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PICK OF THE WEAK

European Commission recommends European Council to sign association deal with Ukraine

On 15 May 2013, the European Commission supported a proposal regarding an association agreement with Ukraine, passing the decision on to the European Council.

The European Union is taking necessary steps to be technically ready to sign the association agreement with Ukraine at the Eastern Partnership summit in November.

However, the European Commission made it clear that Ukraine must meet the criteria set out by the EU Council earlier.

EU envoy urges Ukrainian government not to delay jailed ex-premier's release

On 14 May 2013, EU ambassador to Ukraine **Jan Tombinski** said that selective justice and the conviction of jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** were a stumbling block on Ukraine's path towards signing the association agreement with the EU.

Tombinski added that Kiev should not delay the release of the former prime minister until the moment of signing the association agreement.

Ukrainian parliament to consider privatization of gas transport system by end of May - speaker

On 14 May 2013, Ukrainian speaker **Volodymyr Rybak** said that parliament would consider a government draft law on reforming the state-run oil and gas trader Naftohaz Ukrayiny by the end of May.

The draft law was registered in parliament on 26 April. The Lb.ua news and analysis website reported that the document sanctioned the privatization of the Ukrainian gas transport system and leasing gas pipelines and gas storage facilities.

INTERNATIONAL POLITICAL

UKRAINE-EU

European Commission recommends European Council to sign association deal with Ukraine

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The European Union is taking necessary steps to be technically ready to sign the association agreement with Ukraine at the Eastern Partnership summit in November.

However, the European Commission made it clear that Ukraine must meet the criteria set out by the EU Council earlier.

On 16 May, EU ambassador to Ukraine **Jan Tombinski** said that Ukraine had not done enough yet for signing the agreement. He added that the agreement did not contain any provisions which might negatively affect Ukraine's relations with Russia.

On 13 May, Ukraine's ambassador to the EU, **Kostyantyn Yeliseyev**, said that Ukraine had reached progress on 8 out of 11 conditions set out by the EU to the signing of the agreement.

On 14 May, European Commissioner for Enlargement **Stefan Fuele** said that almost on a weekly basis the EU receives update on Ukraine's implementation of the conditions to the signing of the agreement.

On 15 May, the secretary of the National Security and Defence Council, **Andriy Klyuyev**, said that all preconditions were in place for Ukraine to meet the said conditions.

Jailed former Prime Minister **Yuliya Tymoshenko** said in her statement on the occasion of the Day of Europe on 17 May that even if the association agreement with the EU was signed, it would only be on paper for as long as **Viktor Yanukovych** is in power in Ukraine.

On 17 May, the Ukrainian Foreign Ministry said that the foreign ministers of Poland, the Czech Republic, Slovakia, Hungary, Ireland and Lithuania had issued a statement in support of signing the association agreement with Ukraine at the summit in November.

EU Council approves amended visa facilitation agreement with Ukraine

The Council of the European Union has approved the amended EU-Ukraine visa facilitation agreement, Ukraine's ambassador to the EU, **Kostyantyn Yeliseyev**, said on 13 May 2013.

Two days later the Foreign Ministry said that the agreement was expected to come into force on 1 July 2013.

According to the document, the simplified procedure for issuing visas applies to journalists, representatives of public organizations, religious communities, participants in official exchange programmes, close relatives of Ukrainians living in the EU, as well as citizens that travel to the EU for medical treatment.

Ukraine's ambassador to EU granted additional powers

On 13 May 2013, President **Viktor Yanukovych** appointed Ukraine's ambassador to the EU, **Kostyantyn Yeliseyev**, to a new post of Ukraine's

representative for foreign policy and integration processes. He was also granted a status of presidential adviser.

Yeliseyev told the Kommersant Ukraina business daily that he would keep his post of Ukraine's ambassador to the EU.

Cox-Kwasniewski mission to visit Ukraine in late May

The European Parliament mission (EP) co-headed by **Pat Cox** and **Aleksander Kwasniewski** is expected to visit Ukraine in late May, the EP said on 16 May 2013.

