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Yuliya Tymoshenko's trial could end soon

On 5 August 2011, a Kiev district court resumed the trial of former Ukrainian Prime Minister Yuliya Tymoshenko, the leader of the opposition Fatherland party.

It is well known that Tymoshenko is accused of exceeding her powers when she signed gas contracts with Russia in 2009.

Ukrainian Prime Minister **Mykola Azarov** said that Tymoshenko was standing trial not for signing the Ukrainian-Russian gas contracts but rather for forging government directives to conduct negotiations with Russia in 2009.

At the same time, Ukrainian Prosecutor-General **Viktor Pshonka** said that the investigation had proved that the former prime minister is guilty. Pshonka stressed that as the prosecutor-general, he could unambiguously state: "The investigation has supplied enough materials for the court to establish that Tymoshenko is guilty."

For his part, the former deputy head of Ukraine's state-run oil and gas trader Naftohaz Ukrayiny, **Ihor Didenko**, expressed regret that the Ukrainian-Russian gas contracts had been signed. "I would never sign the contracts which I have signed and would never put them up for consideration by the company board if I knew that the directives, which obliged me to sign these contracts, were singlehandedly adopted by Tymoshenko, rather than collectively, by the Cabinet of Ministers of Ukraine."

It is worth mentioning that the court refused to add the results of Naftohaz Ukrayiny's financial audit for 2009, which was carried out by the Ernst and Young company, to the case materials. Tymoshenko's lawyers believe that the audit results totally discredit the version of the pre-trial investigation, according to which Naftohaz Ukrayiny suffered losses as a result of the 2009 Ukrainian-Russian gas contracts. They contend that the audit results present evidence that no losses were incurred on Naftohaz Ukrayiny after the gas contracts had been signed.

After judge **Rodion Kireyev**, who presides over the trial of the former prime minister, turned down the request to add the audit results to the case materials, Tymoshenko called him a criminal. "Mr. Judge, by refusing to add the audit of the Ernst and Young company to the contracts attesting to the price of technical gas you are concealing the truth in the case today. You are a criminal and an accomplice in the forgery of documents. You are a person who is consciously concealing the truth in this trial today," Tymoshenko stated.

For his part, the former prime minister's lawyer, **Yuriy Sukhov**, said that Kireyev was trying to complete all the formal procedural actions and the case hearing as soon as possible. According to him, if the judge continues neglecting the rights of the defense, the process can be completed within the next few days.

It should be noted that the court honored several other requests submitted by Tymoshenko's lawyers.

For example, the court agreed to add the materials of the news and analysis website Ukrayinska Pravda to the evidence in the Tymoshenko case. According to the website, the Russian side stated that the 2009 contracts were signed without any violations of law.

Additionally, the court decided to request the contracts that Naftohaz Ukrayiny and RosUkrEnergo signed in 2006 and Naftohaz Ukrayiny's accounting report on the price of natural gas for technical reasons.

Judge Kireyev also agreed to add a letter from former Prosecutor-General **Oleksandr Medvedko** to the case materials. The letter says that the former prime minister was entitled to give recommendations to Naftohaz Ukrayiny regarding the gas contracts.

Besides, the court added two expert opinions to the case materials.

One of them is the conclusion drawn up by the chair of the department of criminal law and criminology of the Kiev-based Taras Shevchenko university. The expert opinion says that "an analysis of the case materials, the way they are laid out in the indictment, shows that there was no crime in Tymoshenko's actions."

The second document, which the court added to the case materials, is an expert analysis of the price of natural gas in 2008 and 2009.

We shall remind you that on 31 August 2011, the court finished reading out written evidence in the Tymoshenko's case which it had at its disposal.

