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TOP NEWS

Speaker Oleksandr Turchynov to act as president

Viktor Yanukovych on the wanted list.

Read more in DOMESTIC POLITICAL.

Activists continue protests all over Ukraine

The protesters promise not to leave until all their demands are met.

Read more in DOMESTIC POLITICAL.

Ukraine on the brink of default

The EU and IMF promise financial assistance to Ukraine.

Read more in ECONOMIC.

DOMESTIC POLITICAL

Parliament authorizes speaker to act as president

On 23 February 2014, the Ukrainian parliament passed a resolution authorizing speaker **Oleksandr Turchynov** to act as the president of Ukraine until a new head of state is elected.

The presidential election has been set for 25 May 2014.

A new prime minister is expected to be appointed soon.

Ex-Prime Minister **Yuliya Tymoshenko**, who was released from custody on 22 February, said that she did not want to be considered for the prime minister's post. She was earlier mentioned as one of the potential candidates for this post together with unaffiliated MP **Petro Poroshenko** and Fatherland faction leader **Arseniy Yatsenyuk**.

Yanukovych on the wanted list

On 24 February 2014, acting Minister of Interior **Arsen Avakov** reported to have initiated a criminal case on mass murder of citizens. According to him, former president Viktor Yanukovych and a number of other officials have been put on the wanted list.

Parliament dismisses several ministers

On 23 February 2014, parliament passed a resolution to dismiss acting Foreign Minister **Leonid Kozhara**, acting Health Minister **Rayisa Bohatyryova** and acting Education Minister **Dmytro Tabachnyk**.

A day earlier, parliament appointed its authorized representatives to oversee uniformed agencies.

Parliament cancels controversial language law

Parliament has recognized as no longer valid the law on the principles of state language policy.

Fatherland faction leader **Arseniy Yatsenyuk** said that thus reinstated are Article 10 of the Constitution of Ukraine and the previous wording of the law on language policy, which say that Ukrainian is the only state language of Ukraine.

This law, which came into force on 10 August 2013, gave Russian the status of a regional language in 13 regions of Ukraine, with powers almost identical to those of the state one.

The head of the Russian State Duma committee for CIS affairs, **Leonid Slutskyy**, said that Russia would shortly define specific steps which need to be taken in relation to Ukrainian families unwilling to disown the Russian language so that their children could have a chance to study and speak Russian.

Parliament stops controversial anti-protest laws

Parliament has stopped the action of the 16 January laws blatantly restricting the right to hold assemblies, use the Internet and mobile phone communication, clamping down on mass media, introducing criminal punishment for libel, the term "foreign agent" and so on.

Police launching probe into office abuse during protests

The Interior Ministry has launched an investigation into crimes committed by its employees during the recent anti-government protests, interim Interior Minister **Arsen Avakov** has said.

He added that his office would join efforts with Maydan's Self-Defence militia units and the Right Sector group to ensure security in Kiev.

Oleh Makhnytskyy, authorized by parliament to control the activities of the Prosecutor-General's Office, said that all the detained demonstrators had been released.

Yanukovych's party condemns him

Deposed President **Viktor Yanukovych** and his entourage are to blame for the lives lost in the clashes in Ukraine, the Party of Regions has said in a statement published on its official website.

The Party of Regions' MPs and their fellow party members strongly condemned "the criminal orders that led to human losses, to the depletion of the state treasury and the drastic debt increase that shamed the government in the eyes

of Ukrainians and the rest of the world. As a result, our country found itself on the edge of a precipice, faced the threat of break-up and loss of national sovereignty."

The Party of Regions also condemned Yanukovych's "flight and cowardice".

They said that "any attempts of total intimidation and lynching, or destabilizing the situation in the regions, were unacceptable in democratic society."

Deputy faction head **Serhiy Tyhypko** said that the Party of Regions would hold a congress in the nearest future to elect new leadership.

Meanwhile, the Party of Regions parliamentary faction continues losing its members. Over 80 MPs have left it by 23 February.

Similar trends are observed in the regions.

In a noteworthy move, a series of governors have tendered resignation requests.

Yanukovych described the Party of Regions' renegade MPs as betrayers.

Presidential mansion returned into state ownership

Parliament has approved a return of the presidential mansion Mezhyhirya into state ownership.

Mezhyhirya has been open for public access since 22 February 2014. Documents showing millions in slush funds were found on its territory.

