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Content

1. International political

Ukraine-Russia

Russia slams Ukraine for compromising its military forces...page 4.

Price of Russian gas for Ukraine goes up...page 4.

Russian gas giant mentions no gas siphoning by Ukraine in February 2012 report...page 4.

Ukrainian president approves free trade zone with CIS countries...page 5.

Ukraine-EU

Pro-presidential party offers Czech politician political asylum in Ukraine...page 5.

Polish leader not to mediate between Ukrainian president, jailed opposition leader...page 5.

UK to issue visas to Ukrainians from Poland...page 5.

Poland recalls consuls from western Ukrainian city over visa abuse...page 5.

Ukraine-Chine

Premier suggests China open bank office in Ukraine...page 6.

Ukraine-Moldova

Espionage scandal breaks out between Ukraine, Moldova...page 6.

2. Domestic political

Authorities

Law on languages comes into force in Ukraine...page 7.

President approves changes to Tax Code...page 7.

Customs service seeks expanded powers...page 8.

Ukraine blocks major "pirate" website...page 8.

Party of Regions tweaks election ticket...page 9.

Ukraine to set up new investigative body...page 9.

Opposition

Jailed Ukrainian ex-premier, ex-interior minister cannot run for parliament ...page 9.

Ukrainian prosecutors preparing to charge jailed ex-premier with murder, other crimes...page 10.

Ukrainian government says Europe has no power to overturn Tymoshenko verdicts...page 11.

Ukraine's jailed ex-premier may be transferred to prison...page 11.

Ukrainian prosecutor's office rejects use of video link for ex-premier's trial...page 11.

Ukraine's jailed ex-premier refuses to participate in hearing of lawsuit filed by US firms...page 11.

Ally of jailed Ukrainian ex-premier suspected of terrorist links...page 12.

Ukraine's political refugees intend to set up government "in exile"...page 12.

Ukrainian court sets date for handing down ex-interior minister's verdict...page 12.

Ukraine's jailed ex-premier receives Bonifacio VII award...page 13.

Printing houses refuse opposition orders...page 13.

3. Human rights

Ukrainian news portal yet to receive confirmation of closed criminal case...page 13.

Ukrainian ecologist murdered...page 13.

Member of Ukrainian opposition party killed...page 13.

4. Economics

NBU tightens requirements to banks...page 14.

Major Ukrainian producer of ferroalloys halts production...page 14.

5. Energy market

Government approves construction of LNG terminal in Ukraine...page 15.

USA, France and UK to start gas production in Ukraine in 2012...page 15.

INTERNATIONAL POLITICAL

UKRAINE-RUSSIA

Russia slams Ukraine for compromising its military forces

The official representative of the Investigation Committee of the Russian Prosecutor's Office, **Vladimir Markin**, said on 8 August 2012 that Georgia's authorities used Ukrainian hirelings to compromise Russian soldiers in the armed conflict in South Ossetia in 2008. Markin said that the Ukrainians "dressed in Russian military uniform and then scenes showing Russian servicemen attacking and robbing Georgian civilians were staged". Markin added that Russia is going to complain to the International Criminal Court demanding an investigation into these facts.

The Interfax-Ukraine news agency has reported quoting its source at the Ukrainian Foreign Ministry that there is no evidence that Ukrainian mercenaries were involved in the Russia-Georgia military conflict. Moreover, according to the news agency, the Ukrainian Foreign Ministry said they do not deem it necessary to comment on the statements made by "a middle-ranking official of an institution which is not authorized to make official statements".

Price of Russian gas for Ukraine goes up

The Naftohaz Ukrayiny oil and gas company said on 8 August 2012 that the price of Russian gas in the third quarter increased by 0.2 per cent from 425 to 426 dollars per 1,000 cu.m.

Ukrainian Prime Minister **Mykola Azarov** said on 9 August 2012 that Ukraine would continue negotiating a discount on Russian gas. Azarov also said that the price of Russian gas for Ukraine increased 10 times since 2004 and doubled since 2009. He added that Ukraine started using more coal.

Earlier the Russian ambassador to Ukraine, **Mikhail Zurabov**, said that Russia would continue gas talks with Ukraine only after the election to Ukrainian parliament [October 2012].

On 7 August 2012, Naftohaz Ukrayiny paid Russia's Gazprom 930m dollars for gas supplied in July.

