

Gorshenin *Weekly*





UKRAINE
2013.
FORECAST

NATIONAL
EXPERT
FORUM



National expert forum

"UKRAINE 2013: FORECAST": Stage One

The national expert forum "Ukraine 2013: Forecast" organized by the Gorshenin Institute held its first discussion day on 6 February 2013.



Participants in the discussion included a former economics minister, MP **Petro Poroshenko**, the honorary president of UPEC corporation, MP **Anatoliy Hirshfeld**, a member of the National Bank of Ukraine Council, **Roman Shpek**, the president of the Gorshenin Institute, **Vadym Omelchenko**, the executive director of the Bleyzer Foundation, **Oleh Ustenko**, a deputy director-general of the Razumkov Centre, **Valeriy Chalyy**, public and political activist **Volodymyr Chemerys** and political analyst **Dmytro Vydrin**.



The panel was moderated by **Marcin Wojciechowski**, the vice-president of the Polish-based International Solidarity Fund, and **Valeriy Kalnysh**, editor in chief of the Kommersant Ukraina newspaper.



The forum was attended by over 150 guests, including leading experts, politicians, businessmen, representatives of the embassies and non-government organizations, local and foreign journalists.



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**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

Content

1. International political

Ukraine-EU

Fule announces deadline for Ukraine to meet association agreement conditions...page 5.

Yanukovych discusses prospects for signing association agreement in Lithuania...page 5.

EU rules out possibility of summit postponement...page 6.

European Parliament's mission visits jailed Ukrainian ex-premier...page 6.

Ukrainian president slams European Energy Community...page 6.

EU ready to help upgrade part of Ukrainian gas transport system...page 7.

Ukraine-USA

Ukrainian first deputy prosecutor-general sends another letter to USA...page 7.

Copyright protection worsens in Ukraine...page 7.

Ukraine- CIS

Ukrainian president decries Gazprom's sanctions as "unfair"...page 7.

Ukrainian deputy premier visits Moscow twice this week for gas talks...page 8.

Ukraine paid 426 dollars per 1,000 cu.m. of Russian gas in January...page 8.

Ukrainian foreign minister to pay visit to Russia in March...page 8.

Ukrainian law enforcers detain Tajik ex-premier...page 8.

Ukrainian president to pay visit to Turkmenistan...page 9.

Ukraine-IRAQ

Ukraine deliveries another batch of APCs to Iraq...page 9.

Ukraine-NATO

Ukraine offers NATO its territory for transporting troops withdrawn from Afghanistan...page 9.

2. Domestic political

Authorities

Ukrainian president completes cabinet formation...page 9.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

Ukraine's court strips two lawmakers of their powers...page 9.

Ukrainian president to hold news conference in March...page 10.

Ukrainian president to take part in cabinet's meeting...page 10.

Ukrainian presidential administration head becomes co-owner of popular TV channel...page 10.

Opposition

Opposition blocks parliament work...page 10.

Yatsenyuk can face criminal charges...page 11.

Opposition demands president's ouster...page 11.

Tymoshenko to be brought to Kiev for murder case questioning...page 11.

Opposition demands to see all evidence in Shcherban's case...page 12.

Opposition MP suggests that Yanukovych release Lutsenko...page 12.

Opposition candidate forced to leave Ukraine...page 12.

3. Economics

Premier expects 3-percent GDP growth in 2013...page 13.

Ukraine taps Eurobonds market for 1bn dollars...page 13.

Ukrainian banks end 2012 with over 600m dollars in profit – National Bank...page 13.

NBU slightly increases international reserves...page 13.

EBRD names conditions for further cooperation with Ukraine...page 14.

4. Energy market

LNG terminal project faces new challenges...page 14.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

INTERNATIONAL POLITICAL

UKRAINE-EU

Fule announces deadline for Ukraine to meet association agreement conditions

On 7 February 2013, European Commissioner for Enlargement and European Neighbourhood Policy Stefan Fule said in Kiev that Ukraine must meet the conditions required for signing an association agreement by November this year. He said this at a meeting with Prime Minister Mykola Azarov.

The news and analysis website Lb.ua quoted Fule as saying earlier that Ukraine's cooperation with the Customs Union of Belarus, Kazakhstan and Russia can be as broad as possible as long as it does not contradict the initialled association agreement with the EU.