The presidential mansion Synyohora in the Carpathians has been opened for visitors too.

Parliament condemns manifestations of separatism in Ukraine

On 22 February 2014, parliament passed a resolution aimed at preventing separatism and other infringements on the national security of Ukraine.

The apparatus of the National Security and Defence Council, on its part, published a statement saying that any development of the idea of separatism in Ukraine may cause a civil war.

Former Interior Minister **Yuriy Lutsenko** said that the Security Service of Ukraine had opened criminal proceedings against Kharkiv mayor **Hennadiy Kernes** and Kharkiv regional governor **Mykhaylo Dobkin** known to have repeatedly made calls for Ukraine's federalization.

The two Kharkiv politicians left Ukraine on 22 February. However, they returned to Kharkiv the next day.

Vlasenko, Baloha, Dombrovskyy reinstated as MPs

On 22 February 2014, parliament speaker **Oleksandr Turchynov** cancelled the

Gorshenin Institute (@Gorshenin_eng) on Twitter

resolution stripping **Pavlo Baloha** and **Oleksandr Dombrovskyy** of their seats in parliament.

Ex-Prime Minister Yuliya Tymoshenko's defence counsel **Serhiy Vlasenko** was reinstated as MP as well.

Activists not to stop protests

Fatherland faction MP **Andriy Parubiy**, the commander of Euro-Maydan and the leader of the Maydan Self-Defence militia, has said that the activists will press for implementation of all their demands, including punishment for the killings, torture and persecution of the activists. He said that an early parliamentary election should be held.

Serhiy Koba, one of the leaders of the Auto-Maydan motorist protest, said that his movement would continue to monitor the actions of the new authorities.

Protests continue in all regions of Ukraine. In eastern Ukraine, the demonstrators face regular attacks by unidentified young people.

According to the Health Ministry's reports, 82 people have been killed in clashes since 18 February. The activists believe that the death toll exceeds 100.

Rybak denies Yanukovych's statement about alleged attack

Deposed President **Viktor Yanukovych** said in a televised statement on 22 February 2014 that he and ex-speaker **Volodymyr Rybak** were attacked and their cars shot at. He added that Rybak was beaten.

A day later, Rybak dismissed Yanukovych's statement as absurd.

SOCIETY

Ukrainian Orthodox Church of Kiev Patriarchate urges creation of single Ukrainian Orthodox Church

The Synod of the Ukrainian Orthodox Church of the Kiev Patriarchate has urged the Ukrainian Orthodox Church of the Moscow Patriarchate and a part of the Ukrainian Autocephalous Church to unite into a single Ukrainian Orthodox Church.

As the LB.ua news and analysis website pointed out, the recent developments in Ukraine enhanced dialogue among the churches.

We would also like to stress that last week protesters surrounded the Kiev-Pechersk Lavra monastery complex and demanded its immediate transfer to Kiev Patriarchate.

INTERNATIONAL POLITICAL

USA warned Russia against a military interference with Ukraine's affairs

United States National Security Advisor **Susan Rice** said that a military interference of

Russia with Ukraine's affairs would be a "serious mistake", Radio Liberty report.

It is to note that the Ministry of foreign Affairs of Russia convened Russian Ambassador to Kyiv **Mikhail Zurabov** to Moscow.

ECONOMY

S&P lowers long-term ratings of Ukraine

Ratings agency Standard & Poor's on 21 February downgraded Ukraine's long-term credit rating in foreign currency from "CCC+" to the pre-default level of "CCC" with a negative outlook.

According to S&P's analysts, Ukraine's default risk is the highest in the world after Grenada, which has already selectively defaulted on its obligations.

At the same time, despite the high risk of default, S&P forecasts that Ukraine's GDP will increase by 1.3 percent in 2014, by 2.5 percent in 2015 and by 3.5 percent in each 2016 and 2017.

It should be noted that Ukraine's five-year CDS (credit default swap) rose to a four-year high. As reported by Reuters, insurance of every 10m euros in Ukrainian sovereign obligations will cost investors about 1.27m euros per year.

Earlier, the government admitted the risk that Ukraine may be unable to service its external debt obligations.

Ukrainian Eurobonds yield grows to historic highs

On 19 February, on the back of the deadly clashes between the opposition and the police in Kiev, the interest rates on Ukraine's dollar-denominated Eurobonds maturing in June 2014 jumped by 25 basis points to a historical high of 23.17 percent per annum.

