



Gorshenin *Weekly*

ISSUE #4(73) 02/06/2012

Despite statements by the Ukrainian president, the Party of Regions is refusing to decriminalize articles under which the former premier was jailed. Parliamentary speaker says new Criminal Procedures Code likely to be adopted within next few days

Ukraine's ruling Party of Regions has refused to decriminalize the articles of the Ukrainian Criminal Procedures Code under which former Prime Minister Yuliya Tymoshenko was convicted.

On 31 January 2012, the Party of Regions parliamentary faction's head, **Oleksandr Yefremov**, said that his party had no intention to consider the decriminalization of Article 364 entitled "Abuse of power or position" and Article 365 which deals with exceeding one's power or authority. These are the articles under which Yuliya Tymoshenko was sentenced to seven years behind bars. "The faction did not take other decisions," the politician explained.

At the same time, Yefremov stressed that what Ukrainian President **Viktor Yanukovych** meant in his address delivered in Davos was that the Ukrainian legislation needed to be integrated with European standards. The Ukrainian head of state did not mean any specific articles, the Party of Regions parliamentary faction's head added. "I listened attentively to what the president said and I know with what meaning his words were endowed," he noted.

We shall remind you that in Davos on 27 January 2012, President Yanukovych stated that Articles 364 and 365 of the Ukrainian Criminal Code under which Tymoshenko was convicted "should be more in line with European standards." "We need to improve our legislation in the political and legal sphere. This is what will be done in the near future," the Ukrainian president said. Later, he also noted that this issue was within the powers of Parliament.

The Ukrainian news and analysis website Lb.ua reported that on 1 February 2012, the parliamentary opposition registered in parliament a draft law which proposes to exclude the president, prime minister and ministers from the list of individuals who can face charges under Articles 364 and 365 of the Criminal Code. Additionally, the bill authors proposed to change the title of Article 364 from "Abuse of power or position" to "Abuse of authority" and Article 365 from "Exceeding power" to "Exceeding authority."

The most recent resolution adopted by the Parliamentary Assembly of the Council of Europe (PACE) on 27 January 2012 served as a reason for yet another attempt by the opposition to amend the afore-mentioned articles. The resolution says that "Articles 364 and 365 of the Criminal Code are too broad in application and, in fact, allow one to criminalize routine political decisions post factum."

It is noteworthy that parliamentary speaker **Volodymyr Lytvyn** believes that the Supreme Council of Ukraine will consider a draft of the Ukrainian Criminal Procedures Code during a session on 9 February 2012.

According to him, there are a few Criminal Code drafts registered in parliament: the one submitted by the president and several alternatives.

"At the moment, I am predicting that the draft proposed by the president will be adopted," Lytvyn added.

Ukrainian president sets up group to implement resolutions of Parliamentary Assembly of Council of Europe. Court, prosecutor's office see no reasons for releasing former premier and interior minister

Ukrainian President Viktor Yanukovich has set up a working group tasked with implementing the recommendations laid out in the most recent PACE resolution.

On 1 February 2012, the presidential administration's head, **Serhiy Lyovochkin**, said that the head of state expected the working group to ensure that "the maximum number of the comments laid out in the resolution are addressed" by the next meeting of the PACE members who will listen to a report of the monitoring committee on Ukraine.

Earlier, it was reported that on 26 January 2012, the PACE adopted the resolution entitled "The Functioning of Democratic Institutions in Ukraine."

In particular, the assembly called of the Ukrainian government to immediately implement constitutional reform taking into consideration the conclusions reached by the Venice Commission. It also expressed concern over flaws in the new Ukrainian law on elections.

Additionally, the PACE resolution expressed concern over the health condition of the former Ukrainian politicians who are currently detained: former Interior Minister **Yuriy Lutsenko**, former acting Defense Minister **Valeriy Ivashchenko** and former Prime Minister **Yuliya Tymoshenko**. The PACE also called on the Ukrainian authorities to release the former government members and to close criminal cases opened against them.

The PACE resolution said that Ukraine might face sanctions if the demands laid out in the document are not satisfied.

It is noteworthy that on 31 January 2012, opposition MPs held a meeting with Ukrainian Prosecutor-General **Viktor Pshonka**. Citing the PACE resolution during the meeting, the opposition members demanded that the detained politicians be released. Yet, their demand was not satisfied. Additionally, the MPs gave Pshonka a petition to a US court.