At the same time, Tymoshenko's lawyers said that part of the gas case materials had gone missing. One of the lawyers added that 13 volumes of the materials, which had been collected by the Security Service of Ukraine (SBU), had disappeared. "I have no clue what the prosecution is talking about. However, our appeal is included in the first volume. There is also an explanatory letter from the SBU that says it comes with 13 volumes. Yet, these 13 volumes are missing [from the case materials]," he stressed. Earlier, Tymoshenko's lawyer **Oleksandr Plakhotnyuk** said that 213 pages of the gas case materials had disappeared.

Commenting on this statement, the state prosecutor in the Tymoshenko case, **Liliya Frolova**, said that an investigator had forwarded 522 pages of the case materials for economic analysis. After that, these materials were redistributed to different case volumes, she added. Frolova also noted that there were 21 volumes of materials in the gas case.

It is worth noting that the international community condemned the trial of the leader of the opposition Fatherland party.

For example, Polish President **Bronislaw Komorowski** believes that Tymoshenko's trial erects obstacles for Ukraine's entry into the EU. He made a statement to this effect during a meeting with his Ukrainian counterpart, **Viktor Yanukovich**, on 30 August 2011.

At the same time, the head of the Ukrainian Parliament's delegation in the PACE and the PACE deputy president, MP of the Party of Regions, **Ivan Popesku**, expressed an opinion that the statement made by the Polish president did not reflect the position of the EU.

Additionally, the mass media circulated information that Germany was threatening to suspend the process of Ukraine's accession into the EU due to the arrest of former Prime Minister Yuliya Tymoshenko. "If Kiev does not take care of appropriate legal procedures, Europe will be highly critical of it," the mass media quoted the state secretary of the Federal Foreign Office of Germany, **Harald Braun**, as telling Ukrainian Deputy Prime Minister **Serhiy Tyhypko** at a meeting in Berlin. Former US ambassador to Ukraine **William Taylor** also voiced criticism of President Yanukovich: "it is hard to understand why criminal charges are brought against

political decisions of the previous government.” At the same time, he added: “It is one thing to take someone to court over criminal actions. However, persecuting someone for a political decision is not something that is done in a democracy where laws are respected. This sets a very bad precedent for future governments. The next government might persecute the current one. This is nonsense.”

Responding to the statement by the former US ambassador to Ukraine, the first deputy chair of the parliamentary committee for European integration, MP of the Party of Regions **Volodymyr Vecherko**, said that it was up to judges to evaluate the actions of the parties involved in a trial, while diplomats should handle the intensification of dialogue between states.

It is worth nothing that on 30 August 2011, the Delegation of the EU to Ukraine organized a meeting of EU ambassadors and the leaders of the Ukrainian opposition parties, which belong to the Committee of Resisting Dictatorship. During the meeting, the latter urged the EU member states to demand an end to political repression in Ukraine before an EU association agreement is signed. Besides, the participants of the meeting noted that a fair and transparent parliamentary election is impossible in Ukraine as the leader of the largest opposition party Fatherland, Tymoshenko, would not be able to take part in it.

At the same time, on 31 August 2011, the European Parliament's International Trade Committee in Brussels discussed the situation with the negotiations between Ukraine and the EU. The discussion revolved around the concerns of European parliamentarians about the current situation with democracy in Ukraine. Although no specific decision was made by the European Parliament in the aftermath of the committee's meeting, the issue of potentially blocking the negotiations between Kiev and Brussels was removed from the agenda.

Russia also expressed its position regarding Tymoshenko's trial.

Russian President **Dmitriy Medvedev** said that former Prime Minister Tymoshenko was standing trial for contracts with Russia, rather than for the sins committed in the past. “The Russian Foreign Ministry provided such an assessment. This represents the position of the entire Russian leadership,” Medvedev said.

We shall remind you that on 5 August, in response to Tymoshenko's arrest, the Russian Ministry of Foreign Affairs circulated a statement, which said that all the 2009 gas contracts were signed with strict adherence to the national legislation of the two states and international law. Furthermore, the Russian president and his Ukrainian counterpart provided guidelines required for signing the contracts, the statement added.