Russian gas giant mentions no gas siphoning by Ukraine in February 2012 report

On 6 August 2012, the Komentari weekly quoted **Mikhail Korchemkin**, president of US-based East European Gas Analysis, **as saying in his blog** that the Russian gas monopolist Gazprom in the recent issue of its corporate magazine admitted that there was no reduction in gas supply from Russia to Europe during the two weeks of the extremely cold February 2012.

Earlier Gazprom blamed Ukraine for siphoning Russian gas supplied to Europe.

Ukrainian president approves free trade zone with CIS countries

Ukrainian President **Viktor Yanukovych** on 9 August 2012 signed the law ratifying the free trade zone with CIS countries.

The CIS free trade zone agreement was signed by the leaders of eight countries – Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine on 18 October 2011 in Russia's St Petersburg. As of today, the agreement has been ratified only by Russia, Belarus and Ukraine.

UKRAINE-EU**Pro-presidential party offers Czech politician political asylum in Ukraine**

MP **Volodymyr Oliynyk** from the Party of Regions said on 8 August 2012 that Ukraine may offer political asylum to a former Czech defence minister, **Vlasta Parkanova**, who is accused of procuring overpriced military hardware.

Earlier the Czech Republic granted asylum to former Ukrainian Economy Minister **Bohdan Danylyshyn** and former Prime Minister **Yuliya Tymoshenko's** husband **Oleksandr Tymoshenko**.

Polish leader not to mediate between Ukrainian president, jailed opposition leader

Polish President **Bronislaw Komorowski** said in an interview with the Polish weekly *Wprost* that he considers it inexpedient to mediate a dialogue between the authorities and the opposition in Ukraine.

Earlier media said that Komorowski had received an offer to act as an intermediary in a dialogue between the camps of Ukrainian President **Viktor Yanukovych** and former Prime Minister **Yuliya Tymoshenko**.

UK to issue visas to Ukrainians from Poland

The UK has transferred the processing of visa applications from Ukrainians from its embassy in Ukraine to the one in Poland. The change became effective as of 16 July 2012.

On 8 August 2012 the Ukrainian Cabinet of Ministers approved an agreement with Poland on cancelling fees for Polish national visas.

A public opinion poll conducted by the Gorshenin Institute in November 2010 shows that a clear majority of Ukrainians (76.3 per cent) believe that visa-free travel for Ukrainians would be the best way for Ukraine to get closer to the European Union.

Poland recalls consuls from western Ukrainian city over visa abuse

The LB.ua news and analysis website reported on 10 August 2012 that the Polish Foreign Ministry has recalled all the five visa consuls and Consul-General **Marek Martinek** from the consulate in Lutsk after discovering abuses in the issuance of visas.

On 1 August, the Polish paper *Gazeta Polska Codziennie*, citing its own sources, said that a criminal group in the Polish consulate in the western Ukrainian city of Lutsk illegally issued Schengen visas to prostitutes and, possibly, even to human traffickers.

UKRAINE-CHINA

Premier suggests China open bank office in Ukraine

Ukrainian Prime Minister **Mykola Azarov** has suggested that the China Development Bank open a representative office in Ukraine. Azarov said that the credit facility provided by the Chinese state bank exceeds the total amount of annual stand-by loans offered by the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank.

Media also said that Ukrainian President **Viktor Yanukovich** plans to pay a state visit to China in November 2012.

On 3 August 2012, President Viktor Yanukovich approved two laws amending the state budget to lift the upper limit of state guarantees in 2012 from 15bn hryvnias to 69bn hryvnias. The amendments are aimed at receiving loans from China to replace Russian gas as the main fuel for Ukrainian energy production utilities with domestically mined coal and also at buying Chinese agricultural machinery and agricultural products.

The Russian *Nezavisimaya Gazeta* newspaper reported quoting a well-informed source that the major part of the loan for the agricultural sector will be used “to pay for technologies, goods and services from China. In the best case, Ukraine will receive 10-15 per cent of the earmarked amount”.

The director of the Bureau of Economic and Social Technologies, **Valeriy Hladkyy**, has said that raising the upper limit of state guarantees may cause a downgrade of Ukraine's credit rankings and, as a result, increase the cost of commercial loans on foreign markets both for private and public companies.

