Centre for Global Studies «Strategy XXI»

The Working Group 3 «Environment, Climate Change, Energy Security» of the Eastern Partnership Civil Society Forum

InfoStream_WG3_CSF_EaP

Information bulletin of the Working Group 3 Coordinator Office

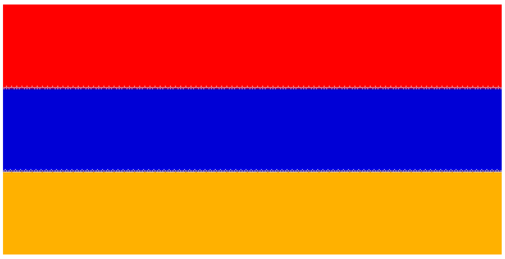
#2_FEB_2010_Events_January_2010

With this issue the Working Group 3 Coordinator Office continues the monthly publication of information-analytic bulletin for sectoral review of situation in EaP countries. By means of the publication it is intended to enlighten the energy and ecology sectors in EaP countries. This issue of the bulletin is devoted to most important sectoral events of EaP countries within January 2010.

Special thanks to our correspondents who made written contributions and for assistants who organized it for this issue: Kamila Kerimova, Fidan Bagirova (Azerbaijan), Tatyana Manionok, Vitaliy Silitsky (Belarus), Murman Margelashvili (Georgia), Ion Preascu (Moldova).

Kyiv 2010

Ukraine, 04060, Kyiv, Olzhycha str., 13, Off. #22
Fax: +38 044 440 2166, Tel.: +38 044 507 0198, E-mail: geostrategy@ukr.net



Armenia

1. Armenia to reconstruct the metropolitan heat generation

On January 21, the Government of Armenia adopted a decision on the project of the combined-cycle power unit at the Yerevan thermal power plant built in the mid 60-ies. Plant's nominal output is 550 MW, but today only one of the seven units of the power plant with capacity of 50 MW is in operation. Construction of the new combined-cycle power unit has been carried out in accordance with an agreement with the Japan Bank for International Cooperation (JBIC), which has granted a loan of about $ 250 million**.**

The newly built power unit will start operations on April 31, 2010. Its advantage is that the reconstructed plant will provide 1 kW-hr electricity using only 150-180 grams of gas instead of currently used 400 grams of gas. Harmful emissions into the atmosphere will be also reduced dramatically.

2. Expansion and modernization of Abovyan UGS

On January 25, the investment program for expansion and modernization of the Abovyan underground gas storage (UGS) was presented in Yerevan. A key supplier of gas to Armenia - ArmRosgazprom (*a joint Armenian-Russian company, the share of Gazprom - 80%, the share of the Government of Armenia - 20%*) will invest in this project 1,572 billion drams (or $4,16 million) in 2010-2012. Funding of $1,8 million for modernization and reconstruction of the facility is planned to allocate in the year 2010.

The Abovyan gas storage plays an important role for Armenia, as it is the sole source of natural gas in case of gas supplies disruption. In addition, it is one of the main elements of the transmission system of Armenia that ensures country's energy security. UGS was built in rock-salt deposits at depths of about 750-1050 meters. The poor technical state of the single gas pipeline that passes through Georgia contains the probability of serious accidents that could disrupt gas supplies to Armenia. In case of pipeline damage, the gas storage is capable of gas supplies to major consumers during 1-1,5 months depending on the period of the year. According to specialists, by the end of 2011 the Abovyan UGS will be able to store not least than 150 million cubic meters of natural gas.

3. Armenian-Georgian cooperation

On January 26, the heads of the governments of Armenia and Georgia signed an agreement to begin construction of 400 kV aerial power line which will connect these countries. The agreement was signed during the visit of the Prime Minister of Georgia Nika Gilauri to Yerevan. The Prime Minister of Armenia Tigran Sargsyan said that this project was included in the government program for 2010. Construction works will start this year.

Azerbaijan

1. Azeri–Russian gas deal continues

Along with existing and future TransCaucasian, TransCaspian, and Caspian – Black Sea – EU energy transit projects Baku continues to develop its hydrocarbon exports to Russia and Iran. The State Oil Company of Azerbaijan Republic (SOCAR) and Russian Gazprom have agreed in January 2010 that in current year Russia will acquire 1 billion cubic meters (bcm) of Azeri gas instead of previously agreed upon 500 mcm and in 2011 the supply will amount 2 bcm. The agreement came during a Moscow meeting between Gazprom's chief Alexei Miller and Rovnag Abdullayev, the president of SOCAR.