The lawyers of the former Prime Minister of Ukraine and leader of the Fatherland Party, Yulia Tymoshenko, are not planning to petition for the questioning Russian officials as witnesses in the case on gas supply contracts at this stage of the trial.

**Tensions escalate
between Ukraine,
Russia in gas sphere**

Ukrainian Prime Minister Azarov stated on 1 September 2011 that Ukraine will make one more attempt to reach an agreement with Russia on a cut in the gas price.

“We will try one more time to come to terms with our Russian colleagues. If that does not happen, then all the responsibility for the repercussions will certainly fall on those leaders who are reluctant to listen to our arguments,” Azarov said.

At the same time, the head of the Ukrainian government expressed criticism regarding Russia's proposal "to give Ukraine an integration gas discount." "Russia told us: 'Enter the Customs Union [of Russia, Belarus and Kazakhstan] and then you will receive a certain discount.' Our position is that we do not need discounts but rather normal agreements, under which the price of gas that we purchase should not be higher than that for Germany," Azarov explained. He added that Ukraine intends to "strike new gas deals rather than receive a discount."

Furthermore, Azarov did not rule out that Ukraine could annul the gas contracts with Russia, which were signed in 2009. "We are cornered by you and we only have one way out of this, which is to break the contract," the mass media quoted Azarov as telling Russian Prime Minister **Vladimir Putin** during the gas negotiations. According to Azarov, the Ukrainian government has already consulted domestic and international experts regarding its prospects for court proceedings with Moscow and was ready to take the case to court.

At the same time, the head of the Ukrainian government noted that the existing gas contracts would be revised after the liquidation of Naftohaz Ukrayiny. "As a company, Naftohaz Ukrayiny will cease to exist. There will be a liquidation period and after a certain period of time, when all the necessary formalities are implemented, absolutely new companies will operate in this market. Given this, all the agreements which exist nowadays will be revised," Azarov said on 2 September 2011. He added that the Ukrainian government had already started to devise a future structure for Naftohaz Ukrayiny.

It is worth noting that Russian President **Dmitriy Medvedev** said earlier that Russia was expecting profitable commercial gas offers from Ukraine. Moscow believes that Ukraine can make it a commercial proposal, like Belarus did. In particular, Ukraine could sell Russia its gas transportation system. If Ukraine cannot offer anything that would interest Moscow, Russian leaders will proceed from the existing contracts in the gas sphere, Medvedev stressed.

At the same time, Russian Energy Minister **Sergey Shmatko** believes that Ukraine and Russia will not go through a gas conflict and rules out the possibility of suspending the transit of gas. "I am certain that no preconditions for gas conflicts, which we had in the winter of 2009, are in place."

In his turn, Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** noted that the gas negotiations would soon become official. "The principled position of the Ukrainian president is that any company can be built only on the principle of parity. That is why I will say what will not happen: there will be neither a merge between Naftohaz Ukrayiny and Gazprom, nor the Belarusian scenario," Boyko said. According to him, pricing is the main issue in the negotiations.

It is well known that Ukraine intends to cut down on the import of Russian gas over the next few years. Hence, on 30 August 2011, Prime Minister Azarov said that Ukraine will reduce the volumes of purchased Russian gas by three quarters (to 12bn cu.m.). According to him, it was cheaper for Ukraine to use coal rather than gas as an energy resource. Ukraine's Energy Minister Boyko said on 31 August 2011 that Ukraine had applied to buy 27bn cu.m of gas from Gazprom in 2012, as compared to 40bn cu.m. in 2011.

Yet, Ukraine proposed to Russia to hold an additional round of talks to specify the volumes of gas deliveries, as well as the conditions for gas transit in 2012. Prime Minister Azarov stated on 2 September 2011 that the Ukrainian government sent a letter to the Russian government, in which it laid down its arguments for

negotiations on gas issues. "We have all the grounds to propose negotiations in Russia in accordance with the international agreement [of 2004] in order to specify the volumes of gas deliveries in 2012 and the terms of gas transit," the Ukrainian prime minister said.