Later, the press service of the prosecutor-general's office (PGO) said that during the meeting, Pshonka pointed out to the MPs that the resolution contained no reference to this governmental agency. Furthermore, the PGO press secretary stressed that only courts have the power to make decisions regarding the change of preventive measures applied to the former government members. The PGO considered the demand voiced by the opposition MPs as an attempt to put pressure on law-enforcement agencies.

A day earlier, a court dismissed an appeal submitted by Lutsenko's lawyers in which they asked it to change his preventive measures. The court also regarded the PACE resolution as an attempt to influence decisions of the judges.

It is noteworthy that on 1 February 2012, the chairman of the Subcommittee on European Affairs of the US Senate's Foreign Relations Committee, **Jeanne Shaheen**, expressed her belief that the conviction of former Ukrainian Prime Minister Yuliya Tymoshenko was illegal.

For his part, President Yanukovich said that former Prime Minister Tymoshenko was the only obstacle to Ukraine's path towards European integration.

**US special services say
Ukraine sliding
towards
authoritarianism**

The US spy agency has given an evaluation of the political situation in Ukraine.

On 1 February 2012, Director of the US National Intelligence **James Clapper** and CIA chief **David Petraeus** delivered a report in the US Congress evaluating global threats to US security.

The part of the report devoted to our country said that “democracy in Ukraine is increasingly under siege as Kiev led by **Yanukovych** is approaching authoritarianism.” The US special services also pointed out that the selective persecution of opposition members who face politically motivated accusations confirm this tendency. In particular, the report mentioned former Prime Minister **Yuliya Tymoshenko's** arrest, the use of administrative resources for smothering independent mass media and attempts to manipulate electoral legislation before the parliamentary election.

In his turn, former US ambassador to Ukraine **Steven Pfeifer** called on the US government to avoid meetings with the Ukrainian authorities. Also, he recommended US senators to give no support to Ukraine in its negotiations with the IMF.

In the opinion of the head of the Ukrainian parliamentary committee for national security, MP of the opposition Yuliya Tymoshenko Bloc (YTB) **Oleksandr Skybynetskyi**, the US report rather clearly and truthfully describes the situation in Ukraine.

For his part, the former prime minister, MP of the Party of Regions **Anatoliy Kinakh** believes that the published document will not have a substantial impact on the relations between the two countries.

The former deputy prime minister, deputy head of the Fatherland party **Hryhoriy Nemyrya** believes that the US Congress is drawing up a resolution which will note the existence of political prisoners in Ukraine.

**Ukrainian opposition
politician placed on
international wanted
list**

On 31 January 2012, Ukrainian prosecutors launched a criminal case against Kharkiv Region's former governor, the head of the Kharkiv regional branch of the opposition Fatherland party, Arsen Avakov.

He is accused of exceeding his authority under Article 365 of the Ukrainian Criminal Code. On the same day, Avakov was placed on the international wanted list.

The opposition believes that the criminal charges were trumped up and sees it as an instrument of political repression.

Former Prime Minister **Yuliya Tymoshenko** said that the only crime committed by the former governor of Kharkiv Region is his affiliation with the opposition.

In their turn, the heads of the opposition parliamentary factions YTB and Our Ukraine-People's Self-Defense, **Andriy Kozhemyakin** and **Mykola Martynenko**, asked Interpol to deny the Ukrainian law-enforcement agencies any assistance with Avakov's search and arrest.

Also, Kozhemyakin did not rule out that other criminal cases might be opened against Avakov. At the same time, the parliamentary faction leader expressed confidence that this will not prevent the former governor of Kharkiv Region from being elected to parliament from the YTB electoral list.

Avakov's lawyer said that there were no sufficient grounds for placing the former governor on the wanted list and for choosing such a preventive measure as detention for his client. Avakov himself confirmed that he is actually abroad at the moment. He added that he had no intention of seeking political asylum.

At the same time, the former governor of Kharkiv Region stressed that the criminal case was launched against him at someone's request. He believes that Kharkiv's mayor **Hennadiy Kernes** and Kharkiv Region's governor **Mykhaylo Dobkin** are responsible for it.

"The current authorities are very unpopular in Kharkiv Region and in Kharkiv itself. This is largely due to the actions of the odious Kernes-Dobkin tandem. Even mass falsifications during an upcoming election so expertly arranged by them would not be able to cover up the inadequacy of these troubled politicians. Before the inevitable fiasco, this couple is ready to do anything in order to hold on to power. They are ready for any villainy, for any dirty trick," Avakov noted.

