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Ukraine fails again to receive gas discount from Russia

On 7 June 2011, Ukrainian Prime Minister Mykola Azarov visited Moscow.

During his visit, the Ukrainian prime minister and his Russian counterpart, **Vladimir Putin**, participated in a meeting of the Committee on Economic Cooperation of the Ukrainian-Russian Interstate Commission.

After the committee meeting, Azarov and Putin held a joint news conference that was predominantly devoted to the Ukrainian-Russian relations in the gas sphere.

In particular, the Russian premier stated that the current gas contract reflected both Russian and Ukrainian interests. Additionally, Putin stressed that the gas price formula for Ukraine was the same as for other European countries.

The head of the Russian government also said that Russia would like to move away from "transit states." According to him, his country can accomplish this after the implementation of such projects as Nord Stream and South Stream.

Besides, Putin explained once again what he expected from Ukraine: joining the Customs Union (CU) of Russia, Belarus and Kazakhstan and the Single Economic Space (SES). At the same time, when it comes to the CU and SES, "the ball is in Ukraine's court," he added.

For his part, Azarov said that he was puzzled by the fact that the current gas contract set the gas price for Ukraine that was higher than that for some European states. "This 'perfect' formula leads to the fact that our neighbors receive gas for a lower price than we do. It means that something about this formula is imperfect," Azarov stressed. At the same time, he noted that Ukraine was a big buyer and a transit carrier of gas to European countries. In his opinion, "the current contract does not correspond to current realities and is a significant burden for the Ukrainian economy." The Ukrainian premier added that the economy of Russia and Ukraine were mutually dependent on each other. "If our economy is not doing so well, this will probably reflect on the Russian economy, too," Azarov opined.

Just to remind you, the Ukrainian side proposed to change the gas price formula in the current gas contract, linking it to cheaper coal instead of gasoil and fuel oil. Additionally, it proposed to incorporate in the contract discounts that are based on the volume of purchased gas and seasons, which would make gas cheaper in the summer.

Commenting on the outcome of the negotiations, Azarov said that they were successful for Ukraine. "We are certain in the positive result of the talks," he noted. According to him, the main result of the negotiations is that the arguments about the disadvantages and unfairness of the gas contract for Ukraine have been heard and a working group has been set up with the task to consider under a tight deadline all the contentious issues in the gas contract.

Yet, the ruling Party of Regions criticized Russia's position during the negotiations.

In particular, in his comments on the negotiations which have taken place, an MP of the Party of Regions, **Vladyslav Lukyanov**, stated that Russian proposals regarding Ukraine's joining the CU or a merger between Ukraine's state-run oil and gas trader Naftohaz Ukrayiny and Gazprom as the only way of receiving cheaper gas were attempts to put pressure on Ukraine. He added: "I used to support the CU before the negotiations. However, after I saw the tough conditions that were proposed for Ukraine in the situation of the talks regarding the gas price, I became uncertain and

cautious about the necessity of doing this," Lukyanov stressed.

Oleh Nadosha, an MP of the Party of Regions, believes that the Ukrainian authorities have enough political reserve to persuade Russia to give Ukraine an appropriate gas price. "If gas is expensive, then Russia will be blamed for it. Ukrainian-Russian relations and friendship between the states will not benefit from this," he said.

According to **Oleksiy Plotnikov**, an MP of the Party of Regions, it is absolutely feasible for Ukraine to reduce the price of Russian gas. "An optimal price of Russian gas is 240 dollars. Then it is the business of negotiating parties who know the arguments," he said. In his opinion, Ukraine has more than enough arguments at its disposal to reduce the gas price.

For her part, the leader of the opposition Fatherland party and the former Ukrainian prime minister, **Yuliya Tymoshenko**, believes that the gas negotiations conceal the surrender of Ukrainian national interests. "I am convinced that all these negotiations are merely decorations and theater. In reality, they [Ukraine's authorities] use gas issues to cover up their intentions to surrender Ukrainian national interests," she said.

In their turn, experts point to a cooling off in Ukrainian-Russian relations.

Commenting on the situation, the president of the Center for Economic Development, **Oleksandr Paskhaver**, noted that Russian statements about an increase in the gas price for Ukraine have nothing to do with professional estimates and constitute a political threat to Ukraine. According to him, Russia puts forward forceful arguments in gas negotiations, while Ukraine only submits requests. This is asymmetrical and attests to the possibility of political concessions in exchange for political privileges, the expert opined.