Prime Minister Azarov further explained that according to the arguments laid out in the letter to the Russian government, under the intergovernmental agreement which was ratified by the Supreme Council (Parliament) of Ukraine and Russia's Duma and came to force in 2004, annual gas deliveries and the price were determined by special intergovernmental protocols. That is why, he continued, Ukraine believes that the contract which was signed in January 2009 contradicts at least that part of this intergovernmental agreement which concerns annual specifications in the contracts. Hence, Azarov believes that Ukraine has all the grounds to propose to Russia to stage such negotiations.

It is worth noting that Ukraine's domestic use of gas rose by 11.2 percent, up to 57.7bn cubic metres in 2010. At the same time, the country increased natural gas imports by 35.7 percent, to 36.5bn cu.m., or by 9.39bn dollars (17.7 percent).

Under the gas contracts which the Russian and Ukrainian gas monopolies signed in January 2009, Naftohaz Ukrayiny planned to purchase 52bn cu.m. of natural gas starting from 2010. However, even if Naftohaz Ukrayiny acquires less than 80 percent of this volume, the company is still obliged to pay for 80 percent of the volume specified by the contract, which is governed by the principle "take or pay".

It is worth noting that the Ukrainian mass media quoted a high-profile government source as saying that the Ukrainian-Russian negotiations have reached an impasse. If the parties do not find a compromise by the beginning of a heating season, which starts around 15 October 2011, then Ukraine intends to break the current gas contracts and file a lawsuit with the Arbitration Institute of the Stockholm Chamber of Commerce.

At the same time, the deputy head of the Russian State Duma, president of the Russian gas association **Valeriy Yazev**, said if Ukraine launches criminal proceedings over the gas contracts with the Arbitration Institute of the Stockholm Chamber of Commerce, Russia would reciprocate.

We shall remind you that Ukraine insists on revising the price of the Russian gas since it believes that the base price which the gas price formula contains is higher than the European one. According to the Ukrainian party, the gas price should be reduced to 240 dollars per 1,000 cu.m.

It is worth noting that the Gorshenin Institute conducted an expert interview which asked the following question: "Can Ukraine cut down its volumes of purchased Russian gas threefold and what repercussions might this move have for its economy?" You can find details of the interview on page 12.

Construction of terminal for liquefied natural gas to commence in 2012

Ukrainian Prime Minister Mykola Azarov said that the construction of a terminal for liquefied natural gas (LNG) in Ukraine will start on 1 January 2012.

It is worth noting that there are five companies competing for the tender to develop the technical and economic basis for the LNG national terminal project. They are represented by Ramboll Oil&Gas (Denmark), Foster Wheeler Iberia, Socoin, Sener (all three are Spanish) and Technique Italy (Italy). The winner of the tender will be announced on 20 September 2011.

We shall remind you that the tender for the project development was announced on 8 July 2011.

A preliminary construction projects envisions that the first consignments of liquefied gas in the volume of 2bn cu.m. will be delivered by 2014, while these volumes will be increased to 5bn cu.m. in 2015 and up to 10bn cu.m. of gas annually in 2017.

It is well known that at the end of April 2011, the Ukrainian president and his Azerbaijani counterpart agreed that Baku will deliver 5bn cu.m. of liquefied gas per year for the Ukrainian LNG terminal.

Shell to search and develop oil and gas in Ukraine

On September 1 Royal Dutch Shell plc. signed a new version of the cooperation agreement with Ukraine.

The agreement that was signed between the Ukgazvydobuvannia, a subsidiary of Naftohaz Ukrayiny and Shell plc., stipulates the future cooperation in the area of exploration and extraction of hydrocarbons in the Dnipro-Donetsk basin, Central Ukraine.