It is well known that during the 2010 mayoral election in Kharkiv, Avakov was the chief rival of pro-government candidate **Hennadiy Kernes**. The former lacked less than one percent to beat the latter.

It is noteworthy that in 2011, Avakov sold practically all of his business assets in Ukraine.

Gazprom accuses Ukraine of disrupted gas deliveries

Russia's Gazprom said that Ukraine has been withdrawing twice as much gas as the contractual volume permits.

The press service of the Russian gas monopolist said that as of February, 2 Ukraine has been withdrawing a daily volume of gas at the rate of 60bn cu.m. per year. This is twice as much as the contractual volume permits, it added.

It is noteworthy that this statement was issued on the background of the accusations voiced by Gazprom's European clients who complained about a decrease in the amount of delivered Russian gas. More specifically, Italian authorities said that due to the cold snap which hit Russia, Gazprom slashed the volume of gas deliveries by 10 percent.

The Ukrainian news and analysis website Lb.ua quoted Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** as saying in response to Gazprom's statement on 3 February 2012 that Europe receives a smaller volume of Russian gas because Russia had cut back on its deliveries.

"The main problem is that due to the sudden cold snap in Russia, the amount of gas transported through Ukraine has been sharply decreased. Under the technical agreement of 490m cu.m. per day, the current gas deliveries to the country are at the level of 415m [cu.m.]. Ukraine withdraws gas in strict compliance with the contract – what it needs to withdraw under the contract. However, considering that there is a smaller volume of gas coming to us from Russia, there is a smaller volume going to Europe," Boyko explained.

The mass media reported that the Ukrainian Energy Ministry believes that Gazprom's statements have to do with Ukraine's principled position in the gas negotiations. "We have a clear position that a gas transportation consortium, which is a requirement for cutting the gas price, should be set up by three parties, with European partners," the mass media quoted a source from the ministry.

It is well known that on 1 February 2012, the Ukrainian authorities sent a letter to EU Energy Commissioner **Guenther Oettinger** to invite the European Commission to participate in the negotiations with Russia on the gas price reduction.

A number of politicians and experts believe that by issuing such statements Gazprom is attempting to worsen the relations between Ukraine and the EU.

YTB MP **Serhiy Pashynskyy** said that a similar situation was observed at the end of 2008-beginning of 2009. Back at that time, Gazprom reduced the volume of gas pumped through the Ukrainian territory and accused the Ukrainian state-run oil and gas trader Naftohaz Ukrayiny of decreasing gas deliveries.

The chief investment strategist of the BKC financial group, **Maksym Shein**, believes that Gazprom's statements are bound to remain an element of the information campaign. If Gazprom wants to prove that Ukraine really withdrew more gas than it was supposed to, it will have to present serious evidence.

For his part, the director of the Institute for Energy Research, **Dmytro Marunych**, believes that the development of the situation largely depends on how long the cold snap will continue.

Ukraine proposes to set up gas transportation consortium with equal share distribution

Ukrainian President Viktor Yanukovich has voiced his proposals regarding the setting up of a trilateral gas consortium.

According to him, the Ukrainian gas transportation system should be divided the following way in a gas consortium: both Russia and the EU should receive 33 percent of the shares each, while Ukraine should be a holder of a 34-percent stake.

"The Ukrainian gas transportation system needs an upgrade. Experts estimate the corresponding expenses at 5m-7m dollars over a period of five-seven years," he noted.

At the same time, Yanukovich stressed that Ukraine has never held negotiations on leasing its gas transportation system.

We shall remind you that in 31 January 2012, EU Energy Commissioner **Guenther Oettinger** said that the upgraded by the trilateral consortium (Ukraine-Russia-EU) Ukrainian gas transportation system will be more efficient than the construction of a new system through the Black Sea (the South Nord pipeline).

It is noteworthy that during a roundtable held by Gorshenin Institute on 31 January 2012, experts expressed the opinion that Ukraine needs to file a lawsuit with an international court in order to change the price of Russian gas. You can find more details on page 11.

Gazprom demands 333m dollars from Ukraine for January gas consumption

Gazprom billed Ukraine for 3.06bn cu.m. of gas in January despite the fact that the actual volume of imported gas equaled 2.5bn cu.m.

