

Gorshenin *Weekly*





**February 6 and 11, 2013, Kyiv,
2 Mechnikova st., Parus business centre**
(entrance from Lesia Ukrainka Blvd.)



The Expert Forum "Ukraine-2013. Forecast" is a platform where politicians, deputies and experts, representatives of the European Parliament and Ukrainian media will meet to evaluate what Ukraine will be like in 2013.



The forum's work will be organized in the form of discussion panels, focused on three subjects:

- POLITICS
- ECONOMY, INFRASTRUCTURE AND REGIONAL DEVELOPMENT
- INTERNATIONAL RELATIONS

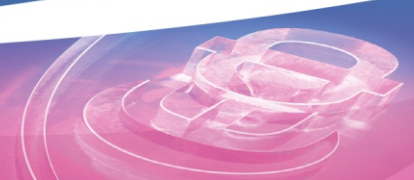


Among Participants of the Forum:

Oleksandr VILKUL, vice-prime-minister of Ukraine; Leonid KOZHARA, Minister of Foreign Affairs of Ukraine; Petro POROSHENKO; Arnoldas PRANCKEVICIUS, Adviser for External Policies at the Cabinet of the European Parliament President; Olena BONDARENKO; Anatolij GIRSHFELD; Arsen AVAKOV; Roman SHPEK; Olga SHUMILO-TAPIOLA; Olena SCHERBAKOVA, Director of the General Department for Monetary and Lending Policy of the National Bank of Ukraine and others



<http://institute.gorshenin.ua/ukraine2013/>





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CRIMINAL PERSECUTION OF OPPOSITION LEADERS

Tymoshenko's defence says given incomplete Shcherban case package

On 1 February 2013, lawyer **Oleksandr Plakhotnyuk** has said that the Prosecutor-General's Office (PGO) had provided former **Yuliya Tymoshenko's** defence lawyers with an incomplete package of materials in the murder case of politician and businessman **Yevhen Shcherban**.

The PGO said that they had only provided the materials which could not disturb the course of pre-trial investigation, which is in line with the new Criminal Procedures Code.

On 1 February, the opposition Fatherland party said that the PGO had merged the case of state budget embezzlement by Tymoshenko and another former Prime Minister **Pavlo Lazarenko** and the murder case of Yevhen Shcherban.

Earlier, on 18 January, the PGO officially informed Tymoshenko that she was suspected of organizing the contract killing of Shcherban.

Accounts of Tymoshenko's lawyer under check

On 31 January 2013, a lawyer of ex-Prime Minister **Yuliya Tymoshenko** and Fatherland MP, **Serhiy Vlasenko**, said that the National Bank of Ukraine was checking his accounts in Ukrainian banks.

On 21 January, Vlasenko said that a criminal case was opened against him. According to the news and analysis website Lb.ua, Vlasenko anticipates the charges of robbery, hooliganism and contempt of court.

Ukraine pays Lutsenko compensation under ECHR ruling

On 25 January 2013, Ukraine has fulfilled the European Court of Human Rights (ECHR) ruling to pay jailed ex-Interior Minister **Yuriy Lutsenko** 15,000 euros, the government said on 30 January.

In July 2012, the ECHR ruled that Lutsenko's rights were violated when he was detained and kept behind bars during the period of the investigation and trial, and obliged Ukraine to pay him a compensation.

Lutsenko sent back to penal colony after surgery

On 30 January 2013, former Interior Minister **Yuriy Lutsenko** was released from the Oberih hospital where he underwent a surgery and sent back to his penal colony.

His wife, MP **Iryna Lutsenko**, quoted doctors as saying that his condition was not good enough for transport. However correctional officers made doctors release him.



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Iryna Lutsenko interpreted this as a government attempt to prevent Yuriy from contacting European politicians who had been planning to meet him.

The penitentiary service said that Lutsenko was transported back to his penal colony in accordance with the law.