The Cox-Kwasniewski mission has been monitoring trials against Ukrainian opposition leaders since June 2012.

UKRAINE-RUSSIA

Ukraine, Russia to continue gas talks

Ukrainian Deputy Prime Minister **Yuriy Boyko** came to Moscow on 16 May 2013 to meet Gazprom chairman **Aleksey Miller**.

They focused on prospects for cooperation in the gas sector.

On 15 May, the news portal Lb.ua quoted Gazprom's report as saying that in January-March, Ukraine imported 6.93bn cu.m. of gas from Russia, or 19 per cent less than during the same period of last year.

Gazprom is planning to sue Ukraine for buying less gas than stipulated by the contract, according to the business daily Kommersant Ukraina.

In January 2013, Gazprom requested that Ukraine pay 7bn dollars for buying less gas than required in 2012.

Ukraine insists that it did not violate the contract when it started buying less Russian gas.

Gazprom orders feasibility study for new gas pipeline bypassing Ukraine

Gazprom chairman **Aleksey Miller** said on 14 May 2013 that his company started developing a feasibility study for the Yamal-Europe 2 gas pipeline project.

The pipeline is expected to bypass Ukraine via Belarus on its way to Poland.

According to Miller, Russia and Poland signed an agreement on this project.

On 5 April, Gazprom and the Polish company EuRoPol Gaz signed a memorandum on building the Yamal-Europe 2 pipeline.

As it turned out later, Polish Prime Minister **Donald Tusk** learned about the

memorandum only after it was signed. Polish Treasury Minister **Mikolaj Budzanowski** was fired over the signing of the document by the Polish side.

Tusk said that Poland did not support the construction of yet another gas pipeline bypassing Ukraine.

DOMESTIC POLITICAL

AUTHORITIES

Cabinet comes up with bill on repeat elections to parliament

On 13 May 2013, the cabinet approved a bill on holding repeat elections to parliament in seven single-seat constituencies.

According to speaker **Volodymyr Rybak**, parliament will have considered it by the end of May.

Following the parliamentary polls in October 2012, the Central Electoral Commission (CEC) failed to establish election results in five first-past-the-post constituencies.

In February 2013, the Supreme Administrative Court stripped **Pavlo Baloha** and **Oleksandr Dombrovskyy**, elected from single-seat constituencies, of their parliament seats and ordered that the CEC hold repeat elections in their constituencies. On 24 April, the Constitutional Court refused to discuss the legitimacy of the Supreme Administrative Court's ruling.

On 16 May, the Fatherland, Freedom and UDAR opposition parties said that they would nominate the same candidates in the five constituencies in which the CEC failed to establish election results.

The president of the Gorshenin Institute, **Vadym Omelchenko**, said that the 2012 parliamentary election made it clear that although highly reluctant to join various protest actions, Ukrainians are fully capable of "arming themselves with ballots" to make a "quiet revolution". In his opinion, there are reasons to believe that hidden protest sentiments in the Ukrainian society will only grow in the near future. He shared this opinion while presenting an analytical report by the Gorshenin Institute, "Ukraine 2012. Transformation", in Budapest on 12 May.

Parliament passes anticorruption law

Parliament adopted the bill on government anticorruption policy on 14 May 2013. Its adoption was required by the action plan on the liberalization of visa regulations with the EU.

According to the bill, the minimum amount of expenditures which must be reported by officials is decreased from 18,700 dollars to 10,000 dollars. The bill also says that all bills must be checked for corruption.

On 14 May, the Party of Regions refused to support the opposition-authored bills

on the establishment of the National Anticorruption Bureau and on anticorruption checks of officials.

According to the business daily *Kommersant Ukraina*, the Party of Regions believes that the law on the anticorruption bureau should be developed by the presidential administration or by the cabinet.

According to an opinion poll held by the Gorshenin Institute in June 2011, the majority of Ukrainians (87%) consider corruption widespread.

CEC continues preparations for all-Ukrainian referendum

On 14 May 2013, the Central Electoral Commission (CEC) approved a series of procedures necessary for holding an all-Ukrainian referendum.