According to the agreement, Ukraine will be able to take advantage of modern technology and start developing unutilized gas resources, including the unconventional ones. The parties agreed that Shell is going to invest up to 800m dollars into a shale gas development project, according to RBC. The first stage of the project is estimated at 200m dollars with 600m dollars to follow.

"This is the first significant joint agreement that allows in the near future to increase gas production in our country, which is a very important task set by the president and government, and we are fulfilling it," Minister of Energy and Coal Industry of Ukraine **Boyko** has said.

Just to remind you, earlier Minister, Boyko, said that Ukraine would put up for auction shale gas deposits. "Several companies have already shown their interest. These are, first of all, American and European companies: Dutch Shell, Italian Eni. I know that a number of auctions will be held soon to sell surface areas for extraction of shale gas", he added said.

It is worth noting that during the expert opinion carried out by the Gorshenin Institute as part of the program "Shale gas in Ukraine and in the world", energy expert **Hennadiy Ryabtsev** opined that the first Ukrainian cubic meter of shale gas will not be extracted until 2019. "Even if the most optimistic estimates of the domestic [shale gas] deposits turn out to be correct and the future extraction proves to be profitable, this will not lead to its appearance on the domestic market in five-seven years. Furthermore, it will not be available in the mentioned volumes [7bn-10bn cu.m.]."

The government to reform Naftohaz Ukrayiny

Ukrainian President Yanukovich has ordered government to submit draft program to reform Naftohaz Ukrayiny.

In Particular, the President has ordered Prime Minister Mykola Azarov to ensure that a program to reform Naftohaz Ukrayiny is drafted and submitted by October 1, 2011 for consideration by the governing board of the Economic Reform Committee. According to the President, the drafting of such a program is necessary in connection with Ukraine's joining the Treaty establishing the Energy Community, bringing national legislation into line with EU legislation in the energy sector, and ensuring the reform of the country's oil and gas industry.

Ukraine's main news

At the same time Yanukovych noted that Ukraine was not considering a merger between Naftohaz Ukrayiny and Russia's Gazprom. "This issue is not under consideration," the Ukrainian President said on September 3, 2011 in Dushanbe when journalists asked him whether Naftohaz Ukrayiny could merge with Gazprom in exchange for a discount on natural gas that Ukraine buys from Russia.

Government to list Naftohaz Ukrayiny's extraction business on stock exchange

The Ukrainian Cabinet of Ministers plans to re-organize Naftohaz Ukrayiny oil and gas company.

"We have decided to start Naftohaz Ukrayiny's restructuring now, to separate its gas extraction business into an distinct company and to prepare for listing its shares at a stock exchange", - Prime Minister Mykola Azarov said on 1 September 2011. Azarov also added that the Cabinet expects to secure 5-10bn dollars worth of investment as a result of this decision.

Large gas deposit discovered in Ukraine

The state-run gas extraction company Ukrgezvydobuvannya has discovered a new gas field in Kharkiv region. The reserves of the new deposit are assessed at 1.2bn.m.cu.

Ukrgezvydobuvannya is currently preparing documents regarding the geological features of the new gas field to submit to the State Commission for Natural Resources.

Ukraine's Ministry of Agrarian Policy forecasts higher grain yield

The Ukrainian Ministry of Agrarian Policy has forecasted that the grain yield will increase to 50m tons in 2011.

The Ukrainian news and analysis website Lb.ua reported that the ministry estimated that the export potential for the current market year (July 2011-June 2012) was at 25m t, as compared to the previously forecasted 23m t.

It is well known that the Ukrainian Ministry of Agrarian Policy has drawn up a draft for amending the law "On customs tariff," which is intended to cancel duties on grain exports. Currently, the draft law is under consideration at the Ukrainian Ministry of Economic Development and Trade.

