



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

#3_MAR_2010_Events_February_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: Tatyana Manionok (Belarus), Murman Margelashvili (Georgia), Ion Preascu (Moldova).

Kyiv 2010

To attention of the participants of the WG3 of the EaP CSF

In February, the WG3 Coordinator Office conducted a survey among NGOs, participated in the EaP CSF on November 16-17, 2009, and declared their intentions to work within the Platform: «Environment, climate change, energy security», on their willingness to continue to work within this format in 2010.

13 of the 38 participants, registered in CSF on 16.11.2009, confirmed their intentions to continue further activities in the EAP format, which is 1/3. The Coordinator Office expresses appreciation for the cooperation. We believe that this will ensure continuity in the work of WG3 and partially of CSF. Other potential participants of the EaP CSF event 2010 will be determined after the Steering Committee develops criteria, which provide the necessary rotation.

The WG3 Coordinator asks 13 NGOs to identify their potential and participate in the CSF activities by supporting the Platform «Environment, climate change, energy security». It would be advisably to continue development both recommendations, we worked out together during CSF in Brussels (see Annex 1), and to cover new areas, which remained out of the limelight of the last year's Forum.

SC would be very interested in your help regarding Website, the creation of which was approved on January 22, 2010. Initially it will serve mainly as advertising tool ("visiting card"), and then more for communication within and beyond the framework of the SC. It should provide access to additional information (existing websites, documents) and capabilities for interactive communication (in the future). The Site should be bilingual, for instance, in English and in Russian. It would be wonderful if each of the organizations provide materials for filling the content of the site, in particular, it will be needed to prepare a review of national energy and environmental sectors.

We also recommend NGOs of the 6 Partner Countries to address during the March, in accordance with existing national procedures, with requests to the government, relevant ministries (Ministry of Energy, Natural Resources, Environment), as well as the Ministry of Foreign Affairs to provide information about the main directions and projects (in process of implementation and potential), which are proposed to cooperation in the framework of the EaP Platform «Environment, climate change, energy security», both in bilateral and multilateral formats. I would recommend to coordinate such requests with the National Coordinator of the EaP CSF in your country.

We would like also to inform you that a Discussion Panel on the environment has been established, which was the fulfillment of one of the recommendations of WG3 of EaP CSF (a special Working group on the environment should be created to influence on the work of the EaP Platforms 2 and 3). We express special thanks to Irene Lucius and Paloma Agrasot of the WWF, who have been the engine of this idea.

Mikhail Gonchar

WG3Coordinator



Armenia

1. Armenia develops strategic relations in energy and transportation sectors with Iran. The Deputy Minister of Petroleum of Iran Seyyed Nooredyn ShahnaziZadeh said that the Parties had reached an agreement to build a 350-kilometer pipeline and a terminal for the supply of Iranian oil products to Armenia. The volume of investments makes \$350 million. In Tehran the project is evaluated as an opportunity "to increase the export of petroleum products to neighbouring northern country."

Also, Iran and Armenia plan to build two most powerful hydroelectric stations in the South Caucasus on the border river Arax. On the Armenian side the station will be located in Meghri, and on the Iranian side - in Karachilare. Each of the stations will annually produce 800 million kWh of electricity. Minister of Energy and Natural Resources **Armen Movsisyan** said that a preliminary document on the financial and construction schemes had been already drawn up.

The third strategic project relates to the field of transportation. It is the construction of the railway Iran - Armenia with investments of \$2 billion. The World Bank and the Asian Development Bank as well as Russia are interested in the project. This railway will allow Armenia to use alternative routes for transportation of goods. At present, Armenia railway links with the outside world pass only through the territory of Georgia, which is an ally of Azerbaijan in GUAM.

