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the World acknowledges”
The Holodomor in Ukraine's
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ANALYSES

Escalation of the Russian-Ukrainian gas conflict

On 12 January Russia, Ukraine and the European Union signed a protocol establishing an international mission to monitor the Ukrainian transit gas pipeline system and the gas depots. This allowed Russia to participate in a provisional mechanism for joint supervision of the Ukrainian gas networks. On the morning of 13 January Russia resumed gas supplies to the EU. However, due to the specific mode of the Ukrainian gas system's operation, ensuring both transit for the European consumers and gas supplies for Ukraine's internal consumption would not be technically possible without Russia delivering the full amount of transit gas to Ukraine". As a result, Naftohaz could not collect the gas and three hours later Moscow again stopped pumping it, accusing Ukraine of impeding transit to gas customers in the EU.

Russia appeared to be acting in a deliberately provocative manner, with an *ad hoc* objective of further discrediting Ukraine and undermining the international credibility of both the country and its authorities. By escalating the conflict, Moscow is aiming to ultimately take control over Ukraine's strategically important transit gas pipelines, destabilise the internal situation in the country, and perhaps provoke a change of government in Kyiv. Russia also wants a greater EU involvement in the conflict, so that it can try to manipulate Brussels into helping it to impose Moscow's conditions on Ukraine. Russia also aims to boost EU support for the projects to build gas pipelines bypassing Ukrainian territory. Moscow's tough and decisive behaviour suggests that the Russian leadership is determined to achieve its goals, irrespective of the political or economic costs including the negative impact this will have on Russia's relations with the West.

Russia's struggle for transit monitoring

When Russia gradually stopped pumping gas on 5–7 January, its next *ad hoc* objective was to establish an international monitoring mechanism to supervise gas transit via Ukraine. Moscow said it would not resume gas supplies unless this condition was met. After several days of negotiations involving the EU as a participant and mediator (see Appendix 1 for more information), the Russian-EU-Ukrainian protocol on the terms of international transit monitoring was signed on 12 January in Brussels, which, according to Moscow's declarations, paved the way for the resumption of gas supplies.

Still no gas

When the monitoring mission was already operating, Moscow resumed gas supplies to European consumers on 13 January at 8.00 CET. On the first day, 76 million m³ of gas for the Balkan states and Moldova was to be transmitted. Shortly afterwards, Gazprom reported that Naftohaz had not collected the gas sup-

APPENDIX

Negotiations concerning the creation of an international mechanism to monitor gas transit through Ukrainian territory (8–12 January)

On 8 January, the Russian delegation led by Gazprom's CEO Alexei Miller held talks in Brussels with the European Commission President Jose Manuel Barroso and the energy commissioner Andris Piebalgs, among others. On the same day, the Russian company presented its draft of the protocol on the international monitoring of gas transit via Ukraine. The document contained controversial provisions on unrestricted access to the Ukrainian transit gas pipelines and gas depots for the observers, and on the composition of the observer mission. As regards the latter issue, the draft provided that the mission would include only one representative of the European Union, while the Russian and the Ukrainian sides would be represented by two observers each, and the gas buying companies (many of which have close links with Gazprom) by as many as six. The duration of the monitoring was not defined. Gazprom's objective was to force the EU to establish *de facto* Russian control over the monitoring process and its results, and formally Russian-European (but in reality only Russian) control of the Ukrainian gas pipeline system. On 10 January, during the visit to Moscow by the EU delegation led by Czech Prime Minister Mirek Topolánek, a new variant of the protocol regulating the international monitoring of Russian gas transit via Ukraine was negotiated. The original text proposed by Gazprom was slightly amended in favour of Ukraine. The new draft stated that each side would have 25 observers, that monitoring would be limited to information related to transit and access to gas depots, and that its scope would also include gas pumping stations in Russia. During the night of 10 January, the protocol was signed by the Ukrainians who attached a declaration stating that Ukraine had not withheld gas transit to the EU and had not illegally collected gas. Moscow refused to accept the protocol with the declaration attached. As a result, the protocol was signed again on 12 January in Kyiv by representatives of Naftohaz and Gazprom. Then, however, Russia raised the claim that the protocol had

plied, and after three hours the Russian monopoly again stopped pumping gas. The Ukrainian side responded that the gas had been transmitted via the Sudzha gas pumping station, which could not collect it because it would then have to stop supplying gas to customers in the eastern districts of Ukraine (see Map). According to the Russians, it was Ukraine that was blocking the supplies by demanding some unspecified guarantees from Russia. During a live televised press conference at the Gazprom headquarters, Russian PM Vladimir Putin, surrounded by international observers, called into doubt Ukraine's ability to transit any amount of gas. According to the Ukrainians, on the other hand, Gazprom had deliberately started pumping gas into a pipeline from which Naftohaz could not collect it. The Ukrainian company also reported that it had asked Gazprom to send gas via two other pumping stations (Pisarevka and Valuyki) through which gas had previously been supplied to the Balkans. However, the Russian company declined the request.