«The meeting addressed the issues relevant to the launch of Azerbaijani natural gas supplies to Russia for the first time in the history of cooperation between the countries», the Russian gas giant said. Miller added there was no upper limit on the amount of Azeri gas purchases, which he said showed Gazprom was ready to buy as much gas from Azerbaijan as it was able to supply. Azerbaijan has emerged as a regional energy giant. Europe eyes Azeri gas for its lauded Nabucco pipeline, which is intended to break the Russian grip on the regional energy sector. Nabucco enjoys widespread political support but lacks firm commitments from supplier nations.

2. Azeri-Iranian gas cooperation

In January 2010 SOCAR also signed a short-term contract with the National Iranian Gas Export Company for supplies till March-April of 100 mcm of Azeri gas to Iran via Kazi-Magommad - Astara gas pipeline *(in operation since 1971, 1500 km long, Azeri section 300 km, capacity 10 bcma, diameter 1200 mm, 3 compressor stations)*. Target markets are Iran's northern regions located far from country's major gas fields. After rehabilitation this infrastructure will be able to supply 1,8 bcma of Azeri gas.

3. Natural gas to foreigners, problems to Azerbaijanis (News from Civic Response Network (CRN) of Azerbaijan)

According to the information provided by Neftchala Center of CRN on Friday 22, following the speech of the President Ilham Aliyev on gas provision to Azerbaijani regions, Neftchala inhabitants addressed to the President for the removal of their gas problem. However, their campaign was broken due to the arrest of people participating in the petition. It was Neftchala Executive Authority and Police representatives who put pressure on habitants. Firstly, Neftchala CRN coordinator was summoned to Police Department. Later Tavakkul Abbasov, a group member, was arrested and his relatives were asked AZN 800 as bribe ($1000, this is not little amount in Azerbaijan). With joined efforts of Neftchala and Salyan coordinators of CRN media's attention was drawn to the problem. A number of information articles were placed in different web-sites. Radio Liberty's correspondent visited the village and prepared the material. The arrested CRN members were released after all above-mentioned activities.

4. The quality of produced petroleum products is under SOCAR's strict control

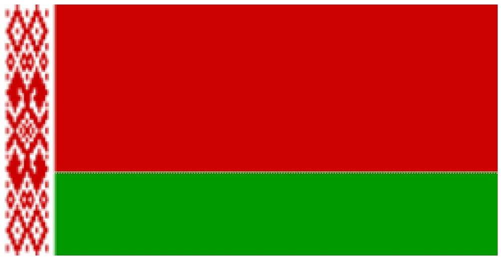
This statement was made on January 26 by SOCAR's vice president on ecology Mukhtar Babayev. At present, the fuel is fully consistent with the Euro-2 standard. «Certainly, we aim to further strengthen the quality of petroleum products and can produce Euro-3 and Euro-4 auto fuels», - said Mr. Babayev.

(*For reference: the Euro-2 standard in the EU countries was replaced by Euro-3 in 1999. On September 1, 2009 in the EU Euro-5 standard entered into force*).

5. Revenues of SOFAZ

On January 27 the State Oil Fund of Azerbaijan Republic (SOFAZ) created in early 2000th on the insistent proposal of international financial institutions reported its earnings for the period 2001-2009. The Fund accumulated finances from the sale of oil. Revenues from the sale of profitable oil and gas for the above mentioned period amounted $28,221 billion, representing 93.35% of the total income of the Fund.

(*For reference: according to Global Finance, in 2009 Azerbaijan's GDP totaled $46,259 billion. GDP of neighboring Armenia and Georgia, respectively, $ 11,917 billion and $ 12,793 billion*).



Belarus

Belarus, Russia resolved supply row

On January 27, Belarus and Russia signed a new deal on Russian oil deliveries to Belarus; ending a month-long dispute that had raised fears European supplies could be threatened.

The signed documents involved changes to previous agreements on the delivery of crude oil to Belarus and the method of setting prices for the sale of Russian oil. Russian and Belarusian counterparts signed also a joint declaration pledging uninterrupted transit of Russian oil across Belarus to third countries.