Earlier the CEC has already adopted some instructions concerning these preparations.

Parliamentary majority blocking committee on European integration

Representatives of the parliamentary majority refused to take part in the work of the parliamentary committee for European integration on 15 May 2013. Thus, the meeting did not have quorum.

Eight members of the ruling Party of Regions and one Communist Party member comprise the majority in the committee.

The Party of Regions demanded that the committee head, **Hryhoriy Nemyrya**, who represents the opposition Fatherland party, commented on media reports saying that he was involved in financing Fatherland's parliamentary election campaign through offshore companies, and that he disclose the sources of funding for his foreign trips.

The Party of Regions suggested that this confrontation might result in Nemyrya's dismissal and his replacement with another opposition representative.

On 16 May, EU ambassador to Ukraine **Jan Tombinski** called on the Party of Regions to unblock the work of the committee.

Mass media: Lavrynovych may step down as justice minister

Prime Minister **Mykola Azarov** has proposed that President **Viktor Yanukovych** should dismiss Justice Minister **Oleksandr Lavrynovych**, the analytical weekly *Dzerkalo Tyzhnya* said on 17 May 2013.

Upon his dismissal, Lavrynovych may chair the Supreme Justice Council, while Cabinet of Ministers minister **Olena Lukash** may take his previous post, the weekly said.

Parliament is expected to vote on Lavrynovych's appointment as a member of the Supreme Justice Council on the parliament quota shortly.

Supreme court elects new head, president appoints Constitutional Court judge

The plenum of the Supreme Court elected **Yaroslav Romanyuk** as its new head on 17 May 2013.

Romanyuk was the first deputy chairman of the Supreme Court.

On 18 April, parliament dismissed the chairman of the Supreme Court, **Petro Pylypchuk**, who tendered a resignation request after reaching a pension age limit.

According to media reports, Romanyuk is close to presidential adviser **Andriy Portnov**.

On 14 May, President **Viktor Yanukovych** appointed **Oleksandr Tupytskyy** a judge of the Constitutional Court.

Dmytro Lilak was dismissed as a judge of the Constitutional Court on 25 April.

OPPOSITION

EU envoy urges Ukrainian government not to delay jailed ex-premier's release

On 14 May 2013, EU ambassador to Ukraine **Jan Tombinski** said that selective justice and the conviction of jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** were a stumbling block on Ukraine's path towards signing the association agreement with the EU.

Tombinski added that Kiev should not delay the release of the former prime minister until the moment of signing the association agreement.

On 30 April, the European Court of Human Rights (ECHR) ruled that the decision to arrest Tymoshenko was illegal. The ECHR also established a political motive in the former prime minister's arrest over the gas contracts with Russia which she had signed in 2009.

In the opinion of Ukrainian Justice Minister **Oleksandr Lavrynovych**, the ECHR judgment was not sufficient for releasing Tymoshenko.

On 14 May, Ukrainian Foreign Minister **Leonid Kozhara** said in an interview with the Radio Liberty that the issue of changing Tymoshenko's status could only be considered after all court hearings were completed. If the Ukrainian government immediately released the former prime minister, as the EU urged them to do, this step could be considered a case of selective justice, the minister added.

EU, US envoys hope to hold meeting with Ukraine's jailed ex-premier

On 13 May 2013, US ambassador to the USA **John Tefft** expressed hope that the Ukrainian State Penitentiary Service would give him and EU ambassador to

Ukraine **Jan Tombinski** permission to visit in the nearest future jailed former Prime Minister **Yuliya Tymoshenko**.

Tefft added that the diplomats planned on visiting the former prime minister at the end of April, but the Ukrainian authorities denied them permission to do so, citing holidays.

Ukrainian court questions new witness in murdered businessman case

On 15 May 2013, the Kiev Pechersky district court questioned witness **Petro Kyrychenko** in the case over the murder of Ukrainian businessman and MP **Yevhen Shcherban**.

The questioning was carried out via video conference since the witness is currently in the USA.