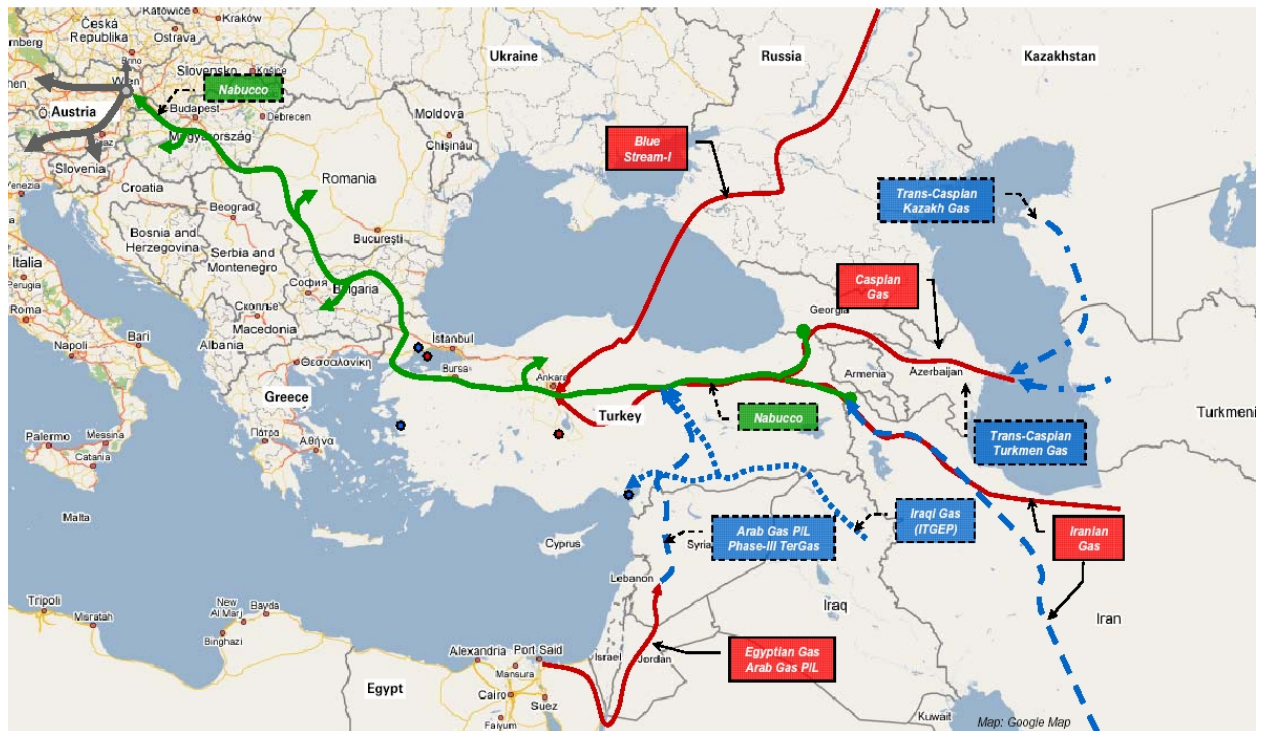
Development of relations between Yerevan and Tehran on the background of Iranian nuclear issue escalation could cause complications for Armenia in its relations with the EU and the USA.

2. Armenian transit to Central Asia? "In case of sooner normalization of relations between Yerevan and Ankara, and the opening of borders, Armenia may become a transit route for energy supplies to Europe", - EU Special Representative for Central Asia Pierre Morel said in the mid February.

For reference. Armenian-Turkish border has been closed by Turkey in 1993 as a reaction of Ankara on the process of international recognition of the Genocide against Armenians in 1915 in Ottoman Empire and cleaning of the ethnically related to Turks Azerbaijanis in Karabakh. On October 10, 2009 Foreign Ministers of Armenia and Turkey signed in Zurich, a "Protocol on establishing diplomatic relations" and "Protocol for the development of bilateral relations." After signing, the documents must be approved by the parliaments of both countries.

P.Morel's Statement raised doubts among experts as the major strategic pipeline projects to export Caspian oil and gas (Baku - Supsa and Baku - Tbilisi - Ceyhan oil pipelines, Baku - Tbilisi - Erzurum) have already been implemented and work effectively. As for the gas resources of Central Asia in the context of the Nabucco project, the position of the European Commission in this regard was announced by the Energy Commissioner A.Piebalgs in September 2009. According to him, «in Europe it was not considered passing the pipeline through Armenia.» This is confirmed by the official route of the «Nabucco» (*see map 1*).

Existing/Possible Supply Routes to Nabucco Gas Pipeline



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NABUCCO
GAS PIPELINE



Azerbaijan

1. Azerbaijan will strengthen the position as the electricity exporting country. Today Azerbaijan has capacities to export not less than 1 billion kilowatt hours of electricity per year. Moreover, Azerbaijan continues to negotiate with international financial institutions to build up its generating capacities. The Asian Development Bank (ADB) is finalizing the provision to provide guarantees for commercial financing of the construction of Cenub thermal power plant with the capacity of 760 MW.