Belarus will receive this year 6,3 million tons of oil duty-free for internal use, rather than a proposed 5.0 million tons. In addition, Belarus reached an agreement that its tariffs for oil in transit would increase by 11 percent.

Belarussian First Deputy Prime Minister Vladimir Semashko said that Belarus's «budget losses will not be as high as was envisaged very recently».

Oil conflict between Belarus and Russia: causes and consequences. View from Minsk

New conditions of oil supply to Belarus in 2010 announced by Moscow are the most stringent in the history of relations between Russia and Belarus. In January 2010 the existing oil supply contract between Russia and Belarus expired. According to this contract, the export duty on Russia's oil delivered to Belarus was levied at a rate 1/3 of that which is charged by «normal» Russia's oil exports (up to 2007 oil was shipped to Belarus without any duty). Under the current export tax of $270 per tonne and the volume of Russia's oil supplies to Belarus 21 million tons, the amount of «oil grant» for Belarus would reach $3,6 billion. According to new deal, Belarus will receive 7 million tons of duty free oil that is approximately equal to domestic consumption, for the rest of oil will be used «regular» fee. The price of this new deal for Belarus is an additional $1,8 billion of financial losses per year. The Belarusian side hoped that it would avoid the fees after signing of the trilateral Customs Union with Russia and Kazakhstan, but the Kremlin moved the issue of oil trade outside the Union.

Moscow clearly signalled to Minsk that more expensive oil was a charge for ingeniously protracted recognizing of the independence of Abkhazia and South Ossetia, and for the support of the EU «Eastern Partnership». Perhaps, Minsk expected that Moscow would «forgive» the closest partner for these issues because of entering the Customs Union. But this year Moscow is no longer trying to hide that energy preferences claimed by the ally are impossible without relevant steps by the Belarusian side, expected in RF.

Nevertheless, Russia, which is clearly not satisfied with imitation of integration processes and, of course, irritated by demonstration of the European drift by Belarus, cannot abandon the project of the Union and completely alienate Belarus. And Belarus is not going to do so. The evidence of this is proposed duty-free oil supplies to Belarus in the amount of 6,3 million tons. In a letter to the Belarusian president sent on Jan. 17 Dmitry Medvedev said that thanks to this duty-free oil amount of the subsidy of Belarusian economy, given the size of existing now customs duties on crude oil, reached $1.68 billion. He also stated that in the second half of 2010 Moscow was ready to adjust this amount based on actual consumption of oil in Belarus.

Offering oil bonuses to the ally, the Kremlin unlikely fears that Lukashenko can undertake the formal exit from the Customs Union. Following the deterioration of the oil dispute with Russia the Belarusian side made some suggestions about this, but that was all and stopped there. Regular oil concession to Belarus is a proof of the strategic importance of the territory of Belarus to Russia. However, limiting the financial appetites of the Belarusian authorities, the Kremlin hopes thus for fast promotion of Russian interests and acquisition of property in Belarus.

There is no wonder that in a letter to Alexander Lukashenko Russian president noted that if Belarus asked for assistance then Russia would be ready to consider the issue of crediting Belarus on the sum equivalent to an amount of export duties which will be applied on additionally agreed purchases of Russia's oil. At the same time Russia emphasizes that financial aid is possible if Belarus doesn't participate in projects aimed at competing with Russia's oil supplies and doesn't resupply oil to Ukrainian Kremenchuk refinery, where the Russian company was deprived of its opaque ownership of their assets (previously Belarus supplied to this plant a small amount of oil).

As for Russia's concerns about Belarus' participation in alternative oil supplies projects, it is a matter of a new oil transport route for transporting Caspian oil to Europe through Odessa – Brody pipeline. The Belarusian vector of this project is one of three possible directions of its development (1st - Slovakian: Odessa-Brody pipeline - South «Druzba»; 2nd - Polish: Odessa - Brody - Plock, 3rd - Belarusian: Odessa - Brody - Mozyr).

In September last year Lukashenko responding to reporters' questions about the participation of Belarus in the Odessa-Brody project noted that the Belarusian side was studying alternative routes for oil to use them if necessary. «We joined the «Eastern Partnership» because there, in addition to a free trade area, we were offered attractive transit projects, the restoration of these routes. We have been working on this for a long time» - the Belarusian president said.