Shcherban was killed in 1996. The Prosecutor-General's Office of Ukraine suspects jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** and former Prime Minister **Pavlo Lazarenko**, who served time in the USA on charges of money laundering, in the organization of Shcherban's murder.

Kyrychenko was Lazarenko's adviser and is also his relative.

During the questioning session, Kyrychenko said that Tymoshenko and Lazarenko were the organizers of the murder. Additionally, he stated that Tymoshenko had transferred 3m dollars to accounts of contract killers for the murder.

However, Tymoshenko's legal defence team pointed out that the witness had not presented any evidence of her involvement in Shcherban's murder case.

Kyrychenko has been already questioned by the Prosecutor-General's Office, but no one else was allowed to be present during the questioning session.

On 26 April, Tymoshenko's lawyers also accused Kyrychenko of giving false testimony and of his involvement in Shcherban's murder. Lawyer **Serhiy Vlasenko** said that the Prosecutor-General's Office had recently closed a few criminal cases launched against Kyrychenko, as well as authorized the decision to unfreeze his assets.

Ukrainian Prosecutor-General's Office continues probe into businessman murder

On 13 May 2013, the Prosecutor-General's Office of Ukraine said that the investigation into the murder of Ukrainian businessman and MP **Yevhen Shcherban's** had been resumed.

Earlier the same day, 13 May, **Serhiy Vlasenko**, the lawyer of jailed former Prime Minister **Yuliya Tymoshenko**, said that the Prosecutor-General's Office had suspended the pre-trial investigation into the case on 26 April due to the absence of documents relevant to the case, which it had requested from the Czech Republic and the USA.

The Prosecutor-General's Office suspects Tymoshenko and former Prime Minister **Pavlo Lazarenko** in the organization of Shcherban's murder.

The mass media reported that the Prosecutor-General's Office had sent a request to the Czech Republic to question Tymoshenko's husband **Oleksandr**, whom the Czech authorities had granted political asylum in 2012.

Ukrainian opposition faction reprimands MP who failed to vote for premier's dismissal

On 13 May 2013, the Ukrainian opposition parliamentary faction Fatherland refused to expel during a closed session a number of its members who had not participated in the recent vote on the dismissal of the government. The faction only decided to reprimand them.

As the Lb.ua news and analysis website reported, on 19 April parliament was considering the issue of no confidence in the government. Fatherland, the UDAR party and the far-right All-Ukrainian Freedom Association, as well as a part of the Communist Party of Ukraine, expressed their no-confidence. Seven members of Fatherland were not present in the parliamentary chamber that day and did not take part in the vote to dismiss the cabinet.

Some regional branches of the Fatherland faction demanded that the MPs who had not voted for the government dismissal be held responsible.

Ukrainian opposition parliamentary faction appoints new deputy head

On 15 May 2013, the Ukrainian opposition parliamentary faction Fatherland elected **Arsen Avakov** as its new deputy head.

In April, MP **Vyacheslav Kyrylenko** decided to resign from the post of Fatherland's deputy head.

All-Ukrainian opposition protest campaign culminates in Kiev demonstration on 18 May

On 18 May 2013, the Ukrainian opposition held a protest in Kiev as part of the all-Ukrainian campaign "Stand up, Ukraine!"

The protest was organized by the Fatherland and UDAR parties and the far-right All-Ukrainian Freedom Association.

According to estimates of the mass media, the rally attracted nearly 25,000 people.

During the protest, the leaders of the United Opposition Fatherland said that they would select the single opposition leader to run in the 2015 presidential election.

The opposition members also called on Ukrainians to stage a protest on the country's Independence Day on 24 August.

The opposition argues that the authorities have increased the presence of Internal Troops in Kiev due to their protest campaign. The Ukrainian Interior Ministry denied this information.

Representatives of the opposition also complained that the government prevented citizens from other cities to take part in the Kiev demonstration. They argued that the police made opposition supporters disembark from trains, while the traffic police were delaying cars with opposition members going to Kiev.