On 30 January, the EU urged the Ukrainian authorities to accept responsibility for Lutsenko's health and the risks ensuing from his transport to the colony.

European Commissioner for Enlargement and European Neighbourhood Policy **Stefan Fule** voiced concerns regarding the Lutsenko situation.

Lutsenko rejects pardon offer

On 31 January 2013, **Iryna Lutsenko**, wife of jailed ex-Interior Minister **Yuriy Lutsenko**, said that her husband would not ask President **Viktor Yanukovych** for pardon.

She said that representatives of the ruling Party of Regions told her that Lutsenko would be freed, if he wrote a plea for pardon.

INTERNATIONAL POLITICAL

UKRAINE-EU

Kozhara: EU interested in signing association agreement with Ukraine by year-end

Ukrainian Foreign Minister **Leonid Kozhara** has suggested that the EU is interested in signing an association agreement with Ukraine by year-end. He made a statement to this effect in Brussels on 30 January 2013 after a meeting with EU High Representative for Foreign Affairs and Security Policy **Catherine Ashton**.

Ashton shared with Kozhara her concerns about former Prime Minister **Yuliya Tymoshenko** and former Interior Minister **Yuriy Lutsenko**, the news and analysis website Lb.ua said.

Ashton also recalled that in December 2012 the EU Foreign Affairs Council set clear criteria for signing the agreement. In her words, Ukraine can meet these criteria but the time is running out.

UK ambassador to Ukraine **Simon Smith** said that there were no guarantees for now that the agreement would be signed at the Eastern Partnership summit this November as everything will depend on Kiev's specific steps. He said this in an interview with the Interfax-Ukraine news agency on 30 November.

On 30 January, Slovak Foreign Minister **Miroslav Lajcak** said that Ukraine should dispel any doubts the EU might have concerning the independence of the country's judiciary.



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Ukraine guarantees uninterrupted Russian gas transit to Europe

On 30 January 2013, Foreign Minister **Leonid Kozhara** said that Ukraine would remain a reliable transit country for Russian gas sent to the EU. He said this at a meeting with European Commissioner for Energy **Guenther Oettinger**.

Brok: EU can deny Kuzmin visa

The EU can deny First Deputy Prosecutor-General **Renat Kuzmin** a visa in the future, the chairman of the European Parliament Committee on Foreign Affairs, **Elmar Brok**, said in an interview with Deutsche Welle on 29 January 2013.

He said that the murder allegations against former Prime Minister **Yuliya Tymoshenko** were groundless and attesting to selective justice and political persecution of the opposition leaders..

The Ukrainian Foreign Ministry responded by saying the legal opinion on Tymoshenko's involvement in the murder is up to court, not a European Parliament member.

UKRAINE-RUSSIA-CIS

Ukraine responds to Gazprom's bill

On 30 January 2013, Naftohaz Ukrayiny sent an official response to Gazprom's demand to pay 7bn dollars as penalty for not consuming as much gas as was contracted for 2012.

Earlier Energy Minister **Eduard Stavytskyy** said that from the legal point of view, Ukraine had fulfilled all its obligations under the gas contract.

The Kommersant Ukraina business daily said that Ukraine was not going to pay the penalty, insisting that it had timely informed the supplier about a planned cut in gas consumption and had not received any written objections.

On 30 January, Foreign Minister **Leonid Kozhara** told The Wall Street Journal that Ukraine was not going to pay the penalty.

According to **Volodymyr Zastava**, an expert with the Gorshenin Institute, there is no link between Gazprom's lawsuit and the signing of the agreement by Ukraine and Shell on the extraction of shale gas.

"We can assume that Gazprom above all is seeking to improve its financial standing. Especially when Gazprom saw its annual income decrease somewhat, including in European markets", he said.

Energy expert **Mykhaylo Honchar** said in a commentary for the Dzerkalo Tyzhnya weekly on 1 February 2013 that the 7bn-dollar claim by Gazprom is approximately a sum of penalties which the EU can press on Gazprom as a result of an anti-monopoly investigation into Gazprom's activities.



