

UKRAINE BARS RUSSIAN-PROPOSED ALIENATION OF ITS GAS TRANSPORT SYSTEM

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by Vladimir Socor

Russian President Vladimir Putin's February 1 call to "unify" Ukraine's gas transit system with that of Russia has strongly backfired. In Kyiv, opposition leader Yulia Tymoshenko initiated and the Verkhovna Rada adopted almost unanimously on February 6 a law banning any form of alienation of Ukraine's pipelines and other assets of the national company Naftohaz Ukrainy.

Putin had stated in his annual news conference (Kremlin.ru, February 1) that Ukrainian President Viktor Yushchenko and the government of Prime Minister Viktor Yanukovich favored sharing control of Ukraine's transit pipelines through a consortium or similar deal with Russia, in return for Ukrainian "access" to oil and gas extraction projects on Russian territory. Presenting this idea as a Ukrainian proposal, Putin disclosed that it would figure on the agenda of Yushchenko's upcoming visit to Russia. Putin omitted to say that one extractive project under consideration for this deal, in Russia's Astrakhan oblast, has Dmytro Firtash as its main owner. Firtash fronts as the main shareholder in the purportedly Ukrainian half of Gazprom's offshoot RosUkrEnergo.

Putin's apparently calculated bean-spilling proved premature and forced Kyiv's proponents of this deal on the defensive politically. The Tymoshenko-initiated bill garnered 430 votes, with none opposed, in the 450-seat Verkhovna Rada.

The law bans any deals that would involve the sale, transfer, merger, joint venture, concession, lease, putting up as collateral, the joint or trust management, mortgaging, and any change in the status of ownership or control of Ukraine's gas transport system and other Naftohaz assets. It also stipulates that Naftohaz may not be declared bankrupt -- an ultimate safeguard against Russian debt-collection through asset-takeover. The law would only allow transfer of Naftohaz assets hypothetically to an entity that would be 100% Ukrainian state-owned.

Government members who have been conducting untransparent talks on the issue with Russia seek to relativize the new law's significance. First Deputy Prime Minister and Finance Minister Mykola Azarov, Deputy Prime Minister responsible for energy Andriy Klyuyev, and Fuel and Energy Minister Yuriy Boyko (all from the Party of Regions) suddenly remember old legislation still on the books that bars "privatization" and "change of ownership" of Ukraine's gas transit system. Thus they seek to portray the new law as redundant. However, the new law is far more comprehensive and closes all possible avenues for alienating these Ukrainian national assets to Russia.

The government's pro-Russian elements are clearly aware of the new law's significance, as could be seen in Azarov's televised interview in Kyiv (in Russian throughout) angrily terming the law "stupidity" and its rationale "a lie" (One Plus One TV [Kyiv], February 6). In two separate interviews Azarov defended the proposed "gas transport consortium" and "joint management" of Ukraine's pipelines with Russia. More cautiously and

ambiguously, Klyuyev told the Rada before the vote that the government has "no plans at this time to hand over the gas transport system to Russia, to the European Union, to Belarus, or to anyone." Thanks to Putin's indiscretion and Tymoshenko's initiative, however, the political atmosphere made it impossible even for pro-Russian deputies to stop the passage of the law.

Yet ambiguities persist even among some pro-presidential groups and from Yushchenko himself. Following Putin's statement, which had credited him with what Putin termed this "revolutionary" idea, Yushchenko confined himself to a brief comment calling for a cautious, go-slow approach to this issue (Interfax-Ukraine, February 3). After the parliament's vote, Anatoliy Kinakh -- chairman of the Rada's national security and defense committee and leader of the Party of Industrialists and Entrepreneurs, a component of the pro-presidential Our Ukraine -- clearly hinted to the press that he favors "joint management" with Russia of Ukraine's gas transit system. Kinakh had taken this position also while serving as Secretary of the National Security and Defense Council during the December 2005-January 2006 gas crisis. This time around, he additionally suggests inviting unspecified "European countries" as well as Turkmenistan, Kazakhstan, and Azerbaijan to the proposed Russia-Ukraine gas transport consortium.

The law comes none to soon, as bilateral discussions are ongoing about ways and forms of shared Russian-Ukrainian control over Ukraine's gas transit system. Putin and Yushchenko expect to meet in March in Russia, and an intergovernmental group is due to work out specific proposals in this regard. This law gives Ukraine breathing space to involve the European Union (not just Germany in its national capacity) in the needed modernization of Ukraine's gas transit system in the EU's own interest.

(Interfax-Ukraine, UNIAN, Channel Five TV (Kyiv), Ukrainian Television Channel One, February 5, 6)