A member of the oversight council of the International Center for Prospective Studies, **Oleksandr Chalyy**, believes that there is a crisis of trust between the Ukrainian and Russian leadership. According to him, if Ukraine fails to find an adequate response to the situation at hand, then a process of discrediting the Ukrainian authorities, similar to one that is applied to the Belarusian leadership, will start. Furthermore, the expert noted that such a process has already begun.

The director of the sociological research company Ukrainian Barometer, **Viktor Nebozhenko**, believes that Ukrainian President Viktor Yanukovich did not expect that Russia would refuse to make gas concessions. "It was a huge surprise for Yanukovich. He has never considered relations with Russia from the standpoint of geopolitics. He viewed them as close and traditional. He was certain that the Russians will help him at least in the next two years to recover from the crisis. However, Russia did not take that path," the political scientist said.

In the opinion of the Russian ambassador to Ukraine, **Mikhail Zurabov**, the problem with the price of Russian gas for Ukraine can be easily solved. "I would consider this problem serious in the case of there being no dialogue. If there were a situation when one spoke and the other did not hear, then we could talk about a serious threat, including for our relations. I am convinced that a solution will be found," Zurabov stated. At the same time, he added that Russia did not pressure Ukraine to join the CU.

Reference:

You can read about the results of a round table dedicated to the topic “Gas relations between Ukraine and Russia”, on page #11.

Price of Russian gas for Ukraine might rise to 500 dollars per 1,000 cu.m.

On 6 June 2011, Gazprom chief Aleksey Miller stated that the gas price for Ukraine in the last quarter of 2011 might reach 500 dollars per 1,000 cu.m. Responding to Miller's statement, Ukrainian Prime Minister **Azarov** said that the price of transiting Russian gas will go up if the gas price for Ukraine is increased.

Later, on 7 June 2011, speaking about an increase in the gas price for Ukraine, Russian premier **Putin** said: “We understand that yes, it is expensive. Probably. However, it is not we who create the conditions when the price of energy and oil spikes. This is how world conditions develop for various reasons. We have nothing to do with this. However, one has to pay.” At the same time, he added that the gas price will rise if tariffs for its transit are increased.

A day later, on 8 June 2011, Azarov said that Ukraine will apply for assistance from the International Monetary Fund (IMF) if the gas price goes up.

Just to remind you, Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** stated that according to the formula, the price of Russian gas for Ukraine in the last quarter of 2011 will be 347 dollars per 1,000 cu.m.

Ukraine intends to reduce dependence on Russian gas – premier

Ukraine intends to diversify energy deliveries, in particular natural gas, in order to ensure energy security.

“Ukraine is 100 percent dependent on deliveries of Russian energy. Sometimes, we end up in the situation when the energy prices set for us are not optimal for us. That is why we are currently sparing no effort for arranging energy deliveries from other countries,” Prime Minister **Azarov** said on 8 June 2011.

Additionally, he said that the construction of a terminal with a capacity of around 10bn cu.m. of liquefied gas will be launched in 2011. According to him, Ukraine is currently holding negotiations with Azerbaijan and countries in Central Asia about energy deliveries. “This is absolutely natural. It does not hurt anyone. First and foremost, this benefits our country,” Azarov said.

Ukrainian president tasks government to draw up plan of cooperation with Customs Union in “three plus one” format

President Yanukovych has set up a working group on developing cooperation between Ukraine and the CU of Russia, Belarus and Kazakhstan.

The working group has a two-month deadline for devising and proposing strategies for the development of cooperation between Ukraine and the CU of Russia, Belarus and Kazakhstan in the “three plus one” format.

Ukrainian Foreign Minister **Kostyantyn Hryshchenko** was appointed the chairman of the working group.

It is noteworthy that Russian Prime Minister **Putin** also stated that Russia was willing to participate in meetings of the working group.

In his turn, the executive secretary of the CU Commission, **Sergey Glazev**, added: “If Ukraine wants to receive gas for the Russian price, it needs to join a unified economic area with Russia or, in other words, the CU. Other rules of price formation simply do not exist.”

**European Parliament
draws up general draft
resolution on Ukraine**

The European Parliament (EP) has approved the draft resolution “The case against Yuliya Tymoshenko and other members of the former government.”