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Ukraine, Russia to continue gas talks soon

On 1 February 2013, the Russian ambassador to Ukraine, **Mikhail Zurabov**, said that Kiev and Moscow would soon continue the talks on a new gas deal. According to him, Russian and Ukrainian leaders have found a way to lower gas rates without Ukraine's joining the Customs Union of Belarus, Kazakhstan and Russia.

Former Energy Minister **Ivan Plachkov** suggested that Ukraine's position in talks with Russia is strong. Also, he said at a round table at the Gorshenin Institute on 31 January that Ukraine is the biggest consumer of gas and the European and Russian gas transport systems cannot operate without the Ukrainian system.

Administration: Yanukovich can visit Russia any time

President **Viktor Yanukovich** is not planning to visit Russia however if energy agreements are reached, the visit can follow immediately, presidential adviser **Andriy Honcharuk** said on 1 February 2013.

Ukraine may pay corporate debt to Russia in instalments

On 30 January 2013, Justice Minister **Oleksandr Lavrynovych** said that there was no money in the budget to pay Russia the debt accumulated by the United Energy Systems of Ukraine [UESU] corporation.

According to him, the government is planning to agree its payout in instalments.

On 21 January, the Supreme Economic Court of Ukraine ruled as lawful and left unchanged a lower court ruling obliging the Ukrainian government to pay the Russian Defence Ministry over 390m dollars of the debt accumulated by the UESU corporation. In particular, the court confirmed that the UESU obligations were guaranteed by the Ukrainian government.

Earlier **Yuliya Tymoshenko**, who headed the UESU in 1990s, was accused of inflicting especially large damages on the state in collusion with then Prime Minister **Pavlo Lazarenko**.

CIS in talks on access to Russian gas transport system

Countries participating in the CIS free trade zone have launched negotiations on an agreement on pipeline transit, the UNIAN news agency on 31 January 2013 quoted a source in the Ukrainian cabinet as saying.

According to the regulations on the CIS free trade zone, negotiations must be completed within six months after an agreement enters into force (the agreement on the free trade zone took effect in late September 2012 after it was ratified by the parliaments of Belarus, Russia and Ukraine).

According to experts and mass media, by signing this agreement Ukraine will receive access to the Russian gas transport system and thus to direct gas supplies from Central Asia.



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DOMESTIC POLITICAL

AUTHORITIES

Ukraine's ruling party ready to expand presidential powers

The Ukrainian parliament might amend the law on the Cabinet of Ministers in the nearest future, an MP of the pro-presidential Party of Regions, **Volodymyr Oliynyk**, said on 31 January 2013.

A governmental draft law to this effect was registered in parliament on 8 January.

The document envisions the strengthening of the president's influence on the work of the government, the Lb.ua news and analysis website reported. More specifically, the draft law grants the head of state the power to appoint the Cabinet of Ministers, as well as the power to determine tasks for deputy prime ministers.

Killer of Ukrainian journalist gets life sentence

On 29 January 2013, a Ukrainian court sentenced a former police general and a former employee of the Interior Ministry, Gen-Maj **Oleksiy Pukach**, to life imprisonment.

The court found that Pukach was guilty of the abduction and premeditated murder of journalist **Heorhiy Gongadze** on 17 September 2000. It was established that the convict had killed the journalist following an order from former Ukrainian Interior Minister **Yuriy Kravchenko**, who had committed suicide in March 2005, according to official records.

The Lb.ua news and analysis reported that Pukach promised to plead guilty only when former Ukrainian President **Leonid Kuchma** and the former head of his administration, **Volodymyr Lytvyn**, also faced trial in the case.

Yet, representatives of the state prosecution told the Kommersant Ukraina newspaper that there was nothing else left to investigate in Gongadze's case.

The US government has positively assessed the verdict handed down to Pukach. However, it also urged the Ukrainian authorities to continue the investigation in order to bring to justice the people who had ordered the killing of the journalist. The Organization for Security and Cooperation in Europe also called on the Ukrainian government to find those behind the killing.