According to the information at the disposal of the Ukrainian newspaper Zerkalo Nedeli (Weekly Mirror), Ukrainians consumed 2.5bn cu.m. of imported Russian gas in January. The Ukrainian state-run oil and gas trader Naftohaz Ukrayiny received 1.85bn cu.m., while the chemical holding controlled by Ukrainian businessman Dmytro Firtash, Ostchem Holding, was allocated 0.67bn cu.m. of gas.

Yet, Gazprom billed Ukraine for 3.06bn cu.m. of gas in January and does not agree with Ukraine's right to withdraw in February 2012 the 0.8bn cu.m. of contractual

gas which was not used. Therefore, Gazprom demands that Ukraine pay extra for the unconsumed 0.8bn cu.m. of gas, which is worth approximately 333m dollars.

In the request sent to Gazprom by Naftohaz Ukrayiny ahead of time, as it is envisioned by the current purchase-sale contract of 19 January 2009, Ukraine said that it would buy 9bn cu.m. of Russian gas in the first quarter of 2012. The requested distribution of Gazprom's monthly gas deliveries looks the following way: 2.65bn cu.m. in January, 3.096bn in February and 3.281bn in March. Additionally, Ostchem Holding committed to purchasing 2.4bn cu.m. of gas in January-March. Yet, Gazprom believes that the Ukrainian side should pay for the volume requested in the first quarter based on the calculated average of its daily consumption: 98.9m cu.m. of imported gas per day for 31 days in January equals 3.065bn cu.m., while the actual Ukrainian consumption of Russian gas stands at 2.5.bn cu.m.

Russia threatening to ban imports of dairy, machinery products from Ukraine

In the near future, Russia may introduce ban on imports of Ukrainian cheese. "Based on results of the next round of inspections, which are now going to start in Russia, we will switch from warnings to specific actions, and will ban imports or withdraw products from trading," **Gennady Onishchenko**, head of Russia's Federal Service for Oversight of Consumer Protection and Welfare (Rospotrebnadzor), said on February 2, 2012.

According to him, every single sample of Ukrainian cheese taken in Moscow contains palm oil while cheese packaging gives no information about it. "This gives us the right to withdraw it from trading, arrest it, if the situation does not improve," the Rospotrebnadzor head said.

It is worth mentioning that Russia has suspended operation of 25 thousand Ukrainian railway cars.

Such measures were introduced after a train carrying crude oil ran off the rails in Amur Region of Russia on January 31, 2012. The Russian authorities said the accident was caused by a factory defect in the car manufactured by the Ukrainian AzovElectroStal (Mariupol, Ukraine). Also, the Russian government plans to impose sanctions against another large Ukrainian producer – Krukiv Car-Building Works. Among the grounds for such steps are frequent wrecks and accidents with freight trains, as well as derailment of rolling stock due to breakage of cast parts of freight car bodies.

Sberbank of Russia ready to become Ukraine's main creditor

Sberbank of Russia may provide loans to Ukraine in case the International Monetary Fund (IMF) refuses to continue its lending program.

"We have received no requests [for financing] from the Ukrainian government yet, but if we do, we will consider it and try to help the Ukrainian government," Board Chairman of Sberbank of Russia **German Gref** said at Forum Russia 2012 held on February 2, 2012.

In addition, he noted that the bank is now actively working with the Ministry of Finance of Ukraine on raising funds from the debt market.

It should be noted that Ukraine resumed negotiations with the IMF in late January 2012, but the talks have yielded no results yet.

As it was reported earlier, among the IMF's key requirements to Ukraine is an increase in gas prices for households. However, the Ukrainian government still refuses to take such a step.

According to the Ukrainian news and analysis website Lb.ua, which is citing the Ministry of Finance, the national budget deficit in 2011 amounted to 2.9 billion dollars. Last year, state budget borrowing totaled 10.1 billion dollars, including 6.7 billion dollars drawn on the local market and 3.4 billion dollars on foreign markets. The state budget revenues from privatization of state assets during 2011 reached 1.4 billion dollars.

Ukraine gets new Security Service chief

President Viktor Yanukovich has appointed Ihor Kalinin head of the Security Service of Ukraine (SBU).

Yanukovich signed the respective decree on February 3, 2012.

According to open information sources, Kalinin was born in Mytishchi district, Moscow Region, on December 28, 1959. In 1981, he graduated from the Moscow Higher Command School of Road and Engineering Forces. He is a candidate of military sciences under the specialty "intelligence and foreign armies."