In addition, on 21 February, the yield on 10-year Ukrainian sovereign Eurobonds maturing in 2023 rose to a record 10.32 percent, while the coupon rate on these bonds at the placement was 7.5-7.6 percent. In such a way, the yield on Ukraine's sovereign bonds since November has grown threefold against the backdrop of the political crisis in Ukraine.

It is worth mentioning that US-based investment group Franklin Templeton over the last quarter concentrated more than a third of the Ukrainian government's Eurobonds.

Total foreign debt of Ukraine makes 27.9bn dollars.

EU, IMF ready to provide Ukraine's new government with financial assistance

On 23 February, participants in a summit of G20 finance ministers and heads of central banks raised the issue of granting financial assistance to Ukraine.

The IMF managing director, **Christine Lagarde**, said that the organization was ready to provide assistance to Ukraine if its leadership asked for it.

For his part, the EU commissioner for economic and monetary affairs, **Olli Rehn**, noted that the EU was also ready to “supply substantial financial help to Ukraine, as soon as it finds a resolution to its political crisis that is based on democratic principles, and as soon as it forms a new government that is ready and decisively inclined to carry out reforms”.

Earlier, British Foreign Secretary **William Hague** said that he had reached agreement with his German counterpart **Frank-Walter Steinmeier** to support a new Ukrainian government and to help it secure IMF funds.

The British diplomat also urged Russia not to obstruct the EU in the case of granting economic assistance to Ukraine if “it comes to that”.

According to the head of the EP foreign affairs committee **Elmar Brok**, Europe would be ready to provide Ukraine with a 20 billion euro financial aid to hold reforms when the new government is established in Kiev.

At the same time, the US ambassador to Ukraine, **Geoffrey Pyatt**, stated that the USA was ready to help Ukraine secure international financial assistance.

Russia postpones loan to Ukraine

Russia has decided to postpone its second 2bn-dollar tranche of financial assistance to Ukraine until the latter forms a new government and devises economic policy, Russian Finance Minister **Anton Siluanov** said during the G20 summit on 23 February.

We shall remind you that last week Siluanov said that Russia would provide funds for Ukraine in the nearest future. However, after the beginning of armed clashes in Kiev, Ukraine cancelled a planned sale of eurobonds.

S&P predicts hryvnya decline to 10 UAH/USD

Rating agency Standard & Poor's is expecting further devaluation of the Ukrainian hryvnya. According to experts, the hryvnya/US dollar rate may reach 10 UAH/USD by the end of 2014.

On 21 February, the interbank foreign exchange market closed at 9.15-9.18 UAH/USD.

Industrial production slump accelerating

Industrial production in Ukraine in January 2014 dropped by 5 percent compared to January 2013, thus accelerating the decline by 10 times compared to the decline of 0.5 percent recorded in December 2013 against December 2012, according to the State Statistics Service.

In January 2014, compared to the previous month (December 2013), Ukraine showed a 16-percent decline in industrial production.

Official unemployment exceeds 500,000 people

The official unemployment rate in January increased by 1.9 percent and totaled 525,100 people, according to the State Statistics Service.

United States imposes duties on Ukrainian pipes

The U.S. Department of Commerce has imposed an anti-dumping duty on imports of oil and gas pipes from Ukraine at the rate 5.31 percent, as reported by Interpipe company, which is the largest pipe producer in Ukraine.

The United States introduced the duty following an investigation launched in July 2013 against pipes manufacturers of the Philippines, India, Korea, Saudi Arabia, Taiwan, Thailand, Turkey, Vietnam and Ukraine.

ENERGY**Ukrainian state-run energy firm pays Russia's Gazprom 1.3bn dollars of debt**

As of 14 February, the Ukrainian state-owned oil and gas company Naftohaz Ukrayiny paid Russia's Gazprom 1.28bn dollars of debt for gas delivered in 2013.

Furthermore, the state-run company transferred 191m dollars to Gazprom for gas supplied in January.

Ukraine's top bank buys 1.2bn dollars of bonds to increase state-run energy firm's authorized capital

On 17 February, the volume of treasury bonds in the portfolio of the National Bank of Ukraine reached 160.78bn hryvnyas (17.57bn dollars), which is 11.07bn hryvnyas (1.21bn dollars) more than on 14 February.

