

## Ukrainian oligarchs in wartime

Sławomir Matuszak

Russia's military invasion has contributed to a major decline in the role of oligarchs in Ukraine. This is largely due to the fact that domestic political rivalry both in the media and in parliament has ceased, which in turn has reduced the role played by those spheres of life in which their influence was most perceptible. Ukraine's main political forces have backed President Volodymyr Zelensky in defending the country, as a result of which laws are presently passed almost unanimously. In addition, the most important oligarch-owned TV stations, which before the war formed their main tool of influence, have decided to air a joint news programme. Alongside this, the owners' control of broadcasting content has been further weakened through specific legal regulations. Some oligarchs have lost portions of their assets as a result of military activity and occupation, and some have suffered significant financial losses due to the economic crisis and export restrictions in a situation when they still need to service their foreign debt. Most of the oligarchs have offered funds to help the country in its fight against the aggressor, but some of these activities are being kept low-profile. If the war's outcome is positive for Ukraine, and if Kyiv receives substantial Western support for its recovery and investment effort, the position of the oligarchs will diminish, and the president, who enjoys an enormously high level of trust from society, will in practical terms be free to continue to reduce the oligarchs' influence on Ukraine's political life.

### Oligarchs and the Russian aggression

The invasion has prompted the vast majority of oligarchs to adopt a clearly pro-Ukrainian stance. This demonstrates a striking difference between the present situation and the situation following the aggression in 2014, when representatives of big business adopted a wait-and-see attitude and mainly watched how events unfolded. At that time, Ihor Kolomoyskiy, the then governor of Dnipropetrovsk Oblast, was an exception because his firm stance made it possible to pacify separatist sentiment in the region and to improve the supply base of Ukrainian units fighting in the Donbas. His main motivations at that time included his awareness that he would not be able to reach a compromise with Russia due to his previous conflicts with Moscow, and his desire to take over some of the assets owned by Rinat Akhmetov, who was playing an ambiguous game with the Kremlin and with the so-called separatists. In the present situation, Kolomoyskiy once again broke ranks – since the outbreak of the war he has not spoken in public, and has not condemned the invasion. It is difficult to guess the reasons behind this attitude (apart from his obvious concern for his own business interests).



Other major oligarchs have openly condemned the attack, and some of them (including Akhmetov) explicitly referred to Vladimir Putin as a war criminal.<sup>1</sup> It seems that they have learnt the lessons from the 2014 situation, and their present attitude results from their conviction that in a Russian-dependent Ukraine their assets might be at risk and their freedom to do business might be limited. They viewed the fate of the assets located in the territory of the separatist republics in the Donbas, which have been nationalised, as another warning sign. Most of the oligarchs have become involved in supporting the state (including the armed forces and the territorial defence structures) and in offering humanitarian aid. According to data compiled by “Forbes” weekly, Akhmetov is the most generous donor (US\$ 72 million). Other major donations were offered by: Victor Pinchuk (US\$ 16.7 million), Yuriy Kosiuk (US\$ 12 million), Oleksandr and Halyna Hereha (US\$ 10 million) and Dmytro Firtash (US\$ 9.7 million).<sup>2</sup> Overall, 13 businessmen offered

donations worth more than US\$ 2 million each, although it seems that these data may be incomplete. For example, at the end of April 2022 the Ferrexpo

**” Akhmetov, Ukraine’s richest man, has suffered the greatest losses directly resulting from war-related damage. His companies are mainly located in eastern Ukraine.**

foundation owned by Kostyantyn Zhevago disbursed US\$ 12.5 million, which it used to implement projects involving, for example, humanitarian aid, the purchase of ambulances and medical equipment. By 9 May 2022, Viktor Pinchuk’s foundation had spent more than US\$ 25 million, including on the purchase of bulletproof vests and communication systems for soldiers, and medical supplies and electricity generators for hospitals.<sup>3</sup> Rinat Akhmetov’s foundation, for its part, has focused on supplying medicines and providing humanitarian aid (mainly food) to individuals near the front line and to internally displaced persons.