From 1984, he served in the Committee for State Security (KGB) of the Soviet Union. In 1992-2002, he was engaged in teaching and research work at the National Academy of the Security Service of Ukraine. In 2002-2005, he headed the Center for Special Training of the SBU's Main Department "A". In April 2010, the president appointed Kalinin head of the State Guard Department of Ukraine.

Criminal proceedings launched against major file-sharing site in Ukraine, services temporarily suspended

On January 31, 2012, the police blocked the operations of Ukraine's most popular file-sharing website EX.UA.

Also, the Ministry of Internal Affairs reported that some 200 servers were seized and will be inspected for illegal content. According to the ministry, the work of the website was suspended under criminal investigations into a copyright infringement case.

The criminal case was launched due to complaints received by the Ministry of Internal Affairs from official representatives of the world's major software developers, particularly Adobe Systems Inc., Graphisoft Inc. and Microsoft.

The legal representative of Adobe Systems Inc. and Graphisoft Inc. in Ukraine confirmed that the companies did complain to the police about the file-sharing portal, but they did not ask to shut it down.

In turn, a lawyer representing interests of EX.UA said that the case was opened after five unknown people placed pirated products developed by Adobe Systems Inc. on the website.

It should be noted that the shutdown of the site caused a major stir among Internet users. In response to the blocking of EX.UA, the websites of the Ministry of Internal Affairs, President of Ukraine, Parliament, Security Service and Party of Regions suffered numerous DDos-attacks. Similar attacks were also launched against the Facebook page of Prime Minister **Mykola Azarov**.

At the same time, few hours after the shutdown of EX.UA, users of social networks received instructions on how to block specific websites through DDos-attacks.

According to the Ukrainian news and analysis website Lb.ua, Facebook users received direct instructions: "Let's start an attack on a website. You should do

this and that.” Users of social networks, many of whom were unfamiliar with this simple technology, started to attack various government websites with great enthusiasm.

As a result, on February 2, 2012, the Internal Affairs Ministry reported that the demand for blocking the domain name EX.UA was withdrawn. However, the law enforcement agencies noted that the criminal case against EX.UA was not closed, and “the investigation continues, but the investigators simply do not have sufficient grounds for closing the website.”

According to experts and media, there may be two reasons for blocking the services of EX.UA. First, the government may be attempting to gain control over the Internet. Second, the website was shut down as a result of lobbying from competing companies.

It should be noted that the Gorshenin Institute will soon host a roundtable called “Copyright Compliance: a Relic of the Past or Sign of a Civilized Community.”

Crimea to perform valuation of land used by Russian Black Sea Fleet

The authorities of the Autonomous Republic of Crimea are planning to perform valuation of the land used by Russia's Black Sea Fleet and land plots located outside populated areas.

According to Chairman of the Republican Committee for Land Resources of Crimea **Oleksandr Chabanov**, the Black Sea Fleet of Russia uses 71 land plots in Crimea (apart from land in Sevastopol) with the total area of about 14.7 thousand hectares. Almost all of these plots – more than 14.5 thousand hectares – are located outside the boundaries of populated areas. As Chabanov noted, “as of today, standard valuation of land in Crimea, which is used to calculate rents and land tax, has been performed only within the boundaries of populated areas. No valuation has been performed outside their borders, and Ukraine is suffering financial losses from leasing land to the Black Sea Fleet.”

In case proper land valuation is carried out, according to Chabanov, additional revenues may reach 876 thousand dollars in 2013 and about 1.25 million dollars in 2014 and subsequent years.

Odesa police seize building of local opposition channel

Police officers in Odesa have seized the building, which houses the editorial office of a local opposition channel.

According to chief editor of the TV channel **Serhiy Bratchuk**, early on February 2, 2012, police officers in masks seized the premises of the TV and radio company New Odesa.

The police confirmed that they performed investigative actions in the building, where the channel is seated, but noted that the investigations are not related to the activities of the channel, and are performed in relation to other organizations that have offices in the building.

Later Bratchuk confirmed the statements by the police that investigative actions that are taking place in the building are not directed against the channel. “But I am sure that these actions by the law-enforcement officers can be considered a hint or warning,” he added.

The TV and radio company New Odesa is one of the local channels that criticize the incumbent authorities of the city and Odesa Region.