The EP resolution urges the Ukrainian government to abstain from using criminal law for persecuting the opposition and from restricting the freedom of movement of political leaders. Additionally, it expresses concern about an increase in the number of cases of selective persecution of members of the opposition and about the incommensurability of the measures applied to Tymoshenko and former Interior Minister **Yuriy Lutsenko**. The document also reminds the Ukrainian authorities about the principle of collective responsibility for government decisions which bans persecution of individual members of the government.

According to the Ukrainian parliamentary speaker, **Volodymyr Lytvyn**, despite the criticism of the Ukrainian government expressed in the EP resolution, it does not hinder the process of preparing an EU-Ukraine Association Agreement and does not delay its signing.

The first deputy head of the parliamentary committee on European integration and an MP of the Party of Regions, **Volodymyr Vecherko**, believes that the EP resolution does present certain warnings but that they are not critical. At the same time, he noted that not all of the EP groups agreed to approve it. “Fewer than 10 percent of MPs were in attendance during the EP session. Only 37 out of 735 members of the EP supported the document. Consequently, one cannot say that this document reflects the position of the entire lawmaking body,” he explained.

For his part, the deputy head of the Fatherland party, the former deputy prime minister for European and international integration, **Hryhoriy Nemyrya**, said that he attended the session during which the resolution was adopted. According to him, the document was approved by 404 out of 735 EP lawmakers. Nemyrya stressed that this constituted 55 percent of the total number of EP members. In his opinion, “the EP resolution is another very serious reminder to the Ukrainian government that if such practices are continued in Ukraine, it will have considerable problems with the implementation of Ukrainian integration plans.”

The deputy head of the Fatherland party, **Oleksandr Turchynov**, said that his party intended to submit a request to Ukrainian Prosecutor-General **Viktor Pshonka** and to the judiciary, demanding that the provisions of the EP resolution be implemented, the ban on Tymoshenko's travel be revoked and all political prisoners be released.

According to the mass media, the parliamentary factions Yuliya Tymoshenko Bloc (YTB) and Our Ukraine-People's Self-Defense intend to request European countries to ban the admission of certain Ukrainian officials into the EU.

At the same time, the head of the Ukrainian delegation in the Parliamentary Assembly of the Council of Europe (PACE), an MP of the Party of Regions, **Ivan Popesku**, noted that launching criminal cases against former heads of states was not rare in world practice and that it was not considered political persecution anywhere.

**Court of appeals
confirms legality of
criminal case against
former Ukrainian
premier over gas
contracts**

The Kiev court of appeals has confirmed that the decision to launch a criminal case against Tymoshenko over the 2009 Ukrainian-Russian gas contracts was legal.

The court justified its ruling by the lack of reasons to satisfy the appeal since the pre-trial investigation was completed and those involved in the case were currently

familiarizing themselves with the materials.

Just a reminder that on 16 May 2011 the Kiev Pecherskyy district ruled that the decision of the Prosecutor-General's Office (PGO) of Ukraine to open a criminal case against Tymoshenko over the gas contracts was legal.

In April 2011, the PGO launched a criminal case against Tymoshenko over the 2009 gas contracts. According to the PGO, Tymoshenko is suspected of abuse of power, which supposedly took place when she signed gas contracts with Russia in 2009. Her actions are believed to have inflicted over 188m dollars of losses to the state.

Ukraine holding talks with International Monetary Fund on visit

The first deputy head of the presidential administration, Iryna Akimova, said that Ukraine was consulting at present with the IMF.

"Currently, we are holding technical consultations about the dates when the IMF consultants could come to resolve technical issues which, as a rule, precedes a visit of an official delegation," she said on 10 June 2011.

It is worth noting that according to Prime Minister **Azarov**, Ukraine is already capable of independently paying off its foreign debt without receiving additional financial assistance from the IMF.

Just to remind you, the most recent visit of an IMF delegation to Kiev took place in February 2011. Ukraine was supposed to receive the next tranche of an IMF loan back in March 2011 but its negotiations with the organization were derailed.

Presumably, the IMF will make a decision to grant Ukraine a 1.5-billion-dollar tranche of a stand-by loan during the next visit of its delegation.

International financial organizations approve government draft of pension reform – Ukrainian deputy prime minister

The World Bank (WB) and the IMF have approved an amended government pension reform draft.