## Financial losses

The war has dealt a major blow to the Ukrainian economy, resulting in enormous losses. Initial estimates of the losses suffered by Ukrainian infrastructure to date amount to US\$ 100 billion, and when this is combined with indirect losses (such as a decline in GDP, a decrease in exports, blocked investments, workforce outflow, increased defence and welfare spending) the estimated value of total losses reaches several hundred billion dollars. A major portion of the Ukrainian industrial sector has suspended its operation or considerably reduced its production. According to various forecasts, Ukraine’s GDP will contract by 30–45%. In mid-March 2022, “Forbes” calculated that compared to February 2022 the estimated value of Akhmetov’s assets decreased from US\$ 13.7 billion to US\$ 4.2 billion, Kolomoyskiy’s assets fell from US\$ 1.8 billion to 1 billion, Pinchuk’s assets fell from US\$ 2.6 billion to 1.9 billion, and Petro Poroshenko’s assets fell from 1.6 billion to 700 million.<sup>4</sup>

Although at present it is difficult to produce exact figures, it seems that Akhmetov has suffered the greatest losses directly resulting from war-related damage. This is largely due to the fact that he is Ukraine’s richest person and his companies are mainly located in eastern Ukraine. The Metinvest company, owned by Akhmetov and Vadim Novinsky, has lost important assets – Russians have destroyed the country’s second and third largest metallurgical plants, i.e. Azovstal and the Ilyich Iron

<sup>1</sup> Я. Вінокуров, М. Максимчук, Д. Денков, ‘Олігархи вже не мовчать. Але не всі. Хто з найбагатших українців досі не назвав путіна злочинцем’, *Економічна правда*, 5 March 2022, [epravda.com.ua](http://epravda.com.ua).

<sup>2</sup> Б. Давиденко, В. Ланда, ‘Підставили плече. Скільки найбагатші українці витратили на допомогу армії та українцям за час війни’, *Forbes*, 3 May 2022, [forbes.ua](http://forbes.ua).

<sup>3</sup> ‘75 день війни: як ми допомагаємо приблизити перемогу України над рашизмом’, *Фонд Віктора Пінчука*, 9 May 2022, [pinchukfund.org](http://pinchukfund.org).

<sup>4</sup> В. Ланда, ‘Порошенко та Гереги втратили статус мільярдєрів. А що зі статками Ахметова та Пінчука? Forbes оновив рейтинг з початку війни’, *Forbes*, 14 March 2022, [forbes.ua](http://forbes.ua).

and Steel Works in Mariupol. Russians continue to shell Ukraine's largest coke and chemical plant in Avdiivka. The DTEK energy company has been slightly less affected, but its power plant near Luhansk was destroyed. Russian troops have seized the power plant in Enerhodar in Zaporizhzhia Oblast; the facility has suspended its operation due to the lack of coal supplies. In addition, the company has lost control of its two wind farms located on the Russian-occupied coast of the Sea of Azov (the Prymorska wind farm and the Botievska wind farm). A significant portion of the electricity grid owned by a DTEK-controlled operator in Donetsk Oblast was destroyed, and the Bilozerska coal mine was closed to avoid putting its staff at risk.

Less is known about the losses suffered by other oligarchs. Kolo-myoskiy's refinery in Kremenchuk stopped work due to rocket fire. The Ukrlandfarming agroholding owned by Oleh Bakhmatyuk has

been damaged as well – power cuts caused by military activity have led to the death of more than 4 million chickens at Europe's biggest poultry farm in Chornobaivka, which until recently supplied 15% of the eggs consumed in Ukraine. Ukrlandfarming estimates the losses caused by this damage at US\$ 50 million.<sup>5</sup> Losses were also recorded by agroholdings such as MHP owned by Kosiuk (storage facilities destroyed, production suspended) and Harveast owned by Akhmetov (technology confiscated). It is difficult to assess how much this year's sowing area will fall by (according to estimates 70% of the country's acreage has been sown). Similarly, at this point it is not known how the harvest season will be organised due to the fact that Ukraine has been affected by petrol shortages.

It is even more difficult to estimate the indirect losses suffered by the oligarchs, mainly due to export restrictions. Most of the output generated by industrial facilities owned by Akhmetov, Pinchuk and Zhevago (metallurgical products and iron ore) were exported. The situation is similar for agribusiness moguls including Andriy Verevskyi, Kosiuk and Bakhmatyuk. Ukraine transported around two thirds of its exports by sea. However, at the beginning of the invasion Russia blocked access to Black Sea harbours, while the harbours in the Sea of Azov were seized by Russian troops. At present, attempts are being made to reroute these shipments via EU countries, mainly Poland and Romania. However, this process is complicated due to logistical constraints and it is unlikely that the maritime routes will be replaced in this manner in the coming months. All this equates to huge losses for Ukrainian business. For example, at the end of April 2022, the Kernel agroholding owned by Verevskyi – Ukraine's biggest producer of sunflower oil – announced that its foreign sales decreased by 90%. The price of shares issued by Ferrexpo, a company owned by Zhevago and listed on the London Stock Exchange, has decreased almost threefold since the outbreak of the war, and at present it is around 40% lower than it was before the Russian invasion. A similar situation has been recorded on the Warsaw Stock Exchange – compared to mid-February 2022 the value of the WIG-Ukrain index decreased by around 35%. Although at present it is difficult to predict how all this will affect the financial liquidity of oligarchic businesses, it may be expected that in the coming months these companies will face increasing problems with debt servicing. In March 2022, Kosiuk's MHP reached an agreement with holders of its Eurobonds to postpone the interest payment by 270 days. DTEK, for its part, announced that it is able to service its debt within the next six to nine months. It may be expected that in the long term some companies will be forced to restructure their debt or to declare insolvency.