Ukrainian speaker refuses to summon extraordinary parliamentary session

On 29 January 2013, the Ukrainian parliamentary speaker and an MP of the pro-presidential Party of Regions, **Volodymyr Rybak**, refused to satisfy the opposition's demand to summon an extraordinary session of the Verkhovna Rada.

The opposition wanted to hold it in order to discuss the situation around new accusations against jailed former Ukrainian Prime Minister **Yuliya Tymoshenko**. In the opinion of the speaker, some of the signatures collected by opposition members might have been forged.



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In their turn, opposition lawmakers contend that the parliamentary human resources unit confirmed the authenticity of the 151 collected signatures. 150 signatures are needed for organizing an extraordinary parliamentary session.

Ukraine's constitutional court upholds controversial language law

On 30 January 2013, the Constitutional Court of Ukraine dismissed a motion to declare the law on the foundations of state language policy unconstitutional.

Earlier, as many as 51 lawmakers filed the motion regarding unconstitutionality of the language law. The MPs argued that its norms contradicted the constitution and that the law had been adopted with violations of parliamentary procedures.

The law on the foundations of state language police entered into force on 10 August 2012. The document envisions two official languages in regions where the population of national minorities exceeds 10 percent.

Ukraine has high level of corruption in defence sector, says watchdog

Ukraine belongs to a group of countries with a high level of corruption in the defence sector, the international organization Transparency International (TI) has said in its report published on 29 January 2013.

In the opinion of TI experts, the Ukrainian public is deprived of the possibility to control activities in the military sphere. They explained that the writing off of military property and the holding of tenders were not public, while the system of appointing and promoting officials was not transparent.

At the same time, a prosecutor's office said that the level of corruption in the Armed Forces was dropping.

Ukraine's defence industry firm might be involved in corruption scandal

Two high-profile employees of the Ukrainian state-run defence company Ukrspetseksport have been detained in Kazakhstan on suspicion of offering a Kazakh official a large bribe, the influential Ukrainian weekly Dzerkalo Tyzhnya reported on 31 January 2013.

The newspaper added that the detention of the Ukrainians took place on 25 January. At the same time, the Kazakh TV aired a report about the detention of a high-ranking official from the Kazakh Defence Ministry, who is suspected of accepting the bribe.

Ukrspetseksport is a state-run company, which specializes in exporting and importing military products and equipment.

Ukrainian Defence Ministry intends to start selling property

On 1 February 2013, Ukraine's acting defence minister, **Oleksandr Oliynyk**, said that the ministry planned to start selling surplus military property and infrastructure facilities.



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OPPOSITION

Ukrainian opposition demands speaker's dismissal

On 30 January 2013, Ukrainian opposition factions held a parliamentary session, during which its lawmakers expressed no confidence in the speaker and an MP of the pro-presidential Party of Regions, **Volodymyr Rybak**, and announced the procedure for his dismissal from the post.

The opposition also demanded that Prosecutor-General **Viktor Pshonka** step down.

An MP of the opposition Fatherland party, **Mykola Tomenko**, said that the opposition understands that it will be unable to get Rybak and Pshonka sacked, but still expressed no confidence in these politicians in order to give an assessment of the political situation.

Ukrainian opposition intends to block parliament's work

On 30 January 2013, the head of the Fatherland opposition parliamentary faction, **Arseniy Yatsenyuk**, urged the opposition to bloc the work of parliament until the system Rada-3, which ensures personal voting, is turned on.

On 31 January, the first deputy head of the pro-presidential parliamentary faction Party of Regions, **Mykhaylo Chechetov**, said that his political force had a whole range of methods for resuming the work of parliament if it is blocked by representatives of the opposition.

Ukrainian opposition plans to demand ombudsman's dismissal

On 30 January 2013, an MP of the Fatherland opposition parliamentary faction, **Oleksandra Kuzhel**, proposed to opposition forces to raise an issue of dismissing Ukrainian ombudsman **Valeriya Lutkovska**.