"We managed to agree [the reform draft] with the WB and the IMF," the deputy prime minister and the social policy minister, **Serhiy Tyhypko**, said. According to him, if the government approves this reform draft, it will help to resume Ukraine's cooperation with the IMF and to receive the next tranche of a loan.

Just to remind you, the parliamentary committee on the problems of pensioners, veterans and the disabled recommended Parliament to amend the draft on pension reform.

At the same time, the presidential administration hopes that pension reform will be implemented as soon as possible in Ukraine. "I hope that this complex and, clearly, painful [pension reform] draft will be approved by Parliament after all and that Ukraine will start walking the path of pension reform," the first deputy head of the presidential administration, **Akimova**, said on 10 June 2011.

At the same time, speaker **Lytvyn** opposed the imposition of dates for Parliament to adopt the draft on pension reform. "I contend that the Supreme Council will adopt this document when it is acceptable," he said.

Naftohaz Ukrayiny: gas rates for households will not be raised

The Ukrainian state-run oil and gas trader Naftohaz Ukrayiny will not increase gas tariffs for households in the near future.

"We are not planning [to increase gas rates] for now or at least until we find a source which will compensate for people's living standards," Naftohaz Ukrayiny CEO **Yevhen Bakulin** said.

The head of Naftohaz Ukrayiny also noted that the company was sparing no effort to increase its extraction of oil and gas and, hence, to reduce deliveries of natural gas from Russia.

A reminder that you, the national commission for regulating electricity decided to increase household gas rates by around 50 per cent from 1 August 2011.

It is worth noting that an increase in gas tariffs for households is one of the requirements put forward by the IMF, which Ukraine had to satisfy to qualify for the next tranche of a loan.

Ukraine's national debt already exceeds 58bn dollars

As of 30 April 2011, Ukraine's national debt guaranteed by the national government is 58.2bn dollars, which marks a 3-per cent increase since March 2011.

Just a reminder, President **Yanukovich** said that Ukraine should pay off 23.7bn dollars of foreign debt in 2011.

At the same time, the mass media circulated information that Ukraine was preparing to release five-year Eurobonds with a rate of 6.375 per cent. The approximate value of the issue is at least 500m dollars.

It is worth noting that according to the National Bank of Ukraine (NBU), Ukraine's gold reserves decreased by 1.3 per cent, or by 484.21m dollars. As of 31 May 2011, they are estimated at 37.87bn dollars.

Law on grain exports comes into force

On 10 June 2011, President Viktor Yanukovich signed the law on grain export duties.

A reminder that on 19 May 2011, Parliament adopted a government draft law that established customs duties on grain exports that ranged from 9 to 14 per cent.

In particular, the document proposed to impose a 9-per-cent export duty on wheat, a 12-per-cent duty on corn and a 14-per-cent duty on barley.

At the same time, according to the document, the duty on wheat should be at least 17 Euros per ton, at least 20 Euros per ton of corn and 23 Euros per ton of barley.

On 25 May 2011, the government adopted a resolution which cancelled export quotas on grain. However, the document preserved export quotas on buckwheat and buckwheat products, as well as an export quota on rye in the amount of 1,000 tons.

Ukrainian energy and coal industry minister to be challenged in court

The Zerkalo Nedeli (Weekly Mirror) newspaper will sue Energy and Coal Industry Minister Yuriy Boyko.

The statement to this effect was issued by the newspaper after Boyko said that Zerkalo Nedeli published an ordered article.

Just to remind you, at the end of May 2011, Zerkalo Nedeli reported that the Chornomornaftohaz state-owned company, which is run by the Energy and Coal Industry Ministry, has purchased a marine drilling facility through intermediaries for 400m dollars. Citing open sources, the authors of the article said that the actual price of the facility was estimated at 250m dollars.

In his response, Boyko said: "Someone has ordered this. We asked the Security Service of Ukraine [SSU] to find out who has ordered it. This is 100 per cent ordered." The minister also explained that the price of the drilling facility might

have included ships and aircraft. "In reality, the price of the facility might be 250m dollars, but it does not include either the cost of rescue helicopters or ships, while they cost extra. It does seem telling for an outsider. On the one hand, there is 400m dollars and, on the other hand, there is 250m. They forgot to mention about all the spare parts and additional equipment," Boyko said.