UKRAINE-MOLDOVA

Espionage scandal breaks out between Ukraine, Moldova

Ukrainian media reported on 6 August 2012 that an employee of the press service of the Joint Control Commission in Moldova's breakaway Dniester region and a member of the Moldovan delegation, **Semen Nikulin**, was arrested in Ukraine's Odessa on spying charges.

The *Segodnya* daily said that Nikulin was detained by the Ukrainian Security Service (SBU) on 13 April 2012 over suspicions of monitoring supplies of arms from Russia through Ukraine to the Dniester region. According to the daily's source in the SBU, at the moment the Moldovan citizen is kept in a remand centre in Kiev.

The Moldovan Ministry of Foreign Affairs and European Integration confirmed the reports on the detention of Nikulin to *Kommersant Ukraina* daily, but did not provide any official comments.

On 8 August 2012, the Russian news agency RIA Novosti quoted the Moldovan Security Service as saying that Nikulin had no connection to Moldovan security services.

The Ukrainian Security Service (SBU) did not comment on the situation.

According to a retired KGB colonel, **Anatoliy Voloshyn**, the scandal with detaining the Moldovan spy is likely to have been organized by Russia to compromise Ukraine as one of the world's arms market leaders.

DOMESTIC POLITICAL

AUTHORITIES

Law on languages comes into force in Ukraine

On 8 August 2012, President **Viktor Yanukovych** signed the law on language policy. The president also ordered the government to form a working group to develop proposals for improving the legislation on the use of languages in Ukraine.

On 10 August 2012, the language law came into force. According to the document, the Russian language in several regions can be used on equal terms with Ukrainian.

The Lviv regional council announced its intention to ask the Constitutional Court to challenge the constitutionality of the language law.

The United Opposition "Fatherland" called on local councillors to convene extraordinary sessions and adopt decisions that would prevent the law on languages from coming into force at the level of local communities. In addition, the opposition announced that it started preparations for the impeachment of Yanukovych.

The Party of Regions says that the new law has defended an indefeasible right of a person to speak his or her mother tongue.

On Independence Day, 24 August 2012, the defenders of the Ukrainian language are going to stage a rally in Kiev to protest against the signing of the language law.

President approves changes to Tax Code

On 8 August 2012, President **Viktor Yanukovych** approved amendments to the Tax Code.

According to Dzerkalo Tyzhnya weekly, the changes to the Tax Code concern not only the redistribution of functions between the State Tax Service and the Ministry of Finance, but also many innovations in the field of taxation.

Particularly, the law introduces a monthly advance payment of profit tax for companies with revenues over 1.25m dollars. The amendments also introduce a tax rate of 5 per cent (instead of the current 15 per cent) on dividends from foreign sources. Large enterprises which declared losses for previous reporting (tax) years cannot claim VAT refunds automatically.

On 7 August 2012, the European Business Association criticized the concept of tax reform in Ukraine. "Simultaneously with such progressive propositions as reduction of the unified social payment and removal of a number of inefficient payments, the government is offering some innovations that pose threats to business. For example, a tax on turnover, abolition of the maximum base value for charging the unified social payment and resumption of deductions to the Pension Fund from purchase of foreign currency," the EBA said.

According to a survey conducted by the Gorshenin Institute in June 2010, the majority of Ukrainian citizens (66.9 percent) believe that tax evasion is justified when the state does not fulfill its obligations to citizens.

Customs service seeks expanded powers

As Dzerkalo Tyzhnya weekly reported on 10 August 2012, the State Customs Service wrote a letter to the Ministry of Economy, stating that the adoption of a new Customs Code led to a decrease in budget revenues. "Due to the liberalization of procedures for customs value control, which is stipulated by the Customs Code, the budget losses since 1 June have exceeded 1.7bn hryvnias (213m dollars). In particular, additional revenues from adjustment of customs value decreased by 220m hryvnias (27.5m dollars) in June against May," the document says.

The letter states that since 1 June, the invoice value of goods has decreased by almost 20 per cent, which gives grounds to assert that declarations submitted contained false information about the cost of goods. According to the Customs Service, this trend will be preserved in the future. In this regard, the Customs Service suggests that the Customs Code be amended and the right to adjust customs value be expanded.