On 8 February, Ukrainian President Viktor Yanukovich said at a meeting with Fule that signing the association agreement in November remains a priority for Ukraine.

The EU officially requested that before signing the agreement Ukraine must overcome the consequences of selective justice, advance its election legislation and speed up reforms.

According to the Kommersant Ukraina daily, the EU has the list of "19 benchmarks" which Ukraine must meet to be eligible for signing the agreement. Foreign Minister Leonid Kozhara confirmed the existence of the list to the daily. He said that among these "19 benchmarks" there is no direct demand to release former Prime Minister Yuliya Tymoshenko and former Interior Minister Yuriy Lutsenko. Kommersant Ukraina also said that one of the compromises in settling the problem of selective justice can be the dismissal or transfer to another job the first deputy prosecutor-general, Renat Kuzmin, deemed by the West to be a key political persecutor.

On 8 February, upon completion of his visit to Ukraine, Fule wrote on his Twitter that it is key for the authorities to deliver on conditions for signing the association agreement. "Only then it can unleash its transformative power," he added.

In an interview with the Dzerkalo Tyzhnya weekly, Dutch ambassador to Ukraine Pieter Jan Wolthers said that the association agreement has been drafted and is ready to be signed. But there are no guarantees that it will be signed, he added.

Yanukovich discusses prospects for signing association agreement in Lithuania

On 6 February 2013, Ukrainian President Viktor Yanukovich paid an official visit to Lithuania to hold talks with his counterpart Dalia Grybauskaite. He also met other senior Lithuanian officials.

Several mass media reported that the main goal of the talks between Yanukovich and Grybauskaite was to find a way out of the crisis in relations between Kiev and Brussels on the eve of the Ukraine-EU summit. The Lithuanian president, as the media outlets said, agreed to act as an intermediary in this issue, having agreed the basic points of the talks with the EU leadership.



February 6 and 11, 2013,
Kyiv, Parus business centre

Grybauskaite told Yanukovych that the imprisonment of the opposition leaders could impede the signing of the association agreement. Yanukovych replied by saying that settling the issue of ex-Prime Minister Yuliya Tymoshenko's detention would take time. According to him, any decision on the case of Tymoshenko must be taken by lawyers.

Grybauskaite also said that Ukraine must choose whether it wants to join the Customs Union of Belarus, Kazakhstan and Russia, or the EU.

According to a deputy director-general of the Razumkov Centre, Valeriy Chalyy, the Ukrainian authorities are more inclined towards integration into the Customs Union at the moment because they consider it to be more economically beneficial. He made this statement at the national expert forum "Ukraine 2013: Forecast" organized by the Gorshenin Institute on 6 February.

EU rules out possibility of summit postponement

The EU has ruled out the possibility that the Ukraine-EU summit, which is scheduled for 25 February, might be postponed, the EU commissioner for enlargement and neighborhood policy, Stefan Fule, said in an interview with the Interfax-Ukraine news agency on 5 February 2013.

Additionally, Fule said that the EU had no plans for imposing visa sanctions on certain Ukrainian politicians.

European Parliament's mission visits jailed Ukrainian ex-premier

On 6 February 2013, representatives of the European Parliament (EP) - former Polish President Aleksander Kwasniewski and former EP President Pat Cox - visited jailed ex-Prime Minister Yuliya Tymoshenko in a hospital.

Tymoshenko's daughter Yevheniya said that the observers had been appalled by the conditions in which her mother was held.

For its part, the Ukrainian State Penitentiary Service said that Cox and Kwasniewski voiced no concerns during their visit to the hospital. However, the EP representatives later denied this statement, arguing that they had in fact commented on the conditions in which the former prime minister was held.

On 4 February, the EP observers also paid a visit to jailed ex-Interior Minister Yuriy Lutsenko, who is currently serving time in the Mena penal colony.

The EP mission, which is headed by Cox and Kwasniewski, is monitoring the trials of the Ukrainian opposition leaders. It started its work in June 2012 and on 6 February 2013 the EU extended its mandate.

Ukrainian president slams European Energy Community

Ukraine is dissatisfied with cooperation with the European Energy Community (EEC), Ukrainian President Viktor Yanukovych said on 6 February 2013.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

The Lb.ua news and analysis website quoted Yanukovich as complaining that the EEC did not assist Ukraine with gas negotiations with Russia. Furthermore, in his opinion, some EEC member states are supportive of the implementation of the Russian gas pipeline project South Stream.

