its first position only in May 2023. India took 1.96 million barrels a day from Russia in May, more than the previous high of 1.74 million barrels a day in April, according to data from Oilprice. Russia now makes up for nearly 42 percent of all crude oil India imported. China and India accounted for at least 56 percent of total Russian exports of crude and products in May, the International Energy Agency (IEA) said in its monthly report last week. Russian crude supplies to China and India are soaring month by month. Both are the key export outlets for Russian crude and oil products now that Russian exports are embargoed in the EU. As refiners in the world’s top crude oil importers continue to buy discounted Russian oil, Saudi crude is no longer attractive. The question is how long Saudi Arabia will tolerate that. Independent Chinese refiners, many of them based in Shandong province, have also been processing crude from Iran and Venezuela. China and India must vary of purchasing major amounts of crude from Russia so as not to sour their ties with Gulf suppliers. As the number of old oil tankers shipping Russian oil has soared, Chinese authorities in the Shandong province have increased the safety checks on old vessels arriving at the major oil import port of Qingdao. Some old vessels were halted for inspection.
30 June 2023

RUSSIA, UZBEKISTAN REACH GAS SUPPLY DEAL

Uzbekistan has reached a deal with Russia to buy natural gas. The agreement will run for two years, with the volume capped at 2.8 billion cubic meters per annum. Under a new contract, Gazprom will be able to redirect some of its supplies to the market in Asia.

The deal is between Gazprom’s export arm, Gazprom Export, and Uzbekistan state gas distributor Uzgastrade. The latter firm serves as a monopoly operator in buying natural gas from the country’s producers and selling it to consumers. The supply deal was signed by Uzbekistan Energy Minister Dhurabek Mirzamakhmudov and Gazprom executive chairman Alexei Miller. The deal for Uzbekistan to buy Russian gas was reached on June 16 on
the sidelines of the St. Petersburg Economic Forum. The roadmap for the gas system and infrastructure facilities has been approved. The new supplies will be sent by reversing a line that heads from Russia via Kazakhstan to Uzbekistan. The reversal will entail building a new gas meter and about 22 kilometers of new trunklines in Uzbekistan. Additionally, upgrades will be required to an estimated 56 kilometers of gas pipelines and at fourteen pumping stations. All maintenance and construction works will have to be completed by the end of September to launch deliveries as scheduled.

The agreement is aimed at partially satisfying the annually growing demand of the republic’s consumers for natural gas, especially in the autumn–winter season, Uzbekistan’s Energy Ministry said in a statement. The Energy Ministry said in a statement that daily deliveries of 9 million cubic meters of gas would start from October 1. The deal is vital for Moscow as Europe has moved away from Russian gas. The gas supply deal could mark the beginning of the Russia-Uzbekistan-Turkmenistan gas cartel—a Moscow-brokered project that has been met with skepticism from potential partners.

30 June 2023

GLOBAL PRICE CAP ON RUSSIAN CRUDE IS NOT EFFECTIVE, EXPERTS SAY

Western efforts to curb Russian revenues from oil seem somewhat lukewarm. Russia is selling record-high amounts of oil to Asia while the maximum price cap on seaborne crude has little effect on the Putin regime.

Russian President Vladimir Putin has signed a decree to extend the ban on the supply of crude oil to foreign companies and citizens that abide by a price cap set by Western states. According to a decree on the government’s official website, the supply of Russian oil and petroleum products is prohibited under contracts that directly or indirectly provide for the use of the price cap. The decree first came into force on February 1 and was supposed to be valid until July 1. However, Western economists are suggesting a $45 per barrel price cap on seaborne crude. A group of economists analyzed the consequences of the $60 price cap on Russian crude. They claim the price cap could prove ineffective in the long run. Russia is expanding its obscure fleet of “shadow tankers” to sell crude above the EU-imposed price cap. Economists, however, are suggesting a $45 price cap as a driver of reduced tax revenues. After the price cap was introduced in December 2022, oil prices leveled out and then saw a slight decline. Brent crude oil fell below the $76 barrel mark. The global oil benchmark has hovered around $80 a barrel since May 2023. According to the International Energy Agency, the price of Russian Urals has been around $60 per barrel since the price cap...
was introduced. Moscow is thus successful in boosting crude supplies. In March, it reached 8.1 million barrels per day, its record high since April 2020. Russia exported more oil in April than in any month since its full-scale invasion of Ukraine, according to the International Energy Agency. Russian oil exports edged up to a post-invasion high of 8.3 million barrels per day. Russia’s total exports of oil and petroleum products in 2021 totalled 7.5 million barrels per day and 7.7 million bpd in 2022.

30 June 2023

RUSSIA’S OIL AND GAS REVENUE AND OUTPUT FELL MONTH BY MONTH

Russia’s oil and gas output shrank amid capped gas flows to Europe. Russia is finding oil customers in Asia to replace sanctions-blocked European buyers, by clawing away at the market share of its energy allies.