An analysis of the situation suggests that Russia's measures are a premeditated provocation. Before the current crisis, some of the Russian transit gas was normally used (on a swap basis) for Ukrainian domestic consumption in the eastern parts of the country. The same amount of gas was sent to European consumers from the Ukrainian gas storages located predominantly in the west of Ukraine. After Russia suspended the supplies, the Ukrainian pipelines were filled with gas transported from the west eastwards (in the opposite direction). This makes gas deliveries to European consumers impossible without cutting gas supplies to eastern Ukraine. Notwithstanding this, the actions of the Ukrainian side are also dubious, especially the fact, confirmed by the European Commission, that observers have been denied access to Ukraine's gas dispatching units and gas depots.

Russian pressure on Ukraine

From the beginning, the gas conflict has been accompanied by a massive Russian information and propaganda pressure on Ukraine. Russia has taken every opportunity to blame Kyiv for having provoked the conflict, and to discredit the state and its authorities (especially President Viktor Yushchenko) both on the international scene and internally in Ukraine. President Dmitry Medvedev and Prime Minister Vladimir Putin have repeatedly accused the Ukrainian leadership of corruption, deriving profits from illegal trade in Russian gas and disregarding the interests of the Ukrainian public. Russia has also incessantly alleged that Ukraine is not reliable as a transit state. Moscow has been encouraging European customers to file financial claims against Naftohaz for the non-delivered gas. Russian propaganda has highlighted the court suit initiated by Emfesz, the Hungarian gas company controlled by the co-owner of RosUkrEnergo Dmitry Firtash, as an example. Most probably, Gazprom will also try to transfer the cost of possible penalties for interrupted gas supplies to EU customers onto the Ukrainian side.

Contentious issues

Even though the protocol has been signed, some issues concerning gas transit and its monitoring remain unresolved. Specifically, the duration and the detailed terms of reference of the monitoring mission have not been defined;

been signed at too low a level (deputy prime minister) on the Ukrainian side. Consequently, on the same day the protocol was signed once again by the Russian, Ukrainian and EU sides during an extraordinary meeting of EU energy ministers held in Brussels.

The Russian and Ukrainian positions on the conditions of gas transit monitoring

The information available suggests that the parties to the conflict still disagree on the following issues:

1. The duration of the monitoring mission: Russia demands a mission with no time limit, while Ukraine wants to limit its duration to one month. This issue has not been dealt with in any of the documents that have so far been signed and made known to the public.
2. The mission's detailed terms of reference, including in particular access to gas depots: Russia wants full access to all information and Ukraine's depots, while Ukraine wants access to be limited to the information and infrastructure directly connected with the transit of Russian gas. The protocol provides for free access to information and gas depots within the scope related to transit, which is open to contradictory interpretations.
3. Responsibility for technical gas (needed to operate transit): Russia wants this gas to come from Ukraine's reserves and be financed by the Ukrainian side (in line with the original Russian-Ukrainian contract), whereas Ukraine wants Russia to send additional amounts of gas needed to ensure transit.
4. Financial responsibility for the failure to supply gas to European customers: Russia accuses Ukraine of gas theft, and demands that Ukraine should compensate the customers for the losses they have suffered; on the other hand, Ukraine firmly maintains that it has not collected any transit gas (except for the small amounts needed to safeguard transit), and that compensation for the losses should be paid by Russia.

neither has it been stipulated who should be responsible for providing the technical gas needed to operate the transit (see Appendix 2 for more information). Although the document states that an additional protocol laying down the detailed terms and conditions for the operation of the international monitoring mission should be signed “as soon as is practicable”, negotiating such a protocol is likely to take a long time and involve much difficulty.

Moreover, the Russian-Ukrainian dispute over the price and conditions of gas supplies to Ukraine, which triggered the gas conflict remains unresolved, as does the question of transit tariffs. Both sides have suspended negotiations concerning these two questions. The situation has been further exacerbated by the statement made by President Medvedev on 12 January that Russia considered the bilateral memorandum on the terms of gas co-operation signed on 2 October 2008 to be invalid because Kyiv had failed to abide by its provisions. This may mean that Russia is not willing to reach any compromise with Ukraine, or that it seeks to impose its own conditions on Kyiv (European gas prices, broader, direct access to the Ukrainian gas market for Gazprom, *de facto* Russian management of the Ukrainian gas pipeline network).