However, despite the relevance of the problem of oil supplies diversification for Belarus, there is not an official decision on participation in the project. Only Azerbaijan is ready to supply up to 5 million tons of oil via a new route so far. In addition, the Belarusian side realizes: any alternative oil for Belarus will not be cheaper than Russian, until Russia supplies oil to Belarusian refineries on preferential terms.

The Belarusian position on this issue could be changed fundamentally by clear awareness of inevitability of rising of energy prices to market prices, and an alarming challenge of facing a deficit of Russia's oil due to the development of Russia's own alternative transportation corridors - in particular, the construction of BPS-2 and ESPO.

Moscow drew its attention on the participation of the vice-premier of Belarus Andrei Kobyakov in an energy conference in Batumi on 14-15 January, where projects of transportation of Caspian energy sources were discussed. This was the fifth meeting of this format, but the first where Belarus participated in such a high level.

Belarusian authorities have made no secret that for them the main factor of participation in the Customs Union is an energy concern, specifically receiving energy on Russian domestic prices. The current oil talks showed that the Kremlin did not only discuss this subject, but, in contrast, could abolish supply of cheap energy to Belarus. Of course, unless the Belarusian authorities make concrete steps forward. Moscow is ready to soften the conditions of energy supplies to Belarus in exchange for access to energy assets. Deeper integration with the fuel and energy complex is envisaged in the expansion program of Belarusian-Russian cooperation in energy sphere, which the parties had to sign on December 10 in Moscow, but because of the mismatch of positions they were not able to do so.

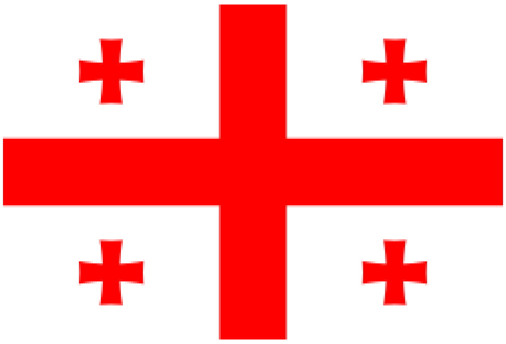
On December 11, 2009, First Deputy Prime Minister of Belarus Vladimir Semashko stated that in the near future it would be decided on the sale of the Belarusian refinery Naftan-Polimir. Vladimir Semashko even formulated three requirements to potential investors, and more specifically, to Russia's oil companies, which, as was said, «suit us best». The first requirement is the signing of an investment agreement with guarantees for investments in production development, the second requirement is that a potential investor has its own resource base and the third requirement is that a potential investor has its own markets.

The draft program of expanding of Belarusian-Russian cooperation in the energy sphere specified participation of Russian oil companies in the privatization of oil refineries, including Naftan. Russian companies Rosneft and Lukoil appear among the potential buyers of Naftan. But it is clearly stated that their participation in plant privatization would be only possible in case of securing control for the work of the Novopolotsk refinery.

As for terms of privatization of the Belarusian refinery, as stated in the document, they will be determined after the signing of an intergovernmental agreement between Russia and Belarus on participation of Russian oil companies in the activity of the Belarusian energy sector. It is not surprising that in recent Medvedev's letter to Lukashenko the possibility of increasing of supply of duty-free Russia's oil to Belarus in the second half of 2010 was mentioned. It is clear that by this time Moscow expects the signing of the Russian-Belarusian program for deeper integration in the energy sector and that all issues of the privatization of oil refineries will be cleared.

On January 27 the parties settled the problem. The volume of duty-free oil supplies to Belarus will amount 6,3 million tons annually. The parties agreed not to collect a duty on oil that reprocessed in Belarus and petroleum products would be shipped back to Russia. Tariffs on Russia's oil transit through Belarus and transportation of oil to Belarusian refineries from February 1 will be increased by 11%. Previously, transit tariffs were in Euros. Now they have been converted into Russian rubles. Thus, Moscow managed to a greater extent to achieve their goals, rather than Minsk managed to keep the old status quo.

Russian-Belarusian agreements were fixed in a protocol, which was approved by the Government of Russia on January 27. The text of the "Protocol on the conditions of supply and transit of Russia's oil to Belarus in 2010" is available on http://ukroil.com.ua/news/show/23807.html (in Russian). Its content confirms the unequal nature of Russian-Belarusian relationships within the so-called "Union State".