EU ready to help upgrade part of Ukrainian gas transport system

The EU is ready to accelerate the allocation of a 308m-euro loan for upgrading the Ukrainian segment of the Urengoy-Pomary-Uzhhorod gas pipeline, Ukrainian Foreign Minister Leonid Kozhara said on 5 February 2013.

On 7 February, the EU commissioner for enlargement and neighborhood policy, Stefan Fule, said that the EU intended to continue helping Ukraine with upgrading its gas transport system.

UKRAINE-USA

Ukrainian first deputy prosecutor-general sends another letter to USA

On 4 February 2013, the Ukrainian Prosecutor-General's Office released a letter written by the first deputy prosecutor-general, Renat Kuzmin, to the US Congress. In the letter he said that the US authorities have been preventing him from attending a breakfast hosted by President Barack Obama. In particular, Kuzmin complained that the US embassy in Ukraine was dragging out the process of issuing him a visa.

Back in December 2012, Kuzmin already sent a letter to the US president and Congress. He wrote in it that the American government was planning to arrest him and then cancelled his visa. Later, we learnt that Kuzmin's visa was cancelled because he tried to hold a questioning in the USA without an authorization of the American government.

Copyright protection worsens in Ukraine

The International Intellectual Property Alliance (IIPA) has issued a detailed report on copyright piracy, recommending that the U.S. government designate Ukraine as a Priority Foreign Country as a result of severe legal and copyright enforcement problems, news and analysis website Lb.ua reported on 8 February 2013. The designation of Ukraine as a Priority Foreign Country would set in motion a process that could impose significant consequences on Ukraine if needed reforms are not made.

According to IIPA's experts, the main problems in Ukraine, among other things, are rampant online and hard goods piracy, governmental decisions to act against the legitimate royalty collecting society instead of shutting down rogue societies, and the pervasive use of unlicensed software by businesses and government bodies.

UKRAINE-CIS

Ukrainian president decries Gazprom's sanctions as "unfair"

On 6 February 2013, Ukrainian President Viktor Yanukovich said that Gazprom's 7bn-dollar fine for buying less gas in 2012 than contracted was unfair. He added



February 6 and 11, 2013,
Kyiv, Parus business centre

that these sanctions were not in line with market relations between economic entities and thus could be challenged.

Gazprom claims that under the current agreement, Ukraine is obliged to purchase at least 41.6bn cu.m. of gas in 2012 and 2013. Yet, last year Kiev bought only 24.9 cu.m., the Interfax-Ukraine news agency has reported.

On 7 February, Ukrainian Energy and Coal Industry Minister Eduard Stavytskyy said that Ukraine saw no point in paying Gazprom 7bn dollars for the gas it had not bought in 2012.

Ukrainian deputy premier visits Moscow twice this week for gas talks

On 6 February 2013, Ukrainian Deputy Prime Minister Yuriy Boyko held a meeting with Gazprom's CEO Aleksey Miller. During the meeting, the "sides discussed issues of mutual interest", Gazprom's press service reported.

On 8 February, Boyko had another round of talks with Miller in Moscow.

In the opinion of the former Ukrainian economics minister, MP Petro Poroshenko, Ukraine will be able to secure a discount for the Russian gas in exchange for setting up a gas transport consortium, rather than in exchange for joining the Customs Union of Belarus, Kazakhstan and Russia. He said this at a national expert forum "Ukraine 2013: Forecast", which was organized by the Gorshenin Institute on 6 February.

Ukraine paid 426 dollars per 1,000 cu.m. of Russian gas in January

An average price of Russian gas imported by Ukraine in January was 426.16 dollars per 1,000 cu.m., the Ukrainian Economics Ministry reported on 8 February 2013.

Ukrainian foreign minister to pay visit to Russia in March

On 5 February 2013, Ukrainian Foreign Minister Leonid Kozhara said that he will go to Russia on 19 March following an invitation from his Russian counterpart Sergey Lavrov.

Ukrainian law enforcers detain Tajik ex-premier

On 5 February 2013, Ukrainian law enforcers detained the former Tajik prime minister, Abdumalik Abdullajanov, upon his arrival in Kiev's Boryspil international airport from the USA, where he had been residing over the past several years.