According to journalist of Dzerkalo Tyzhnya **Vasyl Pasochnyk**, "such statements by the State Customs Service look quite strange on the background of their own statistics saying that customs payments to the budget in June grew by 32 per cent if compared to the same period in 2011. Especially so as in January-May the growth rate was lower - 24 per cent (and thanks to the June surge it became possible to reach the level of 25.5 per cent for the first half-year)."

A number of experts do not rule out that some businessmen could use a more liberal regime of customs clearance in their own interests. However, according to some market participants, the customs officials are just trying to justify the need for wider powers.

Ukraine blocks major "pirate" website

On 6 August 2012, Kommersant Ukraina business daily reported that Ukrainian law-enforcement agencies in Kiev conducted a search at the offices of ColoCall, a company hosting the servers of one of the world's largest BitTorrent trackers - Demonoid. The investigators copied all the data from Demonoid's servers and sealed them.

Demonoid is one of the world's first torrent trackers. In 2010, the Recording Industry Association of America named Demonoid the 10th largest site storing pirated content. As of May 2012, Demonoid had over 378,000 torrent files. According to the newspaper's source in the Interior Ministry, it was decided to remove the website from Ukraine ahead of First Deputy Prime Minister **Valeriy**

Khoroshkovskyy's trip to the United States, during which the official planned to discuss the issues of copyright protection.

Party of Regions tweaks election ticket

On 8 August 2012, the news and analysis website Ukrayinska Pravda reported that the list of candidates submitted by the Party of Regions to the Central Election Committee was different from the list approved at the party's congress.

Specifically, the seat-winning part of the "updated" list now includes an advisor for parliament speaker **Volodymyr Lytvyn** and the head of security for **Dmytro Firtash**, a co-owner of RosUkrEnergo.

The Party of Regions denied any changes to the original list.

Ukraine to set up new investigative body

On 9 August 2012, presidential advisor **Andriy Portnov** said that Ukraine will establish a state bureau of investigation in relation to law-enforcement officers and senior officials.

According to him, the creation of the new body has become possible thanks to the new Criminal Procedure Code adopted 13 April 2012.

The official added that since its establishment the investigation bureau automatically has adopted the investigative functions of the prosecutor's office.

OPPOSITION

Jailed Ukrainian ex-premier, ex-interior minister cannot run for parliament

On 8 August 2012, the Ukrainian Central Electoral Commission (CEC) refused to register as candidates for parliament from the United Opposition "Fatherland" the party leader and former prime minister, **Yuliya Tymoshenko**, and former Interior Minister **Yuriy Lutsenko**. The CEC decision was based on the law under which a citizen who has had a criminal conviction for committing an intentional crime cannot run for parliament and cannot be elected as an MP.

The CEC deputy head, **Andriy Mahera**, said that if Tymoshenko's and Lutsenko's convictions are overturned, they will be able to take part in a parliamentary election by running in single-seat constituencies provided that these constituencies hold a new election.

The United Opposition challenged the CEC decision in the Kiev court of appeals. The appeal said that under the Constitution of Ukraine, a convicted person cannot be elected as an MP, but the conviction cannot serve as a reason for not registering an individual as a candidate for parliament.

The Kiev Court of Appeals on 11 August ruled that the Central Election Commission's decision not to allow Tymoshenko and Lutsenko to take part in the election is legal. The opposition intends to file a complaint within the Supreme Administrative Court.

Additionally, the United Opposition urged the heads of the world's leading democracies and international organizations to provide an adequate assessment of

the government actions in this matter and to apply all means of influence in order to ensure full participation of Tymoshenko and Lutsenko in the parliamentary election.

The head of the Committee of Voters of Ukraine, **Oleksandr Chernenko**, said that the CEC would have broken the law if it had registered Tymoshenko and Lutsenko as candidates for parliament.

The president of the European People's Party, **Wilfried Martens**, said that the "current Ukrainian regime headed by President **Viktor Yanukovich** has confirmed a well-known and long-standing intention to eliminate the opposition leaders".

Ukrainian prosecutors preparing to charge jailed ex-premier with murder, other crimes

In the second half of September, former Ukrainian Prime Minister **Yuliya Tymoshenko** will be charged with involvement in the 1996 killing of politician and businessman **Yevhen Shcherban**, the first deputy prosecutor-general, **Renat Kuzmin**, said in an interview with the Ukrainian newspaper Segodnya on 9 August 2012. "We have enough evidence for pressing charges against her," he explained.