"With the development of generating capacities, this potential is able to rise up to 2.5 billion kW/h. In this regard, the country has already started and will continue to encourage the development of export transmission capacities," – the government pointed out. Russia, Iran, Georgia and Turkey are considered as potential areas for exports. Theoretically, Azerbaijan can also enter the markets of the European Union through SWAP with Turkey.

Since 2010 State Oil Fund of Azerbaijan (SOFAZ) plans to fund projects in the field of renewable and alternative energy.

2. Azerbaijani-Romanian energy partnership. On February 2, in Baku memorandum on cooperation in the energy sector between Romania and Azerbaijan was signed. According to the representative of the Ministry of Economic Affairs of Romania Corneliu Condrea: «With this memorandum, we have established cooperation between Romania and Azerbaijan in any project associated with the delivery of oil and gas from the Caspian region to the European Union, including Romania.» Condrea also noted that Azerbaijan could supply gas in liquefied form, but the final decision on this matter can be taken only after completion of the evaluation of a LNG-terminal project in Constanta, wich is planned to be built by the Romanian gas company Romgaz Medias.

Minister of Industry and Energy of Azerbaijan Natiq Aliyev during his meeting with Secretary of State for Energy Affairs Tudor Shcherban noted that Azerbaijan was becoming more and more important in ensuring energy security of Europe. According to the Minister, this year in Azerbaijan 52.5 million tons of oil and 28.1 billion cubic meters of gas will be produced.

3. Energy Partnership with Israel. Azerbaijan is the second largest supplier of oil and petroleum products to Israel after Russia. Approximately 20% of oil consumed in Israel is imported from Azerbaijan. Purchases are made mostly from the Turkish terminal of Ceyhan, where the Azeri raw materials come from the Baku - Tbilisi - Ceyhan oil pipeline. The Azerbaijani oil exports to Israel in 2009 made about \$ 4 billion. Due to this, Azerbaijan is ranked first among Muslim countries on trade with Israel.

"Until the end of this year, Israel and Azerbaijan will be able to work out an exact plan for energy cooperation", - said Israeli Foreign Minister Alexander Libermann on February 9 before the first in the history of bilateral relations visit of the head of Israeli diplomacy to Baku. In the current year it is planned to establish an intergovernmental commission on economic cooperation.

4. Turkish media spread the words of the Energy Minister Taner Yildiz about possible price on Azeri gas to Turkey. According to Yildiz, it will be \$300 for 1 thousand cubic meters. The Minister noted that a formal agreement has been still not reached. Azerbaijan sells gas to Turkey at

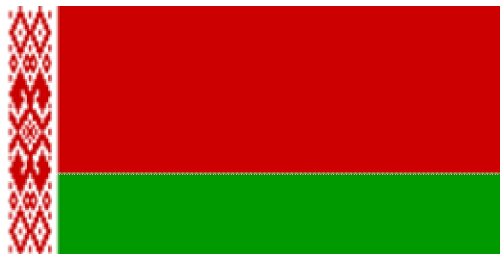
the price of \$120 per 1000 cubic meters. In addition, Turkey will need to pay the difference to Azerbaijan, which will amount to \$1.7 billion at the new price. Until now, the parties have not reached agreement on gas price, but after the signing of two protocols by Turkey to normalize relations with Armenia, Azerbaijan made clear that Turkey will no longer have concessions on gas price.

5. In terms of a favorable conjuncture on the oil market SOCAR has intensified works in all directions. SOCAR plans to start development of six oil wells on the field "Oil Rocks" in the Azerbaijani sector of the Caspian Sea. Drilling of these wells is completed.

All six wells are located on the platform of "Oil Rocks-1146", designed for drilling of 18 wells. It is estimated that this will increase production volumes in 1,5 times.

SOCAR prepares also the construction of the petroleum storage depot in Georgia, on the territory of SOCAR Energy Georgia (daughter company of SOCAR, where it owns 51%, Petro-Trans FZCO - 32,7%, businessman Ivan Chkhartishvili - 16,3%). At the petroleum storage depot 24 tanks will be deployed with total capacity of 20.5 thousand tons. They will tank light-oil products such as gasoline, diesel, and jet fuel. Also here four reservoirs for the storage of liquid gas will be installed with total capacity of 1,200 thousand cubic meters (300 thousand for each).