However, Zerkalo Nedeli reported that the purchase of the drilling facility was carried out with an advance payment of 80 percent. The auctioning documentation lists only the facility without additional transportation equipment. Chornomornaftohaz confirmed that the drilling facility was constructed on the shipyards of the Singaporean company Keppel.

It is noteworthy that according to the information at the disposal of Zerkalo Nedeli, President **Yanukovych** instructed his subordinates to find out whether Chornomornaftohaz really did purchase the drilling facility for 400m dollars, thus overpaying 150m dollars for a single operation. If that is the case, they need to establish who devised this scheme.

NATO concerned about situation with mass media in Ukraine

NATO believes that the situation with the freedom of the press has deteriorated after the new government came to power.

"Unfortunately, despite assurances and statements by President **Yanukovych**, freedom of the press deteriorated in Ukraine in 2010," a report of the NATO Parliamentary Assembly said.

"There are particularly worrisome trends on television, which is the main source of information for the majority of Ukrainians. The SBU head, **Valeriy Khoroshkovskyy**, who is a supporter of Yanukovych, owns a television empire and increased his power," the document stated.

The authors of the report also pointed to an increase in the number of assaults on journalists. Additionally, the report noted that the activity of NGOs in Ukraine was complicated.

Over 1,500 representatives of international mass media will visit Ukraine in 2012

Ukraine will host global meetings of the world's press in 2012.

In particular, on 9 June 2011, the Executive Committee of the World Association of Newspapers and News Publishers chose Ukraine as the country for hosting the World Newspaper Congress, International Editors Forum and an exhibition of information services in 2012.

According to the Ukrainian mass media, over 1,500 delegates will visit Ukraine to participate in the events organized by the World Association of Newspapers and News Publishers in 2012. Among them will be representatives of influential international mass media: publishers, editors-in-chief, leading international correspondents.

Ukrainian president approves anti-corruption legislation

President Yanukovych has signed a number of anti-corruption laws.

"We have been working strenuously to eradicate this shameful phenomenon over the past 15 months. The result of this work is the adoption – at last – of anti-corruption legislation and, in particular, the law on preventing and combating corruption. I signed these laws yesterday," the president said during a meeting of the national anti-corruption committee which was held on 8 June 2011.

Some economic crimes should be decriminalized – Ukrainian president

President Yanukovich advocates the decriminalization of certain crimes in the economic sphere.

“It is obvious that certain crimes in the economic sphere should be decriminalized by means of softening responsibility and the possibility of applying punishment that is not linked to imprisonment, as it is practiced by the leading countries of the world,” Yanukovich said.

According to him, to fight corruption more effectively, the government will soon adopt the amended laws “On prosecution” and “On police.” “A draft of a new Criminal Procedure Code, which will be forwarded to the Venice Commission, is almost ready,” the president added.

Ukraine, Thailand agree on new deliveries of military equipment

Thailand continues to place new orders on military technology from Ukraine.

The Ukrainian state-run company Ukrspetseksport has reported that after the first consignment of the Ukrainian armed personnel carriers BTR-3E1, which was delivered under the contract signed with Thailand in 2006, was tested in Thailand, the Thai government adopted a decision to purchase 121 additional BTR-3E1 armed personnel carriers from Ukraine.

According to the director-general of the armament department of the Thai Armed Forces, Lt-Gen **Ekachai Vacharapratip**, “the Thai army plans to buy 121 additional BTR-3E1s worth approximately 170m dollars.”

“We expect that a contract to this effect will be signed by the end of June 2011. At present, we are working out the details of the contract,” Ukrspetseksport said.

Just a reminder that in 2006 Ukraine and Thailand signed a contract on the deliveries of Ukrainian armed personnel carriers to the Thai army and fleet. Ukraine started delivering the equipment to Thailand in September 2010. According to the Thai mass media, the value of the contract is estimated at 130m dollars.

Former Ukrainian ambassador to Belarus dismissed over negative attitude towards Belarusian president

The former Ukrainian president to Belarus, Roman Bezsmertnyy, has linked his dismissal to his attitude towards Belarusian President Alyaksandr Lukashenka.

“I believe that everyone initially understood in Kiev that Bezsmertnyy will not go to the inauguration of the dictator. Hence, I did not go,” he said.

At the same time, the former ambassador believes that Ukraine's stance on the situation in Belarus reveals its genuine attitude towards democratic values.