The Ukrainian Interior Ministry said that the former Tajik prime minister would be extradited from Ukraine.

The Tajik authorities accused Abdullajanov of attempting to kill President Emomali Rahmon in 1996, as well as of participating in a coup.



February 6 and 11, 2013,
Kyiv, Parus business centre

Ukrainian president to pay visit to Turkmenistan

On 12-14 February 2013, Ukrainian President Viktor Yanukovich will pay an official visit to Turkmenistan, the head of his administration Serhiy Lyovochkin said on 7 February.

UKRAINE-IRAQ

Ukraine deliveries another batch of APCs to Iraq

On 7 February 2013, Ukraine transported to Iraq the third consignment of 40 armed personnel carriers BTR-4 as part of a weapons contract signed in 2009.

The first consignment of APCs was delivered to Iraq in spring 2011, and the second one in autumn 2012. Overall, the contract envisions delivery of 420 APCs and six An-32 aircraft.

UKRAINE-NATO

Ukraine offers NATO its territory for transporting troops withdrawn from Afghanistan

On 6 February 2013, Ukraine offered NATO to use its territory for transporting servicemen and equipment from Afghanistan, the Ukrainian mission to NATO has reported.

DOMESTIC POLITICAL

AUTHORITY

Ukrainian president completes cabinet formation

On 5 February 2013, Ukrainian President Viktor Yanukovich issued a decree to appoint Mykhaylo Korolenko as industrial policy minister and Leonid Novokhatko as culture minister. Therefore, the head of state has made all the appointments to complete the cabinet.

Prior to the appointment as minister, Korolenko held top posts in the company Smart Holding owned by Vadym Novinsky and Rinat Akhmetov's SCM.

Novokhatko had served as deputy head of the Kiev city state administration since June 2010.

Ukraine's court strips two lawmakers of their powers

On 8 February 2013 the Supreme administrative court had stripped Pavlo Baloha and Oleksandr Dombrovskyy of their MP status.

The deputy head of the Central Electoral Commission, Andriy Mahera, said that the court ruling contradicts a number of laws. He said that it was possible to challenge election results in a single-seat constituency no later than five days after the vote. In this case, the deadline was missed, Mahera said. He added that after the lawmakers were sworn in, only the constitutional majority in parliament can rule on stripping them of their status.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

The head of the Fatherland opposition parliamentary faction, Arseniy Yatsenyuk, said that the issue of stripping Baloha and Dombrovskyy of their status was raised after they refused to join the pro-presidential Party of Regions parliamentary faction.

Ukrainian president to hold news conference in March

Ukrainian President Viktor Yanukovich will hold a new conference on 1 March 2013, the head of his administration, Serhiy Lyovochkin, said on 7 February. Lyovochkin also confirmed that Yanukovich would participate in a TV project called "Conversation with the country", which will be broadcast by the Ukrainian state-run TV channel UT-1 on 22 February.

The last time Yanukovich planned to give a news conference was on 14 July 2012. It was cancelled by the president due to protests against the controversial law on the foundations of the state language policy.

Ukrainian president to take part in cabinet's meeting

Ukrainian President Viktor Yanukovich will participate in a meeting of the Cabinet of Ministers, which will discuss the government's programme, on 27 February 2013, the head of his administration Serhiy Lyovochkin said on 7 February.

Ukrainian presidential administration head becomes co-owner of popular TV channel

The head of the Ukrainian presidential administration, Serhiy Lyovochkin, and Ukrainian tycoon Dmytro Firtash will become new owners of one of the Ukrainian largest TV channels Inter, Firtash's company Group DF said on 7 February 2013. Lyovochkin said that his share in the media group Inter was 20 percent.

On 1 February 2013, the media group Inter said that Firtash had become its new owner. He had reportedly paid 2.5bn dollars for the deal.

Inter's former owner and the former Ukrainian deputy prime minister, Valeriy Khoroshkovskyy, explained that "in the current circumstances, I have no possibility to ensure the development of the group".

The Kommersant Ukraina business daily reported that Khoroshkovskyy had been forced to sell the media group due to political pressure exerted on him. At the same time, the newspaper suggested that the former politician had a choice: to openly sell Inter to Lyovochkin and Firtash or to covertly sell it to the president's son Oleksandr Yanukovich.