Russian natural gas production fell 15.3 percent between January and May 2023, from 233 billion cubic meters, last year from a year ago. In May, Russia’s output was 39.6 billion cubic meters, down 19.3 percent from a year ago and 11 percent from a month ago.
Russia boasts higher liquefied natural gas output. LNG output in January-May decreased by 3.8 percent year-on-year to 13.7 million tons. Production of liquefied natural gas grew 4.1 percent last month, on a year-on-year basis, to 2.9 million tons, and was up 4.2 percent from April. The decline in Russian gas output stems from Europe’s moving away from Russian-sourced energy. In 2022, Russian imports of energy goods were 23.3 percent, compared to a 7.6 percent decrease year-on-year. Natural gas deliveries to Europe shrank by 15.7 percent. In 2022, Russian gas accounted for 32.7 percent of Europe’s imports. Meanwhile, Russia decreased pipeline shipments by 50 percent and boosted LNG supplies by 12 percent, also due to political decisions from countries such as Italy. Italy is still importing 3–4 million cubic meters of Russian natural gas, Environment and Energy Security Minister Gilberto Pichetto Fratin said. Regular liquefied natural gas supplies will meet Italy’s 50 percent of total gas demand, he added. Italy will be able to completely free itself from dependence on Russian gas by mid-2024. Italy’s dependence on Russia for imported gas was from 40 percent by February 2022. A decrease in Russian oil and gas output and supplies thus hit federal budget proceeds. In May, proceeds from crude and petroleum products fell by 36 percent compared to a year ago. Crude oil and oil products, which accounted for some 75 percent of Moscow’s total hydrocarbon revenues in May, saw a 31 percent drop in budget proceeds for Moscow compared to a year ago based on calculations made by Bloomberg. Natural gas tax revenues also fell 46 percent in May, compared to a year ago, while tax income from the collection of tariffs on natural gas exports shed 81 percent. The U.S. treasury, citing Russian Finance Ministry figures, said federal government oil revenues were down over 40 percent between January and March compared to last year. Before the war, oil revenues constituted 30–35 percent of the total Russian budget. In 2023, oil revenues have fallen to just 23 percent of the Russian budget. Immediately after the invasion, Russia received windfall profits on an oil price spike created by its war in Ukraine. Today, however, the price cap policy is taking that windfall off the table.
30 June 2023

U.N. ENDS PEACE MISSION IN MALI: WHAT’S NEXT WITH WAGNER GROUP?

The U.N. Security Council has voted unanimously to immediately end its peacekeeping operation in Mali, a decision that must have been inspired by Russia. The United States blamed Prigozhin for contributing to the termination of the U.N. mission. At the same time, the question is whether Prigozhin’s aborted mutiny in Russia might affect the group’s presence in Mali and other African countries.

The United Nations Security Council voted to end the decade-long peacekeeping mission in Mali MINUSMA as the country’s ruling military junta requested the departure of the 13,000-strong force “without delay” by the end of this year. “What is not as widely known is that Prigozhin helped engineer that departure to further Wagner’s interests,” White House national security spokesman John Kirby told reporters. “We know that senior Malian officials
A major issue that clouds over Russian-Turkish ties is the civil war in Syria, where both Moscow and Damascus have contradictory interests. Ankara says it aims to defeat the Kurdish YPG militia which it views as a terrorist group while boycotting the Assad regime. Russia assists the Syrian regime in the latter’s drive to seize full control of Syria, also by smashing the last rebel-held enclave of Idlib. However, the province has been protected by Turkey and Moscow has repeatedly prevented the Syrian regime from attacking the rebel foothold. But how long might that take?
Russian jets on June 25 bombed a fruit and vegetable market near the northwestern Syrian city of Idlib, killing at least nine civilians and wounding thirty. The bombing was carried out by three Russian aircraft from the Khmeimim base. The airstrike marked the beginning of a three-day joint operation by the Russians and Syrian government forces against rebels in Idlib. Russia said the strikes were retaliation for attacks that had killed civilians in government-held provinces. It was the deadliest Russian attack this year. More than twenty people were killed. Idlib is a de facto autonomous area in northwest Syria on the border with Turkey, controlled by anti-regime Islamist groups. Much of the Idlib region remains in the hands of al-Qaida affiliate Hayat Tahrir al-Sham (HTS) which Washington considers a terrorist group. Turkey and Russia agreed in 2018 to turn Idlib into a de-escalation zone where acts of aggression are expressly prohibited. The province is now home to hundreds of thousands of displaced rebels and civilians. However, Russia and Iran-backed Shia militias backed the Assad regime in its endeavor to capture the province in 2019. A ceasefire was brokered in 2020—since that time, Russian forces have bombed rebel positions, further escalating the simmering conflict. The Idlib issue, but also the Turkish presence in several enclaves in northern Syria and tensions between Ankara and the Kurds mean that Russian-Turkish relations in the region remain tense. A Russian fighter was killed and several others wounded in Syria’s northern province of Aleppo in mid-June.
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