Just to remind you, the Ukrainian Foreign Ministry earlier expressed on multiple occasions its opposition towards the political isolation of Belarus.

Bezsmertnyy believes that **Viktor Tykhonov**, who is the former deputy prime minister and the regional development, construction and housing minister, might be appointed the new ambassador to Belarus.

No breakthrough in solving problem with Kerch Strait achieved so far – Ukrainian foreign minister

There are significant advances in resolving the Azov-Kerch issue, but Ukraine has not reached a compromise with Russia yet.

“There is progress, but there is also considerable work that still needs to be done,” Ukrainian Foreign Minister **Kostyantyn Hryshchenko** said.

For his part, the Russian ambassador to Ukraine, **Mikhail Zurabov**, expressed the opinion that the issue of demarcating the land border between Ukraine and Russia will be completely resolved in the near future. According to him, after the issues regarding the Ukrainian-Russian maritime border are resolved, joint work on the development of gas deposits in the Black Sea might commence.

The label “Without Genetically Modified Organisms” becomes trademark in Ukraine

The leading Ukrainian juice making company Sandora has registered the label “Without Genetically Modified Organisms (GMO)” as a trademark.

According to the mass media, on 10 January 2011, the State Department for Intellectual Property granted the Sandora company permission to freely put the label “Without GMO” as a trademark on all packages of juice, nectar, children's food, diet products, etc.

The Sandora company could not provide an answer to the question as to why they needed this label, saying that the person authorized to comment on the issue was not present.

Son of Ukrainian president among 100 richest people in Ukraine

The oldest son of the Ukrainian president, Oleksandr Yanukovich, has been included in the list of Ukraine's 100 richest people, as compiled by the Korrespondent magazine.

According to Korrespondent's editor-in-chief, **Vitaliy Sych**, the net worth of Yanukovich's son is estimated at 130m dollars.

According to the published information, **Yanukovich's** eldest son owns the Mako corporation, which runs a construction business in western and southern Ukraine. It also constructed a 17-storey business center called Stolychnyy in downtown Donetsk and a hotel complex in Balaklava bay.

Additionally, Sych said that at the beginning of May 2011, Oleksandr Yanukovich was officially registered as the owner of 100 per cent of shares in the All-Ukrainian Development Bank.

It is worth noting that the bank has increased its nominal capital twice since the beginning of 2011. As a result, it rose from 12.5m dollars to 39m over a period of four months.

For its part, the Party of Regions criticized the rating of the richest Ukrainians. “This is the own opinion of one private magazine. This is a means for manipulating public opinion. This is not an official point of view or an official position. An official position is the view of the tax administration,” an MP of the Party of Regions, **Vadym Kolesnichenko**, said.

A reminder that a Party of Regions MP who is close to the president, **Rinat Akhmetov**, tops the list of Ukraine's richest people. Korrespondent estimated his net worth at 26.5bn dollars.

**GAS NEGOTIATIONS WERE DERAILED, THERE WILL BE A SCANDAL AT THE END
OF THE YEAR - EXPERTS**

The Gorshenin Institute has held a round table devoted to the topic of "GAS RELATIONS BETWEEN UKRAINE AND RUSSIA" during which experts discussed the prospects for revising the gas contracts and the future of the Ukrainian gas transportation system.

According to **an advisor and the head of the economic policy group of the Russian Embassy in Ukraine, ALEKSEY URIN**, filing a lawsuit with the Arbitration Institute of the Stockholm Chamber of Commerce by Ukraine over the 2009 gas contracts with Russia might complicate relations between the two states in the gas sphere. "It is clear that if two partners are in a situation when they confront each other in court, this will not improve the negotiating climate for them," the diplomat said. At the same time, he noted that "it is the sovereign right of any state and any citizen to file or not to file a lawsuit, so there are no problems with this." Urin also stressed that the Russian party was convinced of its legal position. "We believe that from the legal perspective, the position of Russia and Gazprom as a contractor is impeccable," he explained. The diplomat also said that the Russian party believed that the contracts signed with Ukraine in the gas sphere were based on market principles, were in line with international standards and that Russia has signed the same contracts with other countries.