**Ukraine to dispose
120,000 tons of
unusable ammunition
by 2017**

Ukraine will dispose 120 thousand tons of unusable ammunition by 2017. According to Defense Minister **Mykhailo Yezhel**, the respective decision was made on February 1, 2012.

As he noted, the adopted document projects allocation of funds for ammunition disposal already this year.

**Intense cold kills 101
people in Ukraine**

Ukraine suffers the heaviest death toll from cold snap among European countries.

According to the estimates by the Ministry of Healthcare, since January 27, the first day of severe frosts, 101 people have died in Ukraine (data as of February 2, 2012). Of them, 11 people died in hospitals, 64 were found on the streets, and 26 more in houses. The preliminary cause of death is hypothermia.

As experts say, a large number of deaths are due to unpreparedness of the Ukrainian authorities for strong frosts.

However, the Ukrainian Ministry of Healthcare explains that such a high death toll is caused by irresponsible attitude of citizens to their own health. "We have not conducted any detailed analysis, but we assume that the majority of victims were under the influence of alcohol or they were single old people who could not help themselves," chief combustiologist (expert on burns and frostbite) of the ministry, **Heorhiy Kozinets**, said.

**Moldova's Prime
Minister pays visit to
Ukraine**

On February 2, 2012, Prime Minister of Moldova Vladimir Filat paid a two-day visit to Ukraine.

During the visit, Filat held meetings with President of Ukraine **Viktor Yanukovich**, Prime Minister **Mykola Azarov** and Parliamentary Speaker **Volodymyr Lytvyn**.

At the meetings, the sides discussed the prospects for further trade and economic cooperation.

Particularly, on February 2, 2012, the prime ministers of Moldova and Ukraine attended the signing of an agreement on the creation of a euro region called Dniester. This euro region will consist of Vinnytsia Region (Ukraine) and six Moldovan districts – Ocnita, Donduseni, Rezina, Soroca, Floresti and Soldanesti. The agreement provides for the creation of the Dniester euro region as a body of cross-border cooperation between these administrative territories.

Also, within the framework of the visit, the sides discussed resolution of the Transnistrian conflict.

In particular, based on results of his official visit, Filat said that Ukraine has always been a reliable partner of Moldova and real guarantor in resolution of the Transnistrian crisis.

"Recently, the role of Ukraine in the negotiations has increased. Both Chisinau and Tiraspol are commonly interested in raising Ukraine's role in the future," he noted.

As was reported earlier, on January 27, 2012, through the intermediary of the Ukrainian side, Moldovan Prime Minister Filat and Transnistria President **Yevgeny Shevchuk** held a meeting in Odesa. The Ukrainian delegation was headed by Minister of Foreign Affairs of Ukraine **Konstantyn Hryshchenko**.

It worth mentioning that a delegation of the Moldovan government took part in the Ukrainian-Moldovan business forum that was held on February 3, 2012. Experts of the Gorshenin Institute also attended the forum.

It is high time for Ukraine to appeal to an international court to change the price of Russian gas - experts

The Gorshenin Institute hosted the round table discussion called "Is Gazprom monopolizing the European gas market?" where experts discussed prospects for the Ukrainian-Russian gas agreements and Gazprom's possibility to monopolize the European gas market.

Former Ukrainian Prime Minister and Head of League of Industrialists and Entrepreneurs ANATOLIY KINAKH has said that the gas agreements between Ukraine and Russia will be revised in 2012 to the mutual benefit of both parties. "These agreements do oblige Russia to ensure sufficient supplies to keep the Ukrainian gas transport system busy, do not oblige Russia to provide Ukraine with an access to deposits in Central Asia, also some other serious obligations have been removed. At the same time, there appeared provisions for serious penalties for Ukraine along with rigid constrains to pump out 52bn cubic metres of gas every year... There's no doubt that these agreements will be revised in the current year", Kinakh said. He added that the revision shall be for the mutual benefit of both parties and shall not contradict to Russia's will. The EU countries may play an active part here, while the revisions themselves shall be made in compliance with the Energy Charter provisions.

Institute of Energy Studies Expert YURIY KOROLCHUK has said that the Russian gas monopolist Gazprom is interested not only in gas, but also in energy companies and Ukraine may soon feel this interest. "Gazprom buys gas distribution pipelines and gas storages in Europe, but it also buys energy companies, first of all, energy generating companies. Ukraine may face this reality as well", Korolchuk said. He also said that to avoid dependence on the Russian gas, Ukraine should improve energy efficiency in the sphere of communal services that will save over 10bn.m.cu. of natural gas. "The liquefied gas project has failed – there is neither a supplier nor money for construction of the LNG terminal. Extraction of shale gas is an expensive and long project. That is why we shall concentrate our prime efforts on energy efficiency. The sphere of communal services represents a significant area of savings. If put our communal services in order, we can cut gas consumption by 10bn cu. m. or more", Korolchuk said.