According to the National Bank of Ukraine, the share of the regulator in the general volume of bonds reached 60.43 percent.

Debt of Ukrainian energy supplying firms to state-run company decreased by 219m dollars

The debts of Ukrainian companies supplying heat energy to consumers to the state-run oil and gas company Naftohaz Ukrayiny has decreased by 2bn hryvnyas (218.58m dollars) to 23.5bn hryvnyas (2.57bn dollars), Naftohaz Ukrayiny has reported.

Ukraine cuts gas transit fee by 10 percent

The fee for transporting gas through Ukrainian territory has been reduced by 10 percent from 3.03 dollars to 2.73 dollars per 1,000 cu.m. for 100 km starting from January 2014, according to information found in documents on Ukrainian eurobonds.

We would like to point out that according to Gazprom's evaluation, the rest of the advance payment given to Ukraine will suffice for transporting Russian gas through the territory of Ukraine until 2015.

Ukrainian tycoon buys almost 50 percent of imported gas in 2013

The Ostchem company owned by Ukrainian businessman **Dmytro Firtash** supplied to Ukraine almost a half of imported gas last year, the Ukrainian news agency Ukrayinski Novyny has reported.

In 2013, Firtash's companies Ostchem Holding and Ostchem Gas Trading bought 12.92bn cu.m. of gas from Russia's Gazprom. This is 60 percent more than in 2012.

The main consumers of gas imported by Ostchem were companies controlled by or affiliated to Firtash.

We would like to point out that the total volume of gas supplied to Ukraine by all companies in 2013 reached approximately 28bn cu.m. As much as 25.8bn cu.m. of this gas was imported from Russia.

Starting from January, the state-run oil and gas company Naftohaz Ukrayiny, which buys Gazprom's gas at the discounted price of 268.5 dollars per 1,000 cu.m., has become the only importer of gas to Ukraine.

Ukrainian government plans to sell block packages of two energy generating firms, seven regional energy companies

We learned on 18 February that the Ukrainian government had decided to sell state packages of shares in the volume of 25 percent plus one share of the energy generating companies DTEK Dniproenerho, DTEK Zakhidenerho, as well as Vinnytsyaoblenerho, Chernivtsioblenerho, DTEK Donetskoblenerho, Transkarpathiaoblenerho, DTEK Dniπροoblenerho, Kievenerho, and DTEK Krymenerho. This is stated in a government resolution of 12 February.

It is planned that the bloc packages of the named energy companies will be sold by 30 November. They will be offered for sale at auctions with an open price increase.

At the same time, the government also banned the privatization of the energy generating company Tsentrenerho, which unites Donetsk Region's Uhlehorska, Kiev Region's Trypilska, and Kharkiv Region's Zmiyevska thermal power stations.

Ukraine's extraction of coking coal drops to historical low

The extraction of coking coal in Ukraine fell to 23.7m tonnes in 2013, thus marking a historical low. At the same time, its import increased to 14m tonnes, the Ukrainian state-run company Ukrpromzovnisheksperytyza has reported.

Chernobyl nuclear power station's conservation to cost Ukraine 42m dollars

The cost of shutting down and conserving the first and third power generating

units of the Chernobyl nuclear power station until 2028 is estimated at 385m hryvnyas (42.08m dollars), the website of the state-owned facility has reported.

The final works at the nuclear power station will go on until 2064.

We would like to point out that to maintain the safe state of the non-operational Chernobyl nuclear power station, Ukraine needs to spend over 700m hryvnyas (76.5m dollars) of state budget funds annually.

Russian oil company suspends talks with Ukraine over chemical firm

The Russian oil company Lukoil has suspended its negotiations with the Ukrainian government over the Karpatnaftokhim company due to the ongoing crisis in the country. The work of the company has also been halted, Lukoil said.

Karpatnaftokhim is Ukraine's largest oil and chemical company, which specializes in the manufacturing of chlorine, caustic soda, vinyl chloride, ethylene, propylene, and polyethylene.

Lukoil controls around 76.04 percent of the plant's shares, while the rest of them belongs to the Ukrainian State Property Fund.

In 2012, the work of Karpatnaftokhim stopped due to the failure of the Ukrainian government to refund VAT to Russia and problems with selling its products. In order to relaunch the plant, the Ukrainian government refunded VAT to Russia and decreased tariffs and duties.

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

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