Russia partly reveals its objectives

In the interview for German ARD television on 11 January, Prime Minister Putin openly stated, for the first time since the outbreak of the gas conflict, that Russia was willing to participate in the privatisation of the Ukrainian transit gas pipelines or in an international consortium that would be established to manage them. Moreover, Gazprom seeks to obtain as broad access to the Ukrainian gas market as possible and, in this context, most probably intends to drive Naftohaz into bankruptcy. It is possible that Moscow’s other main objective is to destabilise the political scene in Ukraine, or even provoke a change of government in Kyiv. The pro-Russian opposition in Ukraine has been seen in recent days to step up its activities, which may be an indication of this. The Party of Regions has launched an attack on the government, filing a motion for a vote of no confidence in the government of Yulia Tymoshenko and for the impeachment of President Yushchenko. The Communists are also attacking the government, and pro-Russian organisations in Crimea have become more active and are threatening to stage acts of social disobedience.

Russia has been involving the European Union in the conflict almost from the very start. The primary objective is to use the EU to impose Moscow’s terms of co-operation on Ukraine, as Russia knows that the Union wants the conflict ended as soon as possible. The other objective is to persuade the European Union to firmly support, both politically and financially, projects to build export routes for Russian gas that would offer an alternative to those on Ukrainian territory (the Nord Stream and South Stream gas pipelines).

Conclusions

The signature of the three-party protocol on transit monitoring means that Russia has succeeded in separating the question of gas transit via Ukraine from the issue of gas supplies to Ukrainian consumers. By participating in

the monitoring, Russia aims to obtain access to information on Ukraine's gas system, including the volume of gas reserves stored in gas depots. This would put Russia in a much stronger position in its negotiations with Ukraine concerning gas supplies to this country. In addition, Moscow has succeeded in significantly damaging Ukraine's image in the EU as a reliable transit state.

An analysis of the developments suggests that Russia from the start had no intention of restoring supplies. Irrespective of this, some of the actions taken by the Ukrainian side are also dubious.

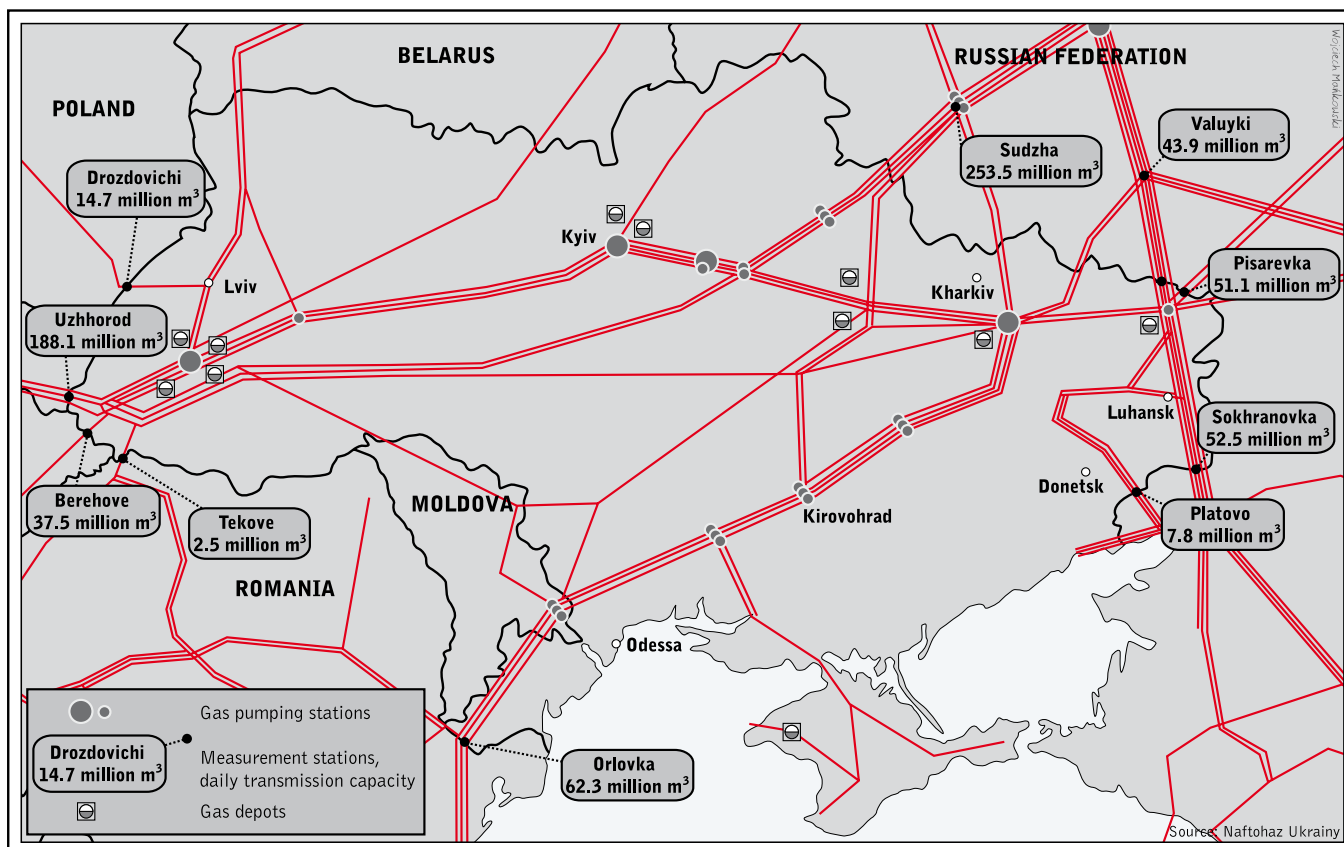
The steps Russia has taken in recent days indicate that Moscow is determined to achieve its policy objectives, i.e. to gain control of the Ukrainian gas pipelines and change the overall shape of its economic and political relations with this country, irrespective of the cost. In the days to come (for example, perhaps during PM Putin's visit to Germany on 16–17 January) Russia should be expected to keep pressuring the EU to regulate the question of Russian gas transit via Ukrainian territory in a manner that will favour Russia's interests.