At present, SOCAR is considering the prospects of building a new oil-refining, petrochemical complex, which will be located in Garadagh district of Azerbaijan.



Belarus

1. In February Russia-Belarus customs dispute over oil and petroleum products continued.

"The use of export duties on crude oil to Belarus by Russia does not comply with the principles of forming a single customs territory of the Customs Union, which will be effective since July 1, 2010 - reported on February 19 Deputy Director of the Department of Foreign Ministry of Belarus Anton Kudasov. If the parties fail to agree on fees, then there is also a question regarding the adopted by the governments of Russia, Kazakhstan and Belarus decision on accession to the WTO as a single customs territory. "The question arises how we will join the WTO", - said Anton Kudasov.

State Customs Committee of Republic Belarus considers position of Russia on oil supply as one-sided. According to Chief of non-tariff measures, export and exchange control SCC Oleg Fedotov, Belarusian point of view lies in the fact that in terms of the Customs Union, where there is no customs clearance and control, by definition there can be no export or import duties. This is negotiating position of Belarus.

2. On modernization of energy systems, energy efficiency and increased use of local fuels in Belarus it is scheduled in 2010 to invest 6,886 - 7.481 trillions of Belarusian rubles (EUR 1,72 - 1,86 bln). It is foreseen in a plan of actions to implement the State complex program of modernization of basic production assets of the Belarusian energy system, energy efficiency and increasing the share of local fuels and energy resources for the period until 2011. The Government of Belarus has approved the measures to improve the use of energy resources for the period until 2012 and the Concept of development of heat supplies for the period until 2020.

3. Resolution of the Ministry of economy of Belarus on 18 February 2010 establishes a new price for natural gas for industrial consumers in the country. Since February 15, the price for natural gas for industrial consumers was increased by 25%, which is almost 2.5 times higher than last year's increase. Legal persons and individual entrepreneurs will pay for gas \$217.73 for thousand cubic meters (excluding VAT) contrary to \$174.18 earlier. The need to revise the price of natural gas is linked by the Government to the higher price on imported Russian gas in 2010. After this a rise in electricity prices is also inevitable. In Belarus, up to 96% of electricity is produced from natural gas. Thus, gas brings nearly 92% costs on electricity production.

4. The Belarusian Energy Ministry plans to sign contracts worth 2.5 billion USD for the modernization of the Belarusian energy system with Chinese partners.

Addressing a session of the Energy Ministry board, Deputy Energy Minister Mikhail Mikhadyuk said: "As instructed by the government, this year we should sign contracts worth 2.5 billion USD with China and attract at least 500 million USD in Chinese loans in line with the signed contracts.

5. Belarus conducts an environmental examination of the Astravets nuclear power plant construction project and expects a loan from Russia. Meanwhile, Russia itself has already begun to spend money on construction of the Baltic NPP, which is an obvious competitor to Belarusian NPP. The construction of the Baltic NPP in the region of Kaliningrad (Königsberg) was launched on February 25. Future station has exactly the same parameters as the supposed Belarusian NPP: the same starting time (the first unit - in 2016, the second – in 2018), the same capacity - 2,300 MW and the same project is selected - NPP-2006. NPP should cover the shortfall of electricity in the Kaliningrad region after decommissioning of the Ignalina NPP in Lithuania.

The neighboring to Belarus countries are also going to implement plans of building nuclear power plants. Ukraine by 2014 will introduce two new high-power units at Khmel'nitsky NPP. Lithuania envisages launch of a new Visaginas nuclear power plant to replace Ignalina tentatively in 2018. Poland plans to complete construction of a nuclear power plant after 2020. That means that the region between the Baltic and Black Seas can have excess of energy by substantial increase of nuclear negative impact on environment. It is advisable that construction of new nuclear facilities in the region would become a subject of discussion in the format of the Eastern Partnership.