Georgia

1. Energy Conference in the format of the Caspian-Black Sea-Baltic space

On Thursday, 14 January an International Energy Conference was held in Batumi. The conference brought together representatives of the presidential offices, governments and energy companies from Lithuania, Poland, Ukraine, Georgia, Azerbaijan, Turkmenistan, Kazakhstan, Turkey, Bulgaria, Belarus and Romania. The talks were also attended by a representative of the European Union. The Conference in large part was devoted to a strategic project – the Euro-Asian Oil Transportation Corridor (EAOTC), part of which is projected Odessa-Brody-Plock-Gdańsk pipeline, designed to strengthen energy security in Central and Eastern Europe. Other routes for transportation of energy such as gas pipelines Nabucco and White Stream were emphasized as high priority and the current situation in the energy sector in Central and Eastern Europe was discussed.

During the meeting, representatives from 11 countries and a representative of the European Union adopted a **Joint Declaration** ***(full text – Annex 1)*** in support of an initiative to build the Southern Corridor that will be composed (according to the view of participants) of such projects: the EAOTC ***(Presentation of the Project – Annex 2)***, Nabucco and White Stream ***(Presentation of the Project – Annex 3)***) to transport energy from the Caspian region to Europe. In a Joint Statement, the parties have expressly called for the sovereignty, independence and territorial integrity of countries participating in the conference as a prerequisite for energy security, stability and sustainability of the region. The parties pledged to: strengthen the energy security of participating parties through mechanisms involving responses to emergencies and development of critical energy infrastructure; oordinate and strengthen efforts of Members to the practical implementation of the Gas Transportation Projects as priority projects in the Eurasian Oil Transport Corridor initiative; strengthen transatlantic energy cooperation aimed to implement the Eurasian Oil Transportation Corridor initiative.

2. Underground Gas Storage Study Underway in Georgia

On December 29, 2009, the Millennium Challenge Georgia Fund (MCG) signed a $3,36 million contract with the international bidding winner - Danish consulting company Ramboll Oil & Gas A/S. According to the contract, the Company will conduct the pre-construction studies for underground gas storage at the Ninotsminda Oil Field. On January 21 Ramboll Oil & Gas A/S presented to MCG and Georgian Oil and Gas Corporation (GOGC) a study plan and methodology covering technical, geological, financial, economic, legal and other aspects of preconstruction design. Front end engineering design is planned to be completed in one year (2010). It is expected that the gas storage will have a significant positive impact on energy security of Georgia and will be useful for improving flexibility of gas transit through the country.

3. Results of Georgia electricity sector in 2009

According to the information from the Ministry of Energy of Georgia, in 2009 electricity consumption in the country reduced by almost 6% compared to that of 2008, and became 7,9 TWhs.

The output of domestic generation was about 8.4 TWhs – reduced by 0.5% compared to 2008. 990 GWhs or 11,8% out of this total amount was generated on thermal power plants (compared to 1,28 GWhs or 15,1% in 2008). The remaining part was produced by hydro power plants, which dominate in the electricity production balance of Georgia. The reduction in domestic consumption can be partly attributed to improvements in metering and corresponding reduction of illegal consumption in the regions of Georgia, partly to reduction of economic activity.

In the same period Georgia imported 253 GWhs of electricity from Russia, Turkey and Azerbaijan (2,6 times less than in 2008) and exported about 747 GWhs to Russia, Azerbaijan, Armenia and Turkey, becoming a net exporter of about 500 GWhs in 2009.

4. Georgian proposal for Azeri gas

Georgia has proposed to supply Azeri gas to the European market through its territory by building a CNG terminal on the Black Sea coast. This was reported on January 27 by the First Deputy Minister of Energy of Georgia Mariam Valishvili. According to her, Azerbaijan and Romania signed in 2009 an agreement to export CNG (compressed natural gas) to Europe via the Black Sea: «We are interested in becoming part of a new corridor. Delivery of natural gas from Azerbaijan for compression can be provided through the South Caucasus gas pipeline currently used for transporting gas to the north of Georgia. A plant for natural gas compression should be built here with initial capacity of 5-10 bcm. M. Valishvili added that the compressed gas would be transported from Georgia to the Romanian port of Constanta on tankers, and the company Romgaz had already started with construction of a receiving terminal.