An honored employee of the Ukrainian agricultural sector, the head of the Ukrzernoprom-Ahro holding, **Yevhen Lenh**, did not rule out the possibility that the imposition of duties on grain exports in Ukraine had been lobbied for by Russian grain trading companies. "Only Russian grain directly benefited from restrictions on the Ukrainian exports. Unfortunately, Ukraine acquired only economic negative and losses to farmers," the expert noted.

Prime Minister: Ukraine cannot join Customs Union

Ukraine cannot join the Customs Union, as it is already a member of the WTO, the Prime Minister of Ukraine Azarov has said.

"In order to join the Customs Union it is necessary to review all agreements with members of the WTO. The cooperation of Ukraine and the Customs Union is possible exclusively in the '3+1' format, Azarov noted.

According to the Head of the Government, Ukraine considers it important to cooperate with the Russia and Customs Union, and Ukraine considers it beneficial for both sides to make separate agreements with Customs union countries which remains members of the World Trade Organization.

"The President of Ukraine has offered the cooperation formula in the '3+1' format and we can start consideration of those agreements, signed within the limits of Customs Union," Azarov emphasized.

World Bank: Ukraine did not justify expectations

The main problem of business development in Ukraine is regulated economic processes and strict control by the state, Martin Raiser, the World Bank's Director for Ukraine, Belarus and Moldova has said.

"The economic sphere of the country has three systemic problems. First of all, reforms are being conducted very slowly. Initial promises and plans result in empty declarations, which don't correspond to any real effect. Secondly, reforms don't receive any response at the local level. At the local level everything remains unchanged. And thirdly, there is no connection between the authorities and society," the expert added.

Ukraine temporarily stripped of right to trade quotas on greenhouse gas emissions

The UN has banned Ukraine from trading quotas on greenhouse gas emissions.

In particular, the news and analysis website Lb.ua reported that the committee for implementing the UN Framework Convention on Climate Change had made a preliminary decision, which denies Ukraine its right to trade quotas on greenhouse gas emissions for the duration of three months. Additionally, the committee acknowledged that the Ukrainian national registry of anthropogenic emissions did not meet international requirements.

"UN experts believe that the National Registry of Anthropogenic Emissions and Absorption of Greenhouse Gases is insufficiently transparent, consistent, full and accurate, as required by international rules," the National Ecological Center of Ukraine (NECU) explained.

The NECU further noted that the prospects for Ukraine's future quota trade will be determined in October of this year: "If the committee makes a final decision in October that the Ukrainian registry does not satisfy international requirements, then among the possible scenarios of this situation there is a suspension of the Ukrainian registry for a more extended period of time. This will disable more flexible mechanisms of the Kyoto protocol such as trading quotas and projects of joint implementation."

At the same time, the State Environmental Investment Agency of Ukraine reported that the UN had not stripped Ukraine of the right to sell quotas on greenhouse gas emissions. The UN committee only drew up "preliminary conclusions regarding Ukraine's adherence to the provisions of the Kyoto protocol."

Lawmakers warn Euronews about unacceptability of political propaganda

The parliamentary committee for freedom of speech and information has expressed concern that the Ukrainian service of the Euronews channel might be biased.

An open letter to SOCEMIE/EuroNews, which was signed by head of this parliamentary committee **Andriy Shevchenko** and its two other members – **Oleksandr Abdullin** and **Viktor Ukolov** – said that political propaganda was unacceptable in the recently created Ukrainian version of Euronews.

The authors of the letter contend that "the first day of the Ukrainian service [of Euronews] resulted in a scandal: the coverage of the events on 24 August, Ukraine's Independence Day, by the Ukrainian service looked politically biased in favor of the government."

According to the lawmakers, a comparison of the transcripts in English and

Ukrainian shows that the latter is politically biased. Hence, the Ukrainian editorial office disregarded a political trial of opposition leader **Yuliya Tymoshenko** and her arrest. It also substantially underreported the number of participants in the protest staged against President **Viktor Yanukovich**. Additionally, the editorial office concealed the fact that the government had banned peaceful demonstrations in Kiev and other Ukrainian cities on Independence Day.