Former Ukrainian Energy Minister and Kievenergo Board Chairman IVAN PLACHKOV has fully supported the expert's statement on reforms in the communal services sphere. "When Poland reformed its communal services, the country's dependence on Russia was reduced significantly", - Plachkov said. He added that the tariffs of communal services shall be raised to cover production costs while the poorest consumers shall be subsidized. Plachkov said that Ukraine has to decrease consumption of natural gas twice while increasing extraction of own gas. "We consume 3.4 times more gas than on average in Europe. That is why the best alternative source of energy for Ukraine is cutting consumption rates. If we reduce consumption by half, this would already help stabilizing the situation", Plachkov said. He also said that Ukraine is unlikely to manage revising of the gas agreements with Russia before the last quarter of 2012. "Russia will defer negotiations till the most convenient time for it – this is autumn 2012, right before the start of the next heating season. So, it is very unlikely that a new agreement can be signed before the fourth quarter unless we find a solid argument for Russia", Plachkov said. He added that Ukraine should boost domestic extraction of gas. "We should not cherish illusions regarding agreements with Russia or Turkmenistan. We should increase domestic extraction instead. We should start this right now, we should introduce the position of deputy secretary of the National Security and Defence Council and this person would supervise this direction" Plachkov said.

Energy Expert VOLODYMYR SAPRYKIN has said that Ukraine should actively seek partners in supplies of liquefied natural gas. "We failed to sign an agreement with Azerbaijan in Davos. Well, we should not concentrate at Azerbaijan only as there are other suppliers as well. For instance, Qatar", Saprykin said. He also said that Ukraine has the right to reduce consumption of Russian gas not feared of penalties from Russia. "The Kharkiv agreements [extending the duration of stay of the Russian Black Sea Fleet in Ukraine in exchange of a discount of the price of gas, signed in spring 2010] provided for canceling of all penalties from the Russian side", Saprykin said, while the former Ukrainian Prime Minister and Head of League of Industrialists and Entrepreneurs, Anatoliy Kinakh, replied that the documents say nothing about canceling of penalties. "It was only a verbal agreement", Kinakh said.

Member of Parliament OLEH ZARUBINSKYI has said that Ukraine should urgently complain to an international court on Russia to change the price of gas. "The situation with gas is a threat to the national security. We have serious arguments for the court. This is the highest prices of gas among all countries in Europe for the country that is located most closely to Russia, there are also examples of other countries that managed to receive discounts on Russian gas", Zarubinskyi said.

The idea of the litigation was fully upheld by the head of the public organization Ukraine's New Energy, **VALERIY BOROVYK**. "I fully support Oleh Zarubinskyi here. We should file a court appeal right now. Yes, this process will take a year. However, discussions around this issue have been lasting for a year as well, while we could have solved the issue in court by now", Borovyk said. He also said that Russia's position is not as strong as it seems. "Alternative routes for export of Russian gas are too expensive and underdeveloped, that is why Russia is dependant on Ukraine. And liquefied gas will create a competitive environment for Russian gas on the markets", Borovyk said.

First Secretary of Economic Section of Polish Embassy in Ukraine ARKADIUSH SARNA has said that coal and nuclear energy help Poland to resist dependence on supplies of Russian gas. "Natural gas is not the prime source of energy for Poland. We consume only 14bn cu.m. of gas. We also use coal and nuclear energy. Also, we plan to spend two years clarifying the volumes of deposits of shale gas. Of course, conventional gas also matters to us, but it is not in first place", - Sarna said.

Gorshenin Group Vice-President OLEKSIY LESHCHENKO has said Ukraine should incentives the development of private gas extraction companies, not only state-owned ones. "Up to 95% of all Ukrainian gas is extracted by state-owned companies. Private business plays only a minor part on this market. The development of private gas extraction business could lessen our dependence on Russian gas", Leshchenko said. He also said that private business should not be afraid of reforming the gas transport system. "Whoever finds an efficient way of operating the system, should win on the market economy environment", Leshchenko said.

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