SOCAR believes that if the proposed project would be estimated as economically reasonable, the Azerbaijani side will build capacities for CNG at its oil terminal in the Georgian Kulevi on the Black Sea coast.

Moldova

1. The main priorities of the National Agency for Energy Regulation (ANRE) in 2010 are determined

It will bring into compliance national acts regulating the energy sector with the EU requirements and ensure transparency in ANRE decision-making. ANRE will focus on three main aspects: audit of expenses of energy enterprises, control of energy services quality parameters and rights and legitimate interests of consumers by energy services' providers. It also will become a norm for an operator who submits an application to ANRE with the aim to update rates, to make available this application and show to the public relevant arguments. The Agency will develop new regulatory instruments for the markets of thermal and renewable energy, and bring existing governing documents in accordance with the requirements of the new laws on electricity, natural gas and the Energy Community Treaty that Moldova has acceded recently.

2. ANRE Administration Board fixed since January 19 2010 new tariffs for the supply of natural gas, production and supply of electricity and thermal energy. The average tariff for the supply of natural gas increased by 13,9% to 3542 leus/1000 m^3 (excl. VAT of 6%), or about \$284/1000 m^3. Tariffs for electricity supplied to consumers by the company RED Union Fenosa grew by 21% to 1,33 leu/kWh (about 10,7 cents). The state electricity distribution company RED Nord and RED Nord-West will apply a tariff higher on 19,2% than before - 1,43 leu/kWh (about 11,5 cents).

3. Russian «Gazprom» has increased since January 1, 2010 the gas price for Moldova from \$199 in IV quarter of 2009 to \$ 233 per 1000 m^3. Gas price is set quarterly. Price of gas supplied to Moldova converted into calorific value was in the first quarter of 2009 \$339,25, in the second - \$255,71, and in the third - \$186,85.

4. The Government of Moldova proposed JSC «Gazprom» to convert into shares of Russian-Moldovan company JV «MoldovaGaz» investments in the amount of more than \$100 million, provided by the Moldovan side in recent years in building new gas pipelines and gas distribution networks. Moldova's Prime Minister Vladimir Filat expressed the hope that the investments would be converted into shares of «MoldovaGaz» what will allow the Government to increase its share in the authorized capital of the enterprise. Another possible option the Prime Minister referred to would be the partial cancellation of the Moldovan consumers' debts for Russian natural gas in the amount of investments, made by the Moldovan side into the development of the gas sector.

5. JV «MoldovaGaz» in 2010 is going to invest about \$32 million into development of the Moldovan gas transportation system. In 2009 about \$15 million of investments were made, and in 2008 - about \$8 million. When till 2008 all investments of the AO «MoldovaGaz» were directed mostly into the operating gas infrastructure, then since 2009 the main accent has been made on investments into development of new gas networks.

6. Romanian-Moldovan agreement

On January 27, during the visit to Chisinau the Romanian President Traian Băsescu and the Acting President of the Republic of Moldova Mihai Ghimpu agreed on implementation of a number of energy projects. They will connect Moldova not only to the energy system of the neighbouring state, but also to the EU energy system. It is planned to put into operation before the end of 2010 a 110 kV Felchiu – Gotesht power transmission line (PTL), and as soon as possible (after the environmental impact assessment) - to begin with building 400 kV transmission line Suceava – Bălți. Romania is ready to seek funding for these projects through EU grants in the amount of €30 million.

The Parties also agreed to implement a project in the ENP framework which foresees putting into operation a gas pipeline Drochia-Ungheni-Iaşi, enabling Moldova to connect to the gas network in Romania. In 2008-2009, a gas pipeline Balti - Ungeny was built with the total length of 99,2 kilometres and capacity of 1 billion cubic meters, which is the largest section of the future pipeline Drochia-Ungheni-Iaşi. Construction of this facility is foreseen in the Energy Strategy of the Republic of Moldova for the period of 2007-2020 and in the National Program of gasification up to 2010.

Ukraine

1. Regarding a possible tripartite mechanism for prevention of energy crises

On January 10-11, 2010 during Ukrainian-Spanish talks in Madrid on the level of Foreign Ministers, the Ukrainian Foreign Minister P. Poroshenko raised the question of establishing an early warning mechanism of energy crisis in the trilateral format Russia - Ukraine - European Union. The Spanish Foreign Minister M. Moratinos took with interest the proposal of the Ukrainian colleague and during his visit to Moscow on January 12, 2010 and negotiations with Russian counterpart S. Lavrov raised the issue of establishing such mechanism in the proposed format. According to available information, in general S. Lavrov reacted favourably on the proposal.