Georgia

1. On February 17, rehabilitation of the main gas pipeline North-South was completed. Works were carried out within the framework of an energy infrastructure rehabilitation project, which was performed in Georgia by the Millennium Challenge Account. Construction and repair works on the 22 most damaged sections of the pipeline cost \$35 million. They were conducted since 2006 for more than three years. The 221 km long North-South gas pipeline, which passes through Georgian territory from the border with Russia to the border with Armenia, was built in the 70-ies of the last century, and after 1980, its rehabilitation was not conducted.

2. As part of the presidential program «Gas in all villages», the company «Itera-Georgia» and OOO «Samtrediagaz» completed the construction of 22-kilometer medium pressure gas pipeline «Honi-Martvili». 11 thousand of Martvili's citizens will have possibility to receive natural gas. The company "Itera-Georgia" continues to build a distribution network in Honi and Martvili districts. In the coming period 22 thousand consumers will be given the opportunity to connect to the gas distribution network.

3. On February 10, Energy Ministry of Georgia announced a tender for the construction of the hydro power stations cascade with 105, 7 MW on the River Tekhuri (Western Georgia). The project envisages the construction of 4 hydroelectric power stations cascade with total power generation of 490 million kilowatt-hours. Initially, applicants will be required to submit project documentation, in case of winning a tender, to submit bank guarantees, and to commit themselves to a deadline of the works. The investor should also within 10 years from October to February sell electricity only to the local market - at least 100 million kilowatt-hours. The remaining electricity can be exported.

4. The company "Energo-Pro Georgia" starts installation of individual electricity meters in villages. The process started in the villages Tsagveri and Bakuriani, visited by the Georgian Energy Minister Alexander Khetaguri. According to "Energo-pro Georgia", the work does not involve only the installation of meters; there are also conducted rehabilitation of the network, changing the power lines and supports. Till July 1 of this year, it is planed to install individual electricity meters for 60 thousand consumers, what will conclude the process of installing the electricity meters in cities and towns. With regard to the villages, the project will be completed within three years. Currently in the whole Georgia individual electricity meters are installed by 310 thousand consumers.

5. Georgia plans to join the International Renewable Energy Agency (IRENA). Membership in the agency will allow attracting investments in renewable energy projects. If approved by the Parliament, Georgia will have to pay an annual membership fee of 235 000 euros, which will enable the country to enjoy the privileges granted by the Agency.



Moldova

1. Moldova and Russia have agreed to develop a plan to restructure the debts for gas. This is one of the outcomes of the 11-th meeting of the Russia-Moldova intergovernmental commission on trade and economic cooperation, which took place on February 5. It is planned that the parties will work out in the first quarter of 2010, concrete proposals to resolve the debt, which will then be submitted for approval to the Governments of both countries. According to the company «Moldovagaz», the total debt of the republic for the consumed gas, including Transnistria has exceeded \$2,3 billion. Herewith, the right-bank Moldovan consumers owed about \$350 million, of which about halves are penalties for late payments. Arrears of the Transnistrian region customers exceeded \$2 billion and continues to grow because of excessively low tariffs, which are applied there and do not cover costs, it is noted in Moldovagaz.

2. Inter RAO UES will supply electricity to Moldova at a lower price

Since March 1, Moldovan hydroelectric power station, owned by Russian Inter RAO UES and located on the territory of the unrecognized Trans-Dniester Republic, will supply electricity to the right bank of the Dniester River on the price of 5.5 cents per kilowatt, contrary to previous 5.8 cents per kilowatt. On February 25, contracts for the supply of electricity were signed with the Moldovan hydroelectric power station. Vice-Premier, Minister of Economy of Moldova Valeriu Lazar said that the documents would be valid 13 months, during which the price per kW would be stable - 5.5 cents. Negotiations on the reduction of electricity prices for Moldova took place at the level of Russian government and were results of the recent joint Moldovan-Russian Intergovernmental Commission meeting in Chisinau. Chairman of the Board of Directors of the Moldovan hydroelectric power station Karina Tsurkan refused to reveal the price that the company pays for gas supplied from Russia. According to some reports, Moldovan hydroelectric power station pays for gas about \$120 for 1 thousand cubic meters, which is almost half of the price - \$232.8 per 1 thousand cubic meters, which Moldova pays since January 1, 2010 for gas from Gazprom.