The committee members noted that information policy of the National Television and Radio Company of Ukraine, which set up the Ukrainian service of Euronews, is under the strict control of President Yanukovich's team. According to multiple reviews and evaluations given by international journalist organizations, such as Reporters Without Borders, news reported by the state-run television channel reflect bias in favor of the government and distort political issues, the letter said.

Given this, the authors of the letter urged SOCEMIE, which produced Euronews, "to warn the Ukrainian partners that political propaganda is unacceptable in the Ukrainian service of Euronews, which has been just established." Additionally, the parliamentarians called on SOCEMIE to consider the possibility of reshuffling the management of the Ukrainian service of Euronews.

It is worth noting that the deputy head of the committee for freedom of speech and information, MP of the ruling Party of Regions **Olena Bondarenko**, believes that the Ukrainian service of Euronews has not been functioning for a sufficiently long period of time to be evaluated.

Party of Regions urges formal status of Russian as regional language in half of Ukraine's regions

Members of Parliament from the Party of Regions support giving Russian language the status of a regional language.

Members of Parliament have registered a corresponding draft law "On the basis of state language policy" in parliament on 26 August 2011.

The draft law suggests that if in a certain region a language is a mother tongue for 10% of people, this language shall be given the status of a regional language. "Based on the results of the last population census in Ukraine in 2001, if the draft law is approved, the Russian language then becomes a regional language in 13 administrative regions of Ukraine (out of 27)", - the explanatory note to the draft law says.

An MP on Our Ukraine-People's Self-Defence Bloc, chairman of the political council of the Our Ukraine party, **Valentyn Nalyvaychenko**, said that the draft law "On the basis of state language policy" suggested by the Party of Regions is an attempt to limit use and development of the Ukrainian language.

The speaker of the Ukrainian parliament, Volodymyr Lytvyn, said that the suggested draft law is controversial.

Ukrainian Foreign Ministry denies it started rumor about French ambassador's recall from Kyiv

Ukrainian Foreign Ministry has stated it had nothing to do with rumors about the alleged recall of French Ambassador to Ukraine Jacques Faure.

"The Foreign Ministry of Ukraine is surprised by such an interpretation of the situation. We've stated numerous times that we do not know the reasons for which the French president decided to recall the [French] ambassador from Ukraine," the Director of the Foreign Ministry's Information Policy, Department Oleh Voloshyn, said.

A reminder that Faure had earlier said that rumors of his being recalled from

Kyiv were started by the Ukrainian Foreign Ministry.

Ukrainian Prosecutor-General's Office forwards "Czech spy" case to court

The case of a Ukrainian national accused of cooperating with Czech security services submitted to court.

In particular, the Ukrainian Prosecutor-General's office (GPO) has submitted to court the case charging citizen S of collecting and sharing confidential information which is "government's proprietary information".

Ukrainian media say that citizen S is a former employee of the state-run company "Civil aviation plant 410" whose detention by the Security Service of Ukraine (SBU) was reported in May 2011. The SBU established that the accused person, while occupying a major position within the company, "had entered in a criminal conspiracy deal with a representative of a foreign country and in exchange of a financial reward collected and submitted information regarding development of arms and military hardware in Ukraine and the country's export potential in this sector". PGO Press Secretary **Yuriy Boychenko** refused to provide any details of the criminal case and personal details of the accused.

Media reports also say that this very person (citizen S.) appeared to be one of the players in the scandal with Czech diplomats – Czech Embassy Defence Attaché, Colonel **Zdenek Kubicek** and Czech Embassy Military Attaché, Major **Petra Navotna**.

Citizen S allegedly provided diplomats with information regarding the Yuzhmash plan, An-70 and An-178 programmes, technical documents for the Adros station aimed at protecting aircraft and helicopters from guided weaponry.