On the same day, 18 May, the pro-government Party of Regions staged an anti-fascist demonstration in Kiev and in a number of large cities. The rallies drew 5,000-7,000 people, the mass media reported.

ECONOMICS

Non-competitive procurements reach 91 percent – statistics service

The Ukrainian government in the first quarter of 2013 spent almost 3bn dollars on public procurement of goods, work and services, the State Statistics Service reported on 13 May 2013.

According to the agency, about 2.7bn dollars or 91 percent of the total expenditure was directed into non-competitive acquisitions from one party.

In 2012 the government spent nearly 55.67bn dollars of budget funds on purchase of goods, work and services. The share of procurement from one party in 2012 was 68 percent.

National Bank extends provision on compulsory currency earnings sales

The National Bank of Ukraine on 14 May 2013 extended its decision on mandatory sales of foreign currency earnings.

On 19 November 2012, the National Bank adopted for a period of 6 months a resolution that obliged Ukrainian exporting companies to sell 50 percent of their foreign currency earnings.

USDA: Grain harvest in Ukraine to top 56m tonnes

In 2013 grain harvest in Ukraine will reach 56.55m tonnes (22m tonnes of wheat and 34.55m tonnes of fodder grain).

As news and analysis website Lb.ua reported on 13 May, the forecast was given by the United States Department of Agriculture in its May report.

According to the report, 28.18m tonnes of grain will be exported (9.5m tonnes of wheat and 18.68m tonnes of fodder grain). Domestic consumption will reach 22m tonnes.

International experts worsen growth outlook for Ukraine

Ernst & Young, a global auditing company, on 14 May 2013 lowered its forecast of GDP growth in Ukraine from 2.4 to 1.1 percent.

On 16 May, credit ratings agency Standard & Poor's downgraded Ukraine's GDP growth from 2.5 (December forecast) to 1 percent.

On 17 May, Prime Minister **Mykola Azarov** said the government in 2013 plans to achieve GDP growth of about 3 percent.

Western banks leaving Ukraine

Over 2010-2012 the share of foreign banks in Ukraine decreased from 34 to 20 percent, website Forbes.ua announced on 14 May 2013, citing a report by Raiffeisen Bank International (RBI).

RBI experts predict that in the next 2-3 years the Ukrainian banking system will be dominated by Ukrainian private banks while public banks will control 10-15 percent of the market.

FDI in Ukraine reach 1.6bn dollars in 1Q 2013

In the first quarter of the current year, Ukraine received 1.6bn dollars of foreign direct investments, the State Statistics Service reported on 15 May 2013.

Since the first investment was made in Ukraine's economy, foreign direct investments as of 1 April 2013 totaled 55.7bn dollars, which is 1.3 percent more than the volume of investment as of the beginning of 2013.

The main investor countries are Cyprus with 17,692bn dollars, Germany with 6.124bn dollars, the Netherlands with 5.261bn dollars, Russia with 3.815bn dollars and Austria with 3.42bn dollars.

National Bank grows foreign exchange reserves

Foreign exchange reserves of Ukraine in April increased by 510m dollars or 2.1 percent to 25.2bn dollars, the State Statistics Service reported on 16 May 2013.

As news and analysis website Lb.ua reported, citing data from the National Bank of Ukraine, 23.47bn dollars of the total amount was reserves in foreign currency, 1.71bn dollars was in gold, 62.45m dollars was in Special Drawing Rights, and 30,000 dollars was the IMF reserve position.

As of 1 January 2013, Ukraine's foreign exchange reserves stood at 24.55bn dollars.

Commodity trade deficit reaches 2bn dollars in Q1

The negative balance of trade in goods in the first quarter of 2013 amounted to 2bn dollars, the State Statistics Service reported on 15 May 2013.

In January-March exports totaled 15.9bn dollars while imports were 17.9bn dollars.

Parliament adopts in first reading bill on VAT notes

The parliament on 14 May 2013 passed a bill on financial notes.

According to the document, from 1 January 2014, the government may start making VAT refunds by issuing treasury notes. VAT refunds through treasury notes will be performed on a voluntary basis.