3. The European Bank for Reconstruction and Development has opened a credit line for Moldova on 20 million euros to finance energy efficiency projects. The Bank emphasizes that the program of financing sustainable energy in Moldova (MoSEFF) is a special credit line for private Moldovan enterprises wishing to invest in energy efficient technologies and renewable energy. This scheme is simple: saving of energy helps to reduce significantly costs, which means higher profits and competitiveness. This scheme is particularly relevant for Moldova, where the power prices are higher than in other CIS countries. Loans to private Moldovan companies are ranged from a few thousand euros to a maximum of 2 million euros. Each loan has a grant component (5-20% of the loan amount) for successfully realized projects. Size of the grant depends on the type of the selected technology and the level of energy savings achieved as a result of the project.

4. Refinery to build in Moldova by 2012

Danube Logistics SRL, which owns the Giurgiulesti International Free Port, plans to build a refinery in Moldova by 2012.

Thomas Moser, the General Director of Easur Holding BV, which is the main shareholder of Danube Logistics SRL, explained that in 2010 the company planned to invest \$10 million in port

development and to complete the construction of the general cargo port. Besides, additional investments in the oil terminal are also foreseen.

The network of filling stations in Moldova will also be expanded up to 50. It is assumed that \$200 million will be invested in construction of refinery with annual capacity of 2 million tons, \$10 million for the completion of construction of an oil terminal, and \$15 million in the construction of the port. These plans could exacerbate the ecological situation on the Danube, as the refinery is an environmentally hazardous facility.



Ukraine

1. Gas resonances of the presidential elections in Ukraine. Recently elected the President of Ukraine Viktor Yanukovich expressed before the second ballout two theses, which became subject of strong objection in Ukraine and discussions in Europe. The first thesis refers to the possibility of Ukraine to participate in the implementation of bypass projects «Nord stredam» in the Baltic Sea and the «South Stream» in the Black Sea. Perhaps, the thesis was an impromptu of the presidential candidate and caused strong criticism and confusion. Mr. Yanukovich has not expressed this thesis any more, since both projects are contrary to the interests of both Ukraine and a number of countries through which Russian gas is delivered - Slovakia, Belarus, Poland (*see table below*).

The second thesis was devoted to the creation of an international consortium to manage Ukrainian Gas Transportation System (GTS).

For reference. Historical background counts almost 8 years. In June 2002 presidents of Ukraine, Russia and the Chancellor of Germany signed in St. Petersburg a joint statement on the possibility to create a consortium to manage and develop Ukrainian GTS. However, further negotiations on Russia's initiative were conducted in the bilateral (Ukraine-Russia) format, which was contrary to the tripartite approach stipulated in the Declaration. On October 29, 2002 a joint venture International Consortium for Management and Development of Ukrainian Gas Transport System was registered in Ukraine, which has been existing until now, but without the participation of the German side. Despite the fact that Mr. Yanukovich twice during the 8-year period was the Prime Minister of Ukraine (2002-2004 and 2006-2007), there was no progress in implementing this idea. The main reason is the unwillingness of Russia to provide the assurance of additional volumes of gas transit through Ukrainian GTS, without which Ukraine does not agree to consider the establishment of the consortium. In addition, the legislation of Ukraine prohibits the privatization or any other form of disposal of the GTS. The consortium is seen as a form of covered disposal of the GTS.

Expressed by Yanukovich and some members of his team proposal to return to the idea of a consortium got largely negative reaction in society, as its initiators (Group Firtash - Boyko - Levochkin) are linked to non-transparent schemes of gas business, which are associated with «Rosukrenergo», «Ukrgezenergo», «Ural Trans Gas». A number of Ukrainian politicians have put forward the idea of holding a referendum on creating a consortium, in particular, this idea was supported by former Ukrainian president Leonid Kravchuk (*more on issues of Ukrainian-Russian gas relations in Annex 2 - M. Gonchar's interview for French «Bulletin of the oil industry»*).

Nevertheless, it is obvious that the theme of the consortium will continue to be debated in Ukraine, Russia and in the EU. It is very likely that this issue would be problematic to implement, as Mr. Yanukovich hopes to use the consortium theme in order to review gas contracts with Russia, signed with the participation of Y. Tymoshenko, in terms of reducing the cost of purchased gas. However, «Gazprom» has stated that it did not intend to revise contracts of 2009, but it will wait for a formal proposal of the Ukrainian side about the consortium. (*About the influence of Russian bypass projects on transit through the territory of Ukraine, see Annex 2 «The impact of Nord Stream,*

South Stream on the gas transit via Ukraine and security of gas supplies to Ukraine and the EU»). A cautious interest in the idea of the consortium came from the lips of the Minister of Economy of Germany.