Ukraine to sell Oplot tanks to Thailand for about 240 million dollars

Ukraine to supply 49 Oplot main battle tanks to Thailand.

A contract to this effect was signed between the Ukrainian state military hardware export company Ukrspetsexport and representatives of the Thai Royal Army on 1 September 2011. Ukrspetsexport refused to give any details of the contract.

Experts evaluate the price of the deal at about 240m dollars.

A reminder that Ukraine already has a contract to supply BTR-3E1 armored personnel carriers to Thailand. The total cost of the contracts for supply of the armored personnel carriers, signed in 2006-11, is assessed as being as much 270m dollars.

Note:

The Oplot tank was developed by the Kharkiv-based Morozov design bureau based on an existing Ukrainian prototype, the T-84, which is known on international markets. Specialists say the new model of the tank has good market prospects.

The Oplot tank was received by the Ukrainian army in May 2009.

The former Ukrainian president's representative for international energy security issues, Bohdan Sokolovskyy, as said that as of today there is no alternative to import of gas. “The issue is when Prime Minister Azarov plans to cut volume of gas purchase. If tomorrow – this is not realistic. If before the start of the next year- this is not realistic either. However, if from 2020 – this is quite possible. The biggest challenge for us today is to reduce consumption of gas, as no else country consumes gas so luxuriously as we do. The second challenge is to raise own extraction. Both are quite possible to answer in 6-7 years. Then we will have arguments to negotiate new contracts with Russia. And only then we will be able to negotiate better conditions with Russians. Today we have no arguments. Ukraine consumes unreasonably large quantities of gas, its own extraction is falling, there is no alternative to import, that is why we have to bag, to seem offended. Today we are negotiating with a monopoly supplier who will do whatever is good to him. I do not have any complaints against the Russians as many of us would do the same in circumstances like this”, Sokolovskyy said.

The deputy head of parliamentary committee for economic policy, Serhiy Osyka, has said that quite to the contrary, Ukraine would really be able to reduce import of Russian gas by 10-15bn.m.cu. in three or four years. However, this is not doable in the short-term perspective. “I think we should base our actions on our real capabilities to increase production of own energy products. Energy Minister Yuriy Boyko said that Ukraine can increase extraction of own gas, coal and implement energy saving technologies. Notwithstanding the above, we will not be able to seriously cut import of natural gas within the next six months. But it is quite realistic to cut gas import by 10-15bn.m.cu. within the next three or four years”, Osyka said.

The deputy head of parliamentary committee for fuel and energy sector, Mykola Romanyuk, has said that it would be easier for Ukraine to modernize its electricity grids rather than buying expensive Russian gas. “Ukraine is one of Europe's leading producers of nuclear energy. Also, Ukraine possesses a developed hydro and heat power industries, coal. If we count up all of this, we can cover our energy needs from other sources. Electricity is almost three times cheaper than gas. It is easier to us to modernize electricity grids rather than continue buying expensive Russian gas. We should have done this long ago! Many countries take this path. Also, Ukraine has to develop alternative sources of energy like wind energy”, Romanyuk said.

The general director of the national energy security fund, Konstantin Simonov, (Russia) has said that the probability of interruptions in gas transit through Ukraine would increase many times if gas contracts with Russia are declared illegitimate. This would happen if the court rules that the former Ukrainian prime minister, Yuliya Tymoshenko, did not have the right to authorize the signing of gas contract documents. “This means that Ukraine openly breaches the conditions of the existing contract where the volume of gas

to be taken is clearly stated. By making statements like this, Ukraine demonstrates to Moscow that this contract is no longer a legitimate document for Ukraine. This is a direct path to a new gas row between our countries. If the court rules that Tymoshenko did not have the right to authorize the signing of the gas contract documents the contract would be declared illegitimate. After this, the probability for an interruption in gas transit would increase by many times”, Simonov said.

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