Kuzhel explained that Lutkovska had been illegitimately elected, adding that the ombudsman did not fulfil her functions of protecting human rights. She also said that Lutkovska was related to incumbent Justice Minister Oleksandr Lavrynovych, as she was his wife's sister.

Ally of jailed Ukrainian ex-premier summoned for questioning again

The Ukrainian Prosecutor-General's Office (PGO) has summoned the head of the parliamentary committee for European integration, an MP of the opposition Fatherland party and a close ally of jailed former Prime Minister **Yuliya Tymoshenko**, **Hryhoriy Nemyrya**, for questioning on 4 February 2013.

Earlier, the PGO accused Nemyrya of failing to show up for questioning and testifying in a case launched over the allegedly illegal funding of the Fatherland party from abroad.



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MEDIA

Ukrainian tycoon buys TV channel Inter

On 1 February 2013, the Ukrainian media group Inter reported that Ukrainian tycoon **Dmytro Firtash** had become its new owner. The price of the deal was 2.5bn dollars.

The key asset of the media group is one of the most popular Ukrainian TV channels called Inter.

Its former owner and the former Ukrainian first deputy prime minister, **Valeriy Khoroshkovskyy**, explained his sale decision by the “current circumstances” in which he had no possibility to develop the media group.

The results of a sociological survey carried out by the Gorshenin Institute in November 2011 suggest that the majority of the Ukrainian population (76.7 percent) prefer TV as the best source of information.

First deputy premier setting up media holding

On 31 January, the Lb.ua news and analysis website cited the Independent Media Trade Union of Ukraine as saying that the Ukrainian first deputy prime minister, **Serhiy Arbuzov**, was creating a media holding, which is comprised of the Pohlyad tabloid, the Pohlyad TV weekly and the Vilna Presa website. A publication of a new business paper Kapital is expected in the nearest future.

HUMAN RIGHTS

Freedom of speech on decline in Ukraine

Ukraine has occupied the 126th place in the annual freedom of speech rating published by the international organization Reporters Without Borders. The country has dropped 10 positions in comparison with the last year. The rating was released on 30 January 2013.

A representative of Reporters Without Borders in Ukraine, **Oksana Romanyuk**, said that the number of registered violations of journalists' rights in Ukraine in 2012 had been the largest in the past 10 years. In particular, the number of cases of physical assault in 2012 trebled in comparison with the last year. The number of issues that received no coverage in the Ukrainian mass media was also on the rise, she added. Furthermore, cases of political censorship were recorded.

Ukraine's human rights situation remains disappointing - watchdog

The situation with human rights in Ukraine remained disappointing in 2012, the international group Human Rights Watch has reported.

Among the most egregious human rights violations the watchdog listed were the threatening and pressuring of opposition candidates during the electoral campaign, the deporting of refugees, the infringing on the rights of sexual minorities, as well as the situation around jailed former Ukrainian Prime Minister **Yuliya Tymoshenko**.



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Number of banned demonstrations on the rise in Ukraine

The number of court bans for holding peaceful demonstrations increased in Ukraine in 2012, the German broadcaster Deutsche Welle cited on 1 February 2013 the State court administration as saying.

As many as 349 protest bans were issued in 2012, while this number reached 237 in 2011, Deutsche Welle added.

ECONOMICS

IMF mission arrives in Ukraine

A mission of the International Monetary Fund started its work in Ukraine on 29 January 2013. It is expected that the mission will stay in the country until 12 February. A new stand-by programme will be the main subject of the talks between Ukraine and the IMF.

According to IMF Resident Representative in Ukraine **Max Alier**, now there is an increased demand for external borrowing in Ukraine. The official made the statement in an interview with Deutsche Welle on 31 January. At the same time, when asked whether the negotiations will depend on the release of the opposition leaders, Alier said that the decision to provide the financing to Ukraine will depend on Kiev's fulfillment of the fund's conditions in the economic field.