"As German doctors said, she needs eight weeks to rest from stress. This is approximately until the second half of September. So we are waiting for this period to expire. As soon as the doctors say that she can be disturbed, we will immediately come to her with charges. We have everything ready for that," Kuzmin added. According to him, former Ukrainian Prime Minister **Pavlo Lazarenko** agreed to testify in the case.

Kuzmin also said that in addition to the criminal cases launched over the purchase of ambulances and the use of the Kyoto Protocol funds, there were other cases in which Tymoshenko would face charges. "There are also other cases. They are also being investigated. I can assure you that we will not leave out a single case. Each one will be completed within the period stipulated by the law and submitted to court," the first deputy prosecutor-general said.

At the same time, Kuzmin added that European politicians and lawyers had changed their attitude towards the cases opened against Tymoshenko. "One can hear political assessments and accusations that these cases are politically motivated less and less frequently. Europeans also understand that the most significant argument against any political accusation is that of law," he said.

Commenting on the new criminal cases, **Peter Stano**, who is the press secretary of the commissioner for enlargement and European neighbourhood policy, **Stefan Fule**, stated: «It is always a very bad surprise and disappointment when representatives of the Ukrainian state, including the Prosecutor-General's Office, make public statements which look like they predetermine the outcome of upcoming trials.»

After visiting Tymoshenko on 11 August, the European Commission's Ambassador to Ukraine, **Jose Manuel Pinto Teixeira**, said: "I did not have to meet with her to see the deterioration of the situation in Ukraine. But I hope and will hope that my impression is wrong".

Ukrainian government says Europe has no power to overturn Tymoshenko verdicts

On 10 August 2012, a representative of the Ukrainian Interior Ministry, **Vasyl Farynnyk**, said that the European Court of Human Rights (ECHR) could not reverse the decision of a Ukrainian court which had sentenced former Prime Minister **Yuliya Tymoshenko** to seven years in prison for abuse of power when she signed gas contracts with Russia.

He explained that under the Ukrainian legislation, a criminal conviction can be overturned either only after the expiration of the sentence, or if a court finds that a person is innocent, or that person is pardoned.

The ECHR has scheduled a public hearing of Tymoshenko's appeal against her arrest for 28 August 2012.

Ukraine's jailed ex-premier may be transferred to prison

Former Ukrainian Prime Minister **Yuliya Tymoshenko** may be transferred from a hospital to Kharkiv Region's Temnovska prison No 100, the Lb.ua news and analysis website on 8 August 2012 quoted its sources as saying.

The Temnovska prison is for men and intended for inmates who have already been sentenced to prison. However, according to the Lb.ua sources, it is the only prison with a hospital which has been prepared for Tymoshenko.

Prior to her transfer to the hospital, the former prime minister was serving a sentence in Kharkiv Region's Kachanivska prison.

The same day, 8 August 2012, Tymoshenko sent a letter to Ukrainian Prosecutor-General **Viktor Pshonka** and the head of the Kachanivska prison, **Ivan Pervushkin**, in which she demanded that they explain the plans to stop her treatment and transfer her by force from the hospital to the prison and then to a courtroom.

Ukrainian prosecutor's office rejects use of video link for ex-premier's trial

A court hearing of the case against former Ukrainian Prime Minister **Yuliya Tymoshenko** over the activity of the corporation United Energy Systems of Ukraine should be held in the presence of the defendant, as is stipulated by the law, Kharkiv Region's prosecutor **Hennadiy Tyurin** said on 8 August 2012.

On 7 August 2012, the State Penitentiary Service of Kharkiv Region said that the Kachanivska prison where Tymoshenko was serving her sentence before her transfer to a hospital had a room equipped for holding a court hearing via video conferencing.

Ukraine's jailed ex-premier refuses to participate in hearing of lawsuit filed by US firms

On 10 August 2012, the Ukrainian State Penitentiary Service reported that citing recommendations of her doctors, former Prime Minister **Yuliya Tymoshenko** refused to participate in a video-conferenced hearing of the case Trading and Investment Co. Inc. (UTICO, USA) vs Tymoshenko.