OPPOSITION

Opposition blocks parliament work

For the whole session week from 5 to 8 February 2013, three opposition factions have been blocking the parliamentary rostrum demanding that the Rada-3 system be put in service to ensure that lawmakers vote in person.



February 6 and 11, 2013,
Kyiv, Parus business centre

On 8 February, UDAR party leader Vitaliy Klitschko said that the opposition would block the rostrum until 19 February when the next session week is due.

The same day pro-government Party of Regions MP Volodymyr Oliynyk said that his party was ready to use force to clear the rostrum.

He said that his party would use this option if they see that the number of pro-government deputies in the session hall on 19 February is enough for a successful voting (226 and more).

The president of the Gorshenin Institute, Vadym Omelchenko, suggested that neither the authorities, nor the opposition has a comprehensible action plan. He said that although the government, the president and the ruling Party of Regions are still enjoying very high approval ratings, discreet protest sentiments are brewing in the Ukrainian society, as confirmed by recent opinion polls held on the eve of the parliamentary election. He said this at the national expert forum "Ukraine 2013: Forecast" organized by the Gorshenin Institute.

Yatsenyuk can face criminal charges

On 6 February 2013, pro-government Party of Regions MP Vladyslav Lukyanov said that he was going to ask the Prosecutor-General's Office to investigate financial abuse by the leader of the opposition Fatherland faction, Arseniy Yatsenyuk. According to Lukyanov, Yatsenyuk, when he was parliament speaker in 2008, breached the procedure by spending around 1m dollars from the budget on a new personal voting system for parliament, Rada-3.

Opposition demands president's ouster

On 7 February 2013, the leaders of three opposition factions, Arseniy Yatsenyuk (Fatherland), Vitaliy Klitschko (UDAR) and Oleh Tyahnybok (Freedom), registered in parliament a bill on the president's impeachment.

Tymoshenko to be brought to Kiev for murder case questioning

On 7 February 2013, a court ruled that ex-Prime Minister Yuliya Tymoshenko should be brought to Kiev to attend the interrogation of a witness in the murder case of politician and businessman Yevhen Shcherban. The interrogation is scheduled for 13 February.

Earlier Tymoshenko said through her lawyers that she refuses to take part in an interrogation held by means of a video conference. She also said she needed more time to study the case.

Lawyer Serhiy Vlasenko said that, according to the new Criminal Procedures Code, the judge had to uphold Tymoshenko's request.

He added though that Tymoshenko cannot be transported due to her health condition.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

Opposition Fatherland MP, ex-SBU chief Oleksandr Turchynov, said that the Prosecutor-General's Office was going to use the testimony of the so-called "professional witnesses", who are used to give testimony in any cases that the PGO investigates.

Forbes.ua, a news and analysis website, identified the witness as Ihor Maryinkov who had already testified in Shcherban's and several other high-profile cases. If Maryinkov claims that one of the masterminds of the killing whom he knew in person told him about his meetings with Tymoshenko to plan the killing, then, according to the new Criminal Procedures Code, the court may accept this statement as evidence (so-called hearsay evidence).

Shcherban's business partner and chairman of the board of directors of the Industrial Union of Donbass corporation, Serhiy Taruta, told the news and analysis website Ukrayinska Pravda that they had settled all commercial disputes with Tymoshenko 10 months before Shcherban's murder.

Opposition demands to see all evidence in Shcherban's case

On 6 February 2013, the Fatherland party requested that the Prosecutor-General's Office provide the lawyers of ex-Prime Minister Yuliya Tymoshenko with all paperwork of the murder case of politician and businessman Yevhen Shcherban.

Fatherland said that since Prosecutor-General Viktor Pshonka said on 18 January that the investigation was complete and Tymoshenko was notified of being suspected in organizing the killing of Shcherban, the investigators have provided the defence with only six volumes of case paperwork out of 52. This means the prosecutors have no other evidence in the case, the opposition party concluded.

The Prosecutor-General's Office earlier said that under the new Criminal Procedures Code, the defence is only entitled to study the paperwork which cannot harm a pre-trial investigation.

Opposition MP suggests that Yanukovych release Lutsenko

On 5 February 2013, Fatherland MP Hennadiy Moskal called on President Viktor Yanukovych to pardon former Interior Minister Yuriy Lutsenko. To do this, he said, Yanukovych simply needs to change the pardon process and approve Lutsenko's pardon.