**” Although at present it is difficult to assess the level of financial liquidity of oligarchic businesses, it may be expected that in the coming months these companies will face increasing problems with debt servicing.**

<sup>5</sup> 'Втрати Групи компаній «Укрлендфармінг» Олега Бахматюка через агресію Росії склали сотні мільйонів доларів', UkrLandFarming, 10 May 2022, [ulf.com.ua](http://ulf.com.ua).

## A de facto loss of control of the media

Control of Ukraine's most watched TV channels was among the key factors determining the position of oligarchs. By airing specially prepared content, they supported those people from the ruling elite who were dependent on them, and attacked their political and business rivals. The situation changed dramatically after 24 February 2022, when the main TV stations (Ukraina owned by Akhmetov, 1+1 owned by Kolomoyskiy, ICTV and STB owned by Pinchuk, Inter owned by Firtash, and also Suspilne and Rada which are state-owned) began to broadcast a 24-hour joint programme (the so-called 'telemarathon') dominated by patriotic content and free from any serious criticism of the government's actions. The Priamyi, 5 Kanal and Espresso channels owned by (or associated with) former president Poroshenko, who had been Zelensky's political rival before the war, transmitted the telemarathon for 12 hours each day and, during the other 12 hours, broadcast their own shows in which representatives of the opposition party European Solidarity were frequent guests. Although this was another instance in which the broadcasters avoided explicit criticism of the ruling elite, the authorities viewed the very existence of an alternative source of information as a threat. As a consequence, these three TV stations were eliminated from the digital platform (they continue to be available on YouTube). Moreover, on 14 March 2022 President Zelensky signed a law on counteracting Russian propaganda, which contains provisions enabling the closure of those media outlets that spread pro-Russian narratives.<sup>6</sup> Although the law has not yet been applied, it may serve to eliminate those media outlets that are hostile towards the government in Kyiv.

The telemarathon has considerably curbed (at least for the time being) the oligarchs' ability to shape public opinion and thereby to impact on the government's decisions. Similarly, their influence on political parties has been reduced. As a result of the outbreak of war, political discussions have de facto ceased in Ukraine. The elites have reached a consensus and almost all legislation enacted by the Verkhovna Rada is adopted by constitutional majority, and most of it is drafted by the Office of the President or by the government. At present, no debates are held in parliament in order to reduce the duration of parliamentary sessions as much as possible for security reasons. As a consequence, the informal networks of contacts which had until recently existed in the Verkhovna Rada, including the influence of oligarchic groups, have lost significance (at least temporarily).

## Outlook

For the time being, it is difficult to predict when and how the war will end, but the longer it continues, the poorer Ukraine will become. This also applies to businesses run by oligarchs – in the event of a prolonged conflict, some of these companies, in particular the export-oriented ones, may become insolvent. Even if this is not a mass-scale phenomenon, the oligarchs will certainly experience serious liquidity problems once the invasion ends. Similarly, the shape the Ukrainian political scene will take on is not known. At present, the government enjoys an unprecedentedly high level of support – 80% of the respondents believe that the situation nationwide is developing in a favourable manner.<sup>7</sup> Zelensky may use these circumstances to radically reduce the significance of oligarchs, already affected by financial difficulties, in the realm of politics and in the media. However, it is not certain whether Zelensky will manage to maintain society's support in peacetime. There are many indications that Ukraine will receive huge funds for its post-war recovery from the West. In this situation, the 'old' oligarchs may be unable to compete with the 'new' ones who will emerge and boost their position due to their involvement in public tenders. In this context, the international community will play an important role as supervisor of these expenditures in order to prevent a possible return of corrupt practices in Ukraine.

<sup>6</sup> S. Matuszak, P. Żochowski, 'Ukraine: new wartime legislation', OSW, 17 March 2022, [osw.waw.pl](https://osw.waw.pl).

<sup>7</sup> 'Дев'яте загальнонаціональне опитування: оцінки міжнародного партнерства (26 квітня 2022)', Рейтинг, 28 April 2022, [ratinggroup.ua](https://ratinggroup.ua).