Urin believes that Ukraine needs to seriously think about integration processes with Russia if it really wishes to provide its industry with cheaper energy resources. "To be honest, I simply do not see other options," he said. At the same time, according to him, no one is forcing Ukraine to join the Customs Union of Russia, Belarus and Kazakhstan, although membership of this organization would give it a good incentive for developing its economy. "There are a number of obvious advantages for Ukraine and much has been already said to this effect. However, naturally, there is no coercion here. This is Ukraine's choice," the diplomat said.

Additionally, he recommended not to politicize Ukrainian-Russian gas talks. According to Urin, they are an exclusively economic issue. Commenting on the statement made by Gazprom's head **Aleksey Miller** that the gas price will reach 500 dollars for Ukraine at the end of the year, Urin said: "Regarding the price of 500 dollars, this is the price without a discount. It is a market price and it is not unfair since it currently corresponds to the average European level. It will be lower for Ukraine due to the Kharkiv discount".

The diplomat added that the average export price set by Gazprom's contracts with European consumers was 342 dollars per 1,000 cu.m., while Ukraine paid around 250 dollars with the discount. "Accordingly, the price will also be lower at the end of the year", he explained. Urin also noted that the gas price was not a critical factor "for any economy", calling on Ukraine «not to blow this issue out of proportion and not to turn it into the main issue of bilateral relations."

An MP of the Fatherland Party, SERHIY PASHYNSKYI, is convinced that it is more advantageous for Ukraine to receive a discount on Russian oil than on gas. "If Russia sold us cheaper oil, it would give everyone who drives a car extra money, since the car would be cheaper", he said. According to Pashynskyy, Russia is currently oriented towards destroying the status of Ukraine as the world's largest gas transit state and the owner of unique underground gas storage facilities. The MP challenged the statement made by advisor to the Russian Embassy in Ukraine, Aleksey Urin, that gas was not a crucial component of Ukrainian products. "Note that if the price of gas falls, then prices for metal and urea also drop. This is an economic axiom. However, these conversations are not based on any economics. Accordingly, if the

gas price is 400 dollars, then the prices of our equipment will also rise," Pashynskyy explained.

According to **the head of the executive committee of the Our Ukraine party, SERHIY BONDARCHUK**, the current situation with the Russian-Ukrainian gas contracts and the gas price has debunked a number of myths about the successful talks with Russia and the advantages of the gas discounts for the Ukrainian economy. "We understand that the gas negotiations were derailed and that we will have a scandal at the end of the year," he said.

Bondarchuk noted that the direct participants in the negotiations with Russia were responsible to a large extent: "Yanukovych was let down by those officials who drew up the Kharkiv agreements." They were endorsed by the corresponding ministers and it means that they did not attempt to dissuade the president from taking a step which contradicted national interests," the politician said.

Bondarchuk also said that in 2003, Ukrainian Foreign Minister **Kostyantyn Hryshchenko** and former Economics Minister **Valeriy Khoroshkovskyy** refused to support agreements on the Single Economic Space (SES) with Russia, which prevented their implementation. He drew attention to the fact that the ministers fulfilled one of the most important functions: they did not merely sign everything that was put on their desks but also caution the president against thoughtless steps and mistakes. "Unfortunately, there were no such people in the entourage of the president in 2010", Bondarchuk concluded.

The politician also believes that Ukraine should consider gas on the border with Russia. He assumes that transferring gas checkpoints from the Western border (with the EU member states) to the Eastern border (with Russia) will increase the transparency of Ukrainian-Russian gas relations. "Ukraine will become independent, when it cuts the 'gas umbilical cord', when the gas checkpoints are transferred from the western to the eastern border," he said. Responding to the statement made by Urin that in the coming decade, "it was legally impossible for European consumers to buy gas on the border between Ukraine and Russia, since there is a contract until 2019" Bondarchuk expressed doubt that Russia would agree to revise this contract after its expiry in 2019. «Before 2019, you [Russia] will extend it as it was the case with the agreement on the Black Sea Fleet in Kharkiv», he stated.

Additionally, according to the politician, the real independence of Ukraine depends directly on the removal of a corrupt component from the Ukrainian-Russian negotiations over gas deliveries. "Political corruption in the gas sphere started from **Pavlo Lazarenko** [former prime-minister], when the interests of corporations were put above those of the state. Russia presented a unique channel for the opportunity of legal corruption for our officials. Gas discounts conceal the chance for making the Ukrainian authorities 'interested'", Bondarchuk concluded.

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