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The Ukrainian gas pipeline network and measurement stations



EVENTS

Russia: Gazprom's losses as a result of the gas conflict with Ukraine

On 11 January, PM Vladimir Putin said in an interview on German ARD television that the losses Gazprom had incurred as a result of the interruption of transit via Ukraine amounted to around US\$800 million, and that the company had been forced to stop gas production in approximately one hundred fields. Presumably, Gazprom's losses may be even higher because it is possible that – unable to export, store or significantly reduce gas extraction – the company was forced to burn off gas. As a consequence of the conflict, Gazprom's already poor financial situation will worsen.

Before the conflict, Gazprom exported around 300 mln m³ daily via Ukrainian territory and around 100 million m³ daily for the Ukrainian market. When the supplies were interrupted, the company could not substantially reduce the production, as that would cause technical damage to the fields. Moreover, the economic crisis has caused a decline in gas consumption by the domestic industrial customers, and the gas depots had already been filled up before the winter season. Gazprom is also obliged to collect the gas supplied under existing contracts by the Central Asian states, which do not have their own storage facilities. Consequently, it cannot be ruled out that the company has been forced to burn off its gas or release it into the air, incurring enormous losses. The gas conflict with Ukraine will adversely affect Gazprom's financial results (the company has around US\$35 billion of debt), due, among other reasons, to the risk of having to pay penalties for interrupted supplies to customers in the EU. The forced burn-offs of the gas destined for export proves that the Russian authorities have not taken the economic cost of the pursuit of their political goals into account. <WojK>

Tajikistan and Kyrgyzstan implement stricter religious laws

On 8 January, the Supreme Court of Tajikistan banned the informal movement of the Salafites, Islamic fundamentalists who advocate a return to 'the religion of the forefathers' and have called for Islam to be purified of any non-Koranic elements. Four days later, Kyrgyzstan's president Kurmanbek Bakiyev signed a new law on freedom of religion and religious organisations, which imposes stricter regulations on religious activity. The measures taken in both countries may lead to repression against independent Muslim communities and organisations, and, consequently, the radicalisation of these groups and the consolidation of the Islamic underground.

Even though the banning of the Salafi movement in Tajikistan is being officially justified by the threat the movement allegedly poses to the state's internal security, in reality it is the result of effective lobbying by the Spiritual Muslim

Boards, which the authorities in both countries regard as the supreme leaders of all Muslims. As they lack popularity, the Boards are forced to seek the support of the state structures in their struggle against independent Islamic movements and organisations. The new law on freedom of religion adopted in Kyrgyzstan and criticised by, *inter alia*, the European Union, has similar origins. It increases the required number of members needed to register a religious community from 10 to 200 and prohibits proselytism as well as the promotion of religion in public places. The imprecise provisions of the law offer opportunities for abuse on the part of the authorities. The struggle against independent Islamic movements, conducted under the slogans of the fight against terrorism, may lead to a significant rise in radical Islamic sentiments and create a real threat to security in the region, as has been the case in Uzbekistan and the Northern Caucasus (where lay or religious authorities arbitrarily decide who is a 'Salafi' or a 'terrorist'). The stricter laws in Kyrgyzstan may also be used against Christian (mainly Protestant) religious communities, the activities of which have been a source of serious concern for the local Orthodox Church. <mf>

CES

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