2. According to the Ministry of Economy of Ukraine **the gas price** for industrial consumers and other businesses **in January-February 2010** was 2020.25 UAH (252.5 USD) for 1 thousand cubic meters without VAT. The same gas price was also for budget organizations and institutions. But for certain categories of consumers it varied significantly. For the mining, metallurgical and chemical plants the gas price was 1899.25 UAH (237.4 USD.) for 1 thousand cubic meters without VAT, for producers of nitrogen fertilizers - 1584.4 UAH (198 USD), for thermal power utilities - 593.45 UAH (74,2 dollars.), for the householders - 348.29 UAH (43,5 dollars).

3. **The transit of gas through Ukraine increased in January 2010 compared with the recessionary January 2009 in 2,2 times - to 10,2 billion cubic meters.** Gas transit to EU countries, accounted at metering stations (GMS), was 9.726 billion cubic meters, in particular:

- In the direction of Slovakia at the GMS Uzhgorod - 6, 749 billion cubic meters of gas,
 - In the direction of Hungary at the GMS Beregove - 0.9925 billion cubic meters,
 - In the direction of Poland at the GMS Drozdovychi - 0.3793 billion cubic meters,
 - In the direction of the Balkans at the GMS Orlovka - 1,605 billion cubic meters,
- Transit to Moldova was 438.16 million cubic meters.

4. **On February 3, 2010** the company «Eurogas Ukraine» has acquired three additional licenses for the **extraction of methane from coal deposits in the eastern part of the country**. According to data, prepared by Montan-Consulting GmbH in 1998, the license area may contain at least 15.1 billion cubic meters of methane. Mining will be conducted within the framework of the joint venture «Eurogas Ukraine» and «EuroGas, Inc.» (USA). Currently negotiations are being conducted with one of Canadian drilling companies to begin operations in 2010 with the use of modern equipment for horizontal drilling. Austrian «EuroGas GmbH», which owns 50% «Eurogas Ukraine», has signed a memorandum of understanding on the exploration of gas in coal deposits and shale gas in the Lublin Basin in the west of Ukraine.

5. **The Naftokhimik Prykarpattia oil refinery has suspended its work until 2012 because of reconstruction**, to which about USD 1 billion was set aside in order to allow producing products that would meet the European standards of sulfur content. Production of such petroleum products is possible only from low sulfur oil (Ukrainian or Caspian). In this regard, the Odessa-Brody pipeline, in the opinion of management of the plant, should be redirected into forward mode to ensure supplies of raw materials from the Caspian region, both for Western refineries in Drogobych and Nadvirna.

6. **Since February 1, 2010 the transit of Kazakh oil through the "South" Friendship "through the territory of Ukraine has been suspended.** This will lead to financial losses in the amount of \$150-190 million UAH (\$19-24 million). The official reason for the termination of business relations between KazTransOil and Ukrtransnafta is the Kazakh Company's denial of the Ukrainian operator's services in connection with transit rates increase. However, many experts are inclined to believe that KazTransOil was forced to go from Ukraine under pressure of the Russian Transneft, which has thus decided to punish Ukraine for its intention to redirect the oil pipeline Odessa - Brody pipeline towards Europe, while preparing the resource base for BTS-2 bypassing Druzhba oil pipeline. It was also a warning to Kazakhstan for its willingness to supply the necessary volumes of oil to the Belarus refineries during the Russia-Belarus oil dispute in January 2010.

7. **On February 5, 2010 the World Bank adopted a decision on granting Ukraine additional \$60 million for the modernization of hydroelectric power plants.** Funds will be provided to the state company «Ukrhydroenergo», which will use them for the modernization of three hydropower

units of the Dnieper HPP-2 and three hydropower units of the Kremenchug HPP. «Ukrhydroenergo» will provide further financing of the project in the amount of \$45 million.