According to the existing procedure, a convict may be pardoned if he or she files a relevant application with the president.

The wife of the ex-minister, Iryna Lutsenko, earlier said that her husband would never beg for pardon.

Opposition candidate forced to leave Ukraine

On 7 February 2013, lawyer Mykola Motruk said that Viktor Romanyuk, an opposition candidate who ran in election constituency 94 in Kiev Region, had to leave Ukraine due to pressure mounted on him and his business by the tax service.



**NATIONAL
EXPERT
FORUM**

February 6 and 11, 2013,
Kyiv, Parus business centre

During the 28 October 2012 parliamentary election Romanyuk defeated his runner-up and Party of Regions candidate, Tetyana Zasukha, with a 10,000-vote lead. District courts later invalidated 33,000 ballots. The Central Electoral Commission later invalidated election results in five single-seat constituencies, including constituency No 94.

ECONOMICS

Premier expects 3-percent GDP growth in 2013

Prime Minister Mykola Azarov on 7 February 2013 said that this year Ukraine's economy may expand by 3 percent. Azarov made the statement during a meeting with the IMF mission.

In 2012 the GDP in Ukraine grew by 0.2 percent.

Ukraine taps Eurobonds market for 1bn dollars

Ukraine on 4 February 2013 raised 1bn dollars through the placement of 10-year sovereign Eurobonds that carry a yield of 7.625 percent, according to the deal bookrunner, VTB Capital.

As news and analysis website Lb.ua reported, the latest placement is an additional tranche of the 10-year Eurobonds worth 1.25bn dollars that Ukraine sold in November 2012. Ukraine's first tranche was priced to yield 7.8 percent.

According to Timothy Ash, the head of emerging market research at Standard Bank, quoted by Financial Times, by placing the Eurobonds, the Ukrainian government "sent a crystal clear message that they are in no rush to do a deal with the IMF or the Russians". The expert says that the fresh cash will help Ukraine "squeeze through a month, two, or maybe more".

On 12 February, Ukraine must repay about 1.4bn dollars on its debt to the IMF.

According to the Dzerkalo Tyzhnya weekly, the 2013 budget provides for the maximum increase in the national debt over the last three years: +16.2bn dollars, while the debt grew by 5.3bn dollars in 2012, and by 5.1bn dollars in 2011.

Ukrainian banks end 2012 with over 600m dollars in profit – National Bank

Head of the National Bank of Ukraine Ihor Sorkin on 5 February 2013 said that last year Ukrainian banks earned a net profit of about 626m dollars. He also recalled that Ukrainian banks ended 2011 with a loss of 963m dollars.

NBU slightly increases international reserves

As the National Bank of Ukraine (NBU) reported on 7 February 2013, the international reserves in January increased by 106m dollars to 24.652bn dollars (in equivalent).

The central bank explained that the increase in the reserves was largely due to the proceeds from the placement of USD-denominated domestic government bonds.



February 6 and 11, 2013,
Kyiv, Parus business centre

EBRD names conditions for further cooperation with Ukraine

President of the European Bank for Reconstruction and Development (EBRD) Suma Chakrabarti on 5 February 2013 said that the scope and scale of the bank's investment in Ukraine will depend on the business climate in the country.

According to the EBRD, in recent months the business climate in Ukraine has significantly deteriorated. Particularly, businesses complain about straightforward corruption at all levels, their treatment by tax and customs officials, as well as inefficiency of courts.

The bank is ready to continue investing in projects in Ukraine at the previous rate (about 1bn euros per year), but Kiev must improve the investment climate in the country.

ENERGY MARKET

LNG terminal project faces new challenges

Prime Minister Mykola Azarov on 4 February 2013 said that Ukraine is facing new challenges in the implementation of its strategy to reduce dependence on Russian natural gas. He said that Turkey has failed to grant permission to the transit of tankers with liquefied natural gas through the Bosphorus, as Ukraine plans to build a terminal for receiving liquefied natural gas (LNG terminal).

The construction of the LNG terminal in Odesa Region was officially launched on 26 November 2012.

Founded in July 2010, Gorshenin Weekly is a weekly digest of expert analysis covering the most important political, social and economic events in Ukraine. It is the key source of information about opinion polls carried out by the Gorshenin Institute as well as the best professional commentaries on recent developments.

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