On the whole, this idea corresponds to the principle of three-component of the entire technological chain: production – transportation (transit) – consumption. Accordingly, Russia is producer and supplier, Ukraine – transit country and the EU – consumer. It is therefore logical that the early warning mechanism will cover all three components: when it covers only two, the whole system loses its integrity and effectiveness. A similar initiative (EIGT) was developed by a group of Ukrainian NGOs, represented at the EaP CSF and included in the list of recommendations of the CSF.

2. Nuclear fuel competition in Ukraine

On January 13, the Ministry of Fuel and Energy of Ukraine in the framework of the Energy Strategy of Ukraine informed that it started competitive selection of firms to build a nuclear fuel production plant in the country that will provide fuel for 15 units on 4 functioning nuclear power plants. It is supposed to be only two companies - TVEL (Russia) and «Westinghouse» (USA) witch will take part in this competition.

The competition between these two companies has become sharper since 2005 when U.S. nuclear fuel was loaded into one of the 4 Ukrainian NPP. Russia is trying to prevent the uprising of the nuclear competitors in the Central-Eastern Europe. To this end, the Russian side used the mechanisms of information manipulations. In particular, periodically it is reported about so-called unsuccessful example of the use of the company «Westinghouse» fuel assemblies at the Temelin NPP in the Czech Republic.

In Ukraine there is a fear that if Russia wins the competition for the construction of the plant, in fact, it will not develop this project as it was in the 90's. The U.S. side suspects that Russia exerts pressure on Ukraine in order to maintain the status quo of the monopoly supplier. Independent experts say the situation around the Czech nuclear power plant in Temelin is not really to the benefit of Russian company. The Russians have been awarded the contract after a tender process for supplying nuclear fuel in 2006, but fuel is still not certified and not completelly tested in Russia. It is likely that the circumstances of not entirely transparent tender in the Czech Republic in 2006 may become the subject of investigation by the Czech authorities and the European Commission. Some experts do not exclude a repetition of the Czech scenario in Ukraine in 2010. Russia is trying to use the current change of political power after the presidential election to keep nuclear monopoly in Ukraine.

3. The price of gas exported from Russia to Ukraine in the first quarter of 2010 will be $300-310 per 1000 m^3, and the annual average will be $280. These figures were mentioned in an interview with CEO of Russian Gazprom A. Miller on January 29. Although Russia insists that the gas price for Ukraine is formed on the European formula, however, the example of gas prices for Moldova (*see above under «Moldova»),* transportation costs for gas supply to which are higher due to geographical distance, shows that this does not correspond to reality. In fact, Ukraine will have the same price for gas that will have more distanced countries of the Western Europe. The projected by the Russian monopoly price for these countries in 2010 will be approximately at the same levels of $300-310 per 1000 m^3. So, Ukraine cannot enjoy its geographical closeness to Russia due to irrational terms of gas contracts.

4. On February 7 a second round of presidential elections will be held in Ukraine

In the second round the current Prime Minister Yulia Timoshenko (the second time in this post) will compete with V. Yanukovych (formerly also twice Prime Minister). Official programs of both candidates assessed by many experts are quite vague and inconcrete regarding sensitive issues and mostly are populistic in nature. This largely relates to environment protection, combating climate change and energy policy. Phrases like «environment» and «climate change» are absent in the official programs of candidates. What energy issues are included in the programs we can see in the relevant extracts that we took from their programs (***Annex 4***). The annex also contains a fragment of recommendations of an independent expert group for the future President of Ukraine. The recommendations were developed by a group of leading Ukrainian experts and journalists in the framework of a project of the Institute of World Politics, performed under the auspices of the International Centre for Policy Studies.

Issued by the Centre for Global Studies «Strategy XXI»
in association with the NOMOS Centre (Kyiv Branch)

Post address:
Office #22, Olzhycha str., 13
04060, Kyiv, Ukraine

Tel.: +38 044 507 0198
Fax: +38 044 440 2166
E-mail: geostrategy@ukr.net
WEB: www.ua-energy.org