8. Ukraine, the European Commission and the IAEA have completed the realization of a joint project to evaluate the safety of Ukraine's nuclear power plants. According to conclusions of international experts, the comprehensive evaluation of safety in all areas showed [Ukraine's] reactors meet international nuclear safety requirements in full. It is noted that the evaluation of operational safety of Ukrainian NPPs showed, that the recommendations of previous missions of the IAEA Expert Group on verification of operational readiness (OSART) were taken into account in full. Among the unresolved issues, it was noted that further work on the creation of complex processing of solid radioactive waste and the base of normative documents in the field of behavior with radioactive substances should be continued. These issues are recommended to be resolved with the help of international technical assistance.

9. The National Security and Defence Council of Ukraine annulled the tender held by the Ministry of Fuel and Energy in order to select a company-developer, which will build in Ukraine an enterprise to produce nuclear fuel. For this project there is a competition between Russia's TVEL and the U.S. «Westinghouse». According to experts, the conditions of this tender were too obviously written out by a lobbying group in the Ukrainian Ministry to give odds to TVEL, and that was the reason of its abolition. Now, experts predict that Russian side will try to create problems for the Americans, using lobbying communications in the regulatory body - the Nuclear Regulatory Administration. It is possible that an attempt could be made to disrupt the loading of 42 fuel assemblies of American production, already supplied to Ukraine within the framework of nuclear fuel qualification. This would mean the emergence of serious problems for the newly elected president of Ukraine in relations with the USA. It could also create a negative background for the first visit of Viktor Yanukovich to Washington.

NOTA BENE!

1. On March 4, 34th session of the Ukrainian part of the Committee on cooperation between Ukraine and the EU was held in Kiev under the chairmanship of the Vice Prime Minister G. Nemyria. This Committee is also responsible for the issues of the Eastern Partnership (EaP). Representatives of the Public Expert Council, headed by O.Rybachuk (former Vice Prime Minister for European Integration and the head of the administration of the President V.Yushchenko), as well as members of the Council - Svyatoslav Pavlyuk (National Coordinator EaP CSF) and Michael Gonchar (Coordinator of WG3 EaP CSF) were invited to the meeting.

Representatives of the EaP CSF presented the results of the Forum event on 16-17 November 2009 in Brussels, informed about the participation of representatives of CSF in the Ministerial Conference on Dec. 8, 2009, the Steering Committee of the CSF. CSF Representatives asked the Government of Ukraine to provide official support for the participation of the WG Coordinators in the Thematic Platform meetings, as well as access to official documents at the national level pertaining to the activities of the EaP.

From the Government it was said that the Ukrainian side had no objection for participation of the WG coordinators in Thematic Platform meetings, and access to relevant documents will be allowed according to legal procedures. The Government will coordinate both issues with the European Commission.

In the official record of the meeting a few positions on the EaP were reflected, and in particular, a number of ministries and the Coordinating Bureau of European and Euro-Atlantic integration were instructed to interact with the Ukrainian non-governmental organizations, members of the EaP CSF during the implementation of working programs of Thematic Platforms.

2. On March 3, the Institute of World Policy (IWP, director - Alyona Getmanchuk), and International Centre For Policy Studies (ICPS, director - Olga Shumylo) presented the special publication «A New Foreign Policy for Ukraine. Expert Perspectives» (see <http://www.iwp.org.ua/eng/public/137.html>). It contains the recommendations to new President of Ukraine.

Fifteen leading Ukrainian experts on foreign affairs were involved to this document creation.

IWP and ICPS are going to deliver this publication to New President, leading Ukraine's politicians, Ministry of Foreign Affairs of Ukraine, and foreign embassies in Ukraine.

This project was supported by USAID, UNITER, Pact of Ukraine. English version available on http://www.icps.com.ua/files/articles/55/80/Uniter_ENG_last.pdf . Pay attention to the section «Ukraine and the Environment: Together in Noah's Ark», prepared by Catherine Zarembo.

3. Also in Kiev, the results of the joint project «RUSSIA-UKRAINE 2009 GAS CRISIS: Comparative view from Kyiv, Bucharest and Chisinau», executed by experts of the Institute for Euro-Atlantic Cooperation (Ukraine), the Center for conflict prevention and early warning systems (Romania), Institute for Public Policy (Moldova) were presented. This project was supported by the German Marshall Fund and the Black Sea Trust for Regional Cooperation. English version of the study, see Annex 4.

4. Within the framework of the WG3 activities (Environment, climate change, energy security) you can send us your estimations, comments, and ideas. We will publish them in our bulletin.

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