The UTICo company demands that Tymoshenko pay it 18.3m dollars of the debt owned by United Energy Systems of Ukraine. The lawsuit was filed in November 2011 after UTICo had failed to become a third party in the case Tymoshenko vs **Dmytro Firtash**. In July 2011, Tymoshenko accused a co-owner of the RosUkrEnergo company, Dmytro Firtash, as well as a number of other high-ranking Ukrainian officials of large-scale embezzlement of state funds. The issue has to do with the transfer of 11bn cu.m. of gas to RosUkrEnergo by the Ukrainian state-owned oil and gas trader Naftohaz Ukrainy. The lawsuit was filed with a US court because US citizens were allegedly involved in the case.

Ally of jailed Ukrainian ex-premier suspected of terrorist links

The suspected organizers of the explosions in Dnipropetrovsk in spring 2012 have allegedly provided consulting services to opposition MP Mykhaylo Sokolov from the opposition parliamentary faction Yuliya Tymoshenko Bloc during the election campaign in 2011, the Ukrainian newspaper Segodnya on 8 August 2012 quoted a well-informed source as saying.

Furthermore, according to Segodnya, law enforcers are also investigating Sokolov's ties with former US Congressman **Jim Slattery**, who is actively involved in the court proceedings in the cases of former Prime Minister **Yuliya Tymoshenko**.

Law enforcers are considering an issue of potential lobbying through Sokolov of certain US interests in this case.

A representative of the Security Service of Ukraine, **Ivan Derevyanko**, confirmed the existence of such materials in the case, the newspaper added.

Sokolov himself said that consultants and freelance political analysts had been hired by his full-time political analyst. "I do not know their full names," he said.

Ukraine's political refugees intend to set up government "in exile"

In an interview with the Kontrakty newspaper, the husband of former Ukrainian Prime Minister **Yuliya Tymoshenko, Oleksandr**, spoke about a possibility of setting up in the Czech Republic a Ukrainian government "in exile", which would be headed by former Ukrainian Economy Minister **Bohdan Danylyshyn**.

"I will not be surprised if considering the situation in Ukraine today, Ukrainian migrants in the west will ask Danylyshyn to head a government in exile. Believe me, there are all the grounds for this," Tymoshenko said.

Both Tymoshenko's husband and Danylyshyn have been granted political asylum by the Czech Republic.

Ukrainian court sets date for handing down ex-interior minister's verdict

On 17 August, former Ukrainian Interior Minister **Yuriy Lutsenko** will hear a court ruling in the case launched over the organization of illegal surveillance, judge **Anna Medushevska** said during a court hearing on 10 August 2012.

The prosecutor's office asked the court to sentence Lutsenko to two and a half years in prison, while his lawyers petitioned for the closure of the case.

On 27 February 2012, a court found Lutsenko guilty of exceeding his authority and embezzling state property and sentenced him to four years behind bars with property confiscation.

Ukraine's jailed ex-premier receives Bonifacio VII award

Former Ukrainian Prime Minister **Yuliya Tymoshenko** has been awarded the international prize Bonifacio VII, the former Kharkiv Region governor and the head of the Kharkiv regional branch of the opposition Fatherland party, **Arsen Avakov**, said on 9 August 2012.

The Bonifacio Academy is among the most prestigious humanitarian institutions of the Holy See.

Printing houses refuse opposition orders

On 7 August 2012, an MP of the Our Ukraine-People's Self-Defence Bloc and a candidate from the United Opposition "Fatherland", **Volodymyr Aryev**, said that a number of Kiev's printing houses had refused to print his election materials.

HUMAN RIGHTS

Ukrainian news portal yet to receive confirmation of closed criminal case

Although the Kiev prosecutor's office said on 3 August 2012 that a criminal case against the Lb.ua news and analysis website over violating the secrecy of correspondence of MP **Volodymyr Landik** had been closed, the editorial office of the Internet publication has not yet received any official documents confirming that all the criminal cases against its employees had been closed.

Ukrainian ecologist murdered

On 4 August 2012, the head of the public movement "For the right of citizens to environmental safety", **Volodymyr Honcharenko**, died after he was severely beaten up by unknown attackers on 1 August.

Ukrainian deputy parliament speaker **Mykola Tomenko** said that the killing of the ecologist can be linked to his professional environmental and social activities.

Colleagues and friends of the murdered ecologist share this opinion. Honcharenko had been threatened by unidentified individuals prior to this.