In a commentary to The Wall Street Journal on 30 January, Foreign Minister **Leonid Kozhara** said that the Ukrainian government is ready to raise gas prices [one of the key demands of the IMF] for some categories of consumers.

However, Economy Minister **Ihor Prasolov** does not expect that the sides will sign a new cooperation programme after the mission ends its visit to Ukraine.

In an article for the Dzerkalo Tyzhnya weekly published on 1 February, **Olena Shcherbakova**, Director of the General Department for Monetary Policy of the National Bank of Ukraine (NBU) wrote that the NBU will maintain its policy of preventing significant exchange rate fluctuations.

Ukraine's GDP up 0.2 percent in 2012

In 2012 Ukraine's GDP growth totaled 0.2 percent, while the government's official growth forecast was 3.9 percent, news and analysis website Lb.ua reported on 30 January 2013, citing the statistics agency.

Nominal GDP in 2012 reached 175.15bn dollars.

According to the forecasts made by investment company Dragon Capital, Ukraine's economy in 2013 should grow by 1.2 percent.

Balance of payments shows sharp drop in 2012

Ukraine's balance of payments deficit in 2012 totalled 4.174bn dollars, a 70-percent increase over 2011, according to a report made by the National Bank of Ukraine on 29 January 2012.



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EBRD: Business climate in Ukraine continues to deteriorate

The European Bank for Reconstruction and Development (EBRD) claims that the business environment in Ukraine deteriorated in 2012, news and analysis website Lb.ua reported on 31 January 2013, citing the bank's report.

The EBRD notes that corporate raids on enterprises became more frequent in 2012, while the policy of tax authorities, including delays in VAT refunds, kept investors away from Ukraine.

Government preparing new VAT refund methods

The government plans to issue treasury bills for a total of 2.12bn dollars to finance VAT reimbursements, business daily Kommersant Ukraina reported on 1 February 2013, citing a draft law prepared by the Ministry of Revenues and Levies.

ENERGY MARKET

Stockholm Court approves amicable agreement between Ukraine and Vanco

Environment Minister **Oleh Proskuryakov** on 30 January 2013 announced that the Stockholm Arbitration Court approved the settlement agreement between Ukraine and Vanco Prykerchenska. According to him, the decision was made in late December 2012.

In April 2006, Vanco International won a tender for production of oil and gas in Prykerchenska oil and gas field on Ukraine's Black Sea shelf. In October 2007, Vanco International transferred all of its rights and obligations to Vanco Prykerchenska, set up in August 2007. That was the main reason for the government to terminate the agreement and launch international proceedings.

According to President of Vanco Prykerchenska **Jim Brown**, Ukraine would receive 70 percent of the output under the agreement. The company estimates reserves at the field at 83m tons of crude oil and 180bn cubic meters of natural gas.

According to media reports, 25 percent of Vanco Prykerchenska belongs to energy holding DTEK owned by **Rinat Akhmetov**.

On 30 January, DTEK announced that it planned to increase its share in the project for development of Prykerchenska field of the Black Sea shelf, particularly in the project of Vanco Ukraine.

U.S. energy company leaves Ukraine

On 1 February 2013, U.S. energy corporation AES announced that it had sold its Ukrainian assets – 89.1 percent of shares in Kyivoblenerho and 84.56 percent in Rivneoblenerho.



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The buyer is VS Energy International, which represents the interests of Russian businessman **Aleksandr Babakov**.

Shell receives tax benefits of 80m dollars

As part of the project for shale gas production in Ukraine, Shell has been released from paying taxes and fees for a total of up to 80m dollars a year, business daily Kommersant Ukraina reported on 30 January 2013, citing the agreement signed by the parties.

On 24 January 2013, Ukraine and Shell signed an agreement on shale gas production at Yuzivka filed in Kharkiv and Donetsk regions.

Founded in July 2012, 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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