On 14 May, the parliament also considered a bill drafted by the Party of Regions that allows the government to compensate for state budget expenses due and unpaid by issuing treasury notes. However, only 225 MPs voted for the bill out of 226 required.

ENERGY MARKET

Ukrainian parliament to consider privatization of gas transport system by end of May - speaker

On 14 May 2013, Ukrainian speaker **Volodymyr Rybak** said that parliament would consider a government draft law on reforming the state-run oil and gas trader Naftohaz Ukrayiny by the end of May.

The draft law was registered in parliament on 26 April. The Lb.ua news and analysis website reported that the document sanctioned the privatization of the Ukrainian gas transport system and leasing gas pipelines and gas storage facilities.

Ukraine's state-run oil, gas trader's losses reach 963m dollars in first quarter

On 16 May 2013, the Ukrainian state-run oil and gas trader Naftohaz Ukrayiny reported that its net losses reached 963m dollars in the first quarter of 2013.

The influential Ukrainian business daily Kommersant Ukraina reported that the deterioration of financial indicators was linked to a decrease in the transit of Russian gas through Ukrainian territory to the EU, as well as with the fact that the company stopped supplying gas to industrial companies.

Gas supplies to industrial companies were carried out by the Ostchem company, which is owned by Ukrainian tycoon **Dmytro Firtash**.

Ukraine to attract over 300m dollars for upgrading its gas transport system

On 13 May 2013, Ukrainian Energy and Coal Industry Minister **Eduard Stavytsky** said that Ukraine planned to sign in the autumn an agreement with the European Investment Bank on a 300m-dollar loan for funding the upgrade of the Ukrainian gas transport system.

The Lb.ua news and analysis website reported that the first stage of modernizing the Ukrainian gas transport system was valued at 550m dollars. As much as 240m dollars of this amount is to be invested by Naftohaz Ukrayiny and 310m dollars is the funds of international financial institutions.

Ukraine plans to import 30bn-32.5bn cu.m. of gas in 2013

On 13 May 2013, Ukrainian Energy and Coal Industry Minister **Eduard Stavytskyy** said that Ukraine planned to import 30bn-32.5bn cu.m. of gas this year.

He added that this volume included gas purchases by the state-run oil and gas trader Naftohaz Ukrayiny and by private companies.

The Lb.ua news and analysis website reported that in 2012 Ukraine imported 32.9bn cu.m. of gas.

Ukraine cuts gas consumption by 7 percent in January-April 2013

On 14 May 2013, the Ukrainian company Ukrtranshaz reported that Ukraine had reduced its gas consumption by 7 percent to 22.1bn cu.m. in January-April 2013 year on year, when it used 23.7bn cu.m.

The company's statement said that Ukraine's gas consumption in April 2013 reached 3.289bn cu.m., which is 7 percent more than in April 2012.

Ukraine quadruples gas deliveries from Poland in April

On 15 May 2013, the Ukrainian company Ukrtranshaz reported that in April, Ukraine had imported 102m cu.m. of gas from Poland, which is four times more than the volume imported in March.

According to the information at Ukrtranshaz's disposal, gas imports from Hungary in April reached 18.1m cu.m. Before April, Ukraine had not carried out gas deliveries through this country.

Ukraine starts test gas deliveries from Slovakia

On 13 May 2013, Ukrainian Energy and Coal Industry Minister **Eduard Stavytskyy** said that Ukraine had started test gas deliveries from Slovakia.

Currently, Ukraine imports gas from Europe from Poland and Hungary.

Ukrainian government readying to increase gas, electricity household tariffs – mass media

On 15 May 2013, the Ukrainian parliament adopted a draft law on endowing the National Energy Commission with the right to independently set household tariffs for gas and electricity.

Currently, they are set in agreement with the government.

The influential Ukrainian business daily Kommersant Ukraina reported that the draft law is an attempt of the government to rid itself of responsibility for increasing household tariffs for gas and electricity.

By the end of the year, the newspaper added, the authorities intend to raise the household gas tariff by 20 percent and electricity tariff – by 25 percent.

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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