Before he was beaten up, Honcharenko had held a news conference where he said that there were 180 tonnes of chemically contaminated and radioactive scrap metal in Saksahansky district of Dnipropetrovsk Region's Kryvyy Rih.

On 7 August 2012, a number of public activists asked Ukrainian President **Viktor Yanukovich** to personally oversee an investigation into the murder of the ecologist.

Member of Ukrainian opposition party killed

A member of the Ukrainian opposition party Freedom, **Vasyl Udod**, was killed in Sumy Region's Konotop on 5 August 2012, the party's press service has said.

The party said that Udod had been investigating for a while the facts of cultivating narcotic substances and trafficking in children.

The Ukrainian Interior Ministry denied that Udod was killed. The agency said that he had died as a result of an acute exacerbation of pancreatitis, and that the deceased had been very drunk at the time of death.

In its turn, the Freedom party accused police of the unwillingness to investigate the case and said that they had witnesses who saw that Udod had been beaten up.

ECONOMY

NBU tightens requirements to banks

On 9 August 2012, Kommersant Ukraina business daily reported that the National Bank of Ukraine (NBU) issued a regulation that tightens reserve requirements to commercial banks. Now banks will not be able to breach the established balance of mandatory funds that should be available at the NBU's correspondent accounts at the beginning of each business day more than 10 times during three reporting periods (i.e three months). Before the issuance of the new regulation, banks could break their balances up to 30 times.

According to market participants, these changes are a disguised increase in the reserve requirements. "Now banks will be forced to keep more money on their correspondent accounts so that they could have reserves for some unexpected events," Treasury Director at Raiffeisen Bank Aval **Volodymyr Kravchenko** said.

At the end of May 2012, the NBU increased the required level of reserves kept on its correspondent accounts from 30 to 40 per cent.

As Kommersant Ukraina said, the central bank is orderly tightening its control over cash transactions of banks in order to prevent inflation and excessive pressure on the hryvnia.

Major Ukrainian producer of ferroalloys halts production

On 8 August 2012, the management of Zaporizhzhya Ferroalloy Plant (ZFP), Ukraine's largest producer of ferroalloys, announced plans to cut 1,350 jobs, representing 61 per cent of the total headcount at the company.

According to **Valeriy Sedov**, deputy chairman of the Zaporizhzhya regional committee of the metallurgists and miners trade union, "the mentioned layoffs will simply lead to the halt of production, and they will be left only with service and security personnel." As Sedov noted, the company's main problem is high cost of electricity, which accounts for 55 per cent of the plant's total operating costs.

In March, ZFP already made a statement that the plant could stop production in case electricity tariffs continued growing.

Among other ferroalloy producers in Ukraine are the Nikopol and Stakhanov plants. All three companies are controlled by Privat Group of Ukrainian businessman **Ihor Kolomoyskyy**.

ENERGY MARKET

Government approves construction of LNG terminal in Ukraine

On 8 August 2012, the Ukrainian government approved a feasibility study for the construction of a liquefied natural gas terminal (LNG terminal) near Odesa.

According to the feasibility study, the project can be implemented over 49 months. The first volumes of gas will be available as early as 2016. According to the Ukrainian authorities, more than 10 companies have expressed their interest in taking part in the tender for the construction of the LNG terminal in Ukraine.

Also, on 8 August 2012, the website of the Parliament of Ukraine published the text of the memorandum of understanding in the field of energy between Ukraine and Qatar, which was signed by the parties on 8 May.

According to the document, Ukraine and Qatar are planning to explore ways of mutually beneficial cooperation in making supplies of liquefied natural gas and building an LNG terminal.

In an interview with the Dzerkalo Tyzhnya weekly, the chairman of the Coordinating Council for the National Project "LNG Terminal", **Vitaliy Demyanyuk**, said that Ukraine and Qatar already signed a confidentiality agreement. According to him, Ukraine is also holding intensified talks with Azerbaijan.

USA, France and UK to start gas production in Ukraine in 2012

On 7 August 2012, the news and analysis websites Lb.ua reported that JKC Oil & Gas plc (UK), which owns Poltava Petroleum Company, signed a contract with the oilfield servicing company Schlumberger (headquartered in the USA and France) on production of natural gas in Poltava Region.

The work will be conducted in the third quarter of 2012 and second quarter of 2013.

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