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Putin, Kuchma started shady RosUkrEnergo

Yushchenko's desire to keep intermediary threatened nation's security

The January gas crisis has lasted longer than a similar crisis three years ago and the majority of the blame lies with Russia, particularly with puppet-master Vladimir Putin. President Dmitry Medvedev and Gazprom are both controlled by Putin and the siloviki that replaced oligarchs as the ruling elite under Putin's watch as president of Russia. Russian specialists describe contemporary Russia as a militocracy in contrast to the oligarchy of the 1990s.

The gas crisis has been awash with dezinformatsiya, or disinformation, that Putin, as a former KGB officer, is undoubtedly well qualified to undertake. Russia's Gazprom has learnt its lessons from the 2006 crisis and – unlike Naftogaz Ukrainy -- hired public relations firms to promote dezinformatsiya and spin to a Western audience.

This Russian spin was aided and abetted by the continued location of Western correspondents based in Moscow, from where 90 percent of Western television station commentary emanated.

Let us take a look at the dezinformatsiya.

Intermediaries: Putin, as president, and Ukrainian President Leonid Kuchma established the opaque RosUkrEnergo (RUE) intermediary in July 2004 at a Yalta meeting. RUE was established during the 2002-2004 Victor Yanukovich government and its sponsors and benefactors have since become a powerful gas lobby within the Party of Regions that Yanukovich heads. This has meant that the gas lobby has continued to corrupt Ukrainian politics and the Ukrainian parliament.

To deny knowledge of RUE is disingenuous on the part of Putin as he was present at its birth. Gazprom is a 50 percent share owner of RUE and Gazprom is intimately linked with Putin and the Russian president.

RUE was re-introduced in the January 2006 gas contract with the support of Ukrainian President Victor Yushchenko, who went on record as supporting RUE's inclusion. He later denied that RUE was a corrupt outfit.

The Yulia Tymoshenko government and her eponymous bloc voted against the 2006 gas agreement and have continually opposed the use of RUE and any intermediaries in the gas relationship. The gas agreement negotiated between Tymoshenko and Putin has removed gas intermediaries – at Ukraine's insistence.

Subsidized gas: Ukraine has not been "subsidized" by Russia, as Putin claims, but by Central Asia.

Market price: Tymoshenko and Putin signed a memorandum three months ago that outlined a clear transition over three years to the so-called "market" or European average price. This is advantageous to both sides for economic reasons. In addition, when Ukraine is no longer a gas junkie it will be a more fully sovereign country able to decide its geopolitical orientation without Russian energy pressure that has hung over Ukraine since 1992.

Of course, what Russia cannot accept is the fact that a policy of restoring Russia as a great power based on rising energy prices has unfolded. The price of oil and gas is falling dramatically, and so too is the Russian regime's ability to buy off its citizens by exchanging high standards of living with a militocratic-managed democracy.

Transit fees: The real crux of this current gas crisis is Russia's inability to accept Ukraine as a sovereign nation-state that lies outside the limited sovereignty of the near-abroad. Particularly, it galls Russia that these Ukrainians have the audacity to hold Russia over a barrel.

Despite the building of new pipelines, Ukraine will still transport most of Russian gas, though not 80 percent as it does today.

Why should Ukraine agree to a transition to "market" gas prices while Russia sticks at subsidized transit fees that are half the price charged by central Europe (i.e.

Ukraine's current \$1.6-\$1.7 price compared to \$3.5 to \$4 per 1,000 cubic meters per 1,000 kilometers)? Russia's unwillingness to pay higher transit fees was premised on its unwillingness to accept reality; namely, that Ukraine had Russia over a barrel.

Valves: Ukraine could not have turned off the gas flowing to Europe as the valves are all located on Russian territory. Similarly, how can Russia claim that once an agreement is signed with Ukraine that it will resume gas shipment? Clearly, Russia is the one to blame for disrupting the flow of gas to the EU.

Blaming Ukraine for stealing gas is a new charge. After all, Russian and Ukrainian elites have been stealing gas since the fall of the U.S.S.R. and both sides have been culpable in this corruption. But, why did Russia not complain when Ukraine's oligarchs under Kuchma and Yanukovich stole gas in the 1990s in large quantities with some Ukrainians establishing themselves as oligarchs directly from this corrupt trade.

Treason: Last summer Tymoshenko was accused of serious treason charges by the presidential secretariat for her alleged "deal" with Putin of Russian support for her presidential bid. Nevertheless, Tymoshenko and Naftogaz Ukrainy have adopted a tough negotiating position in the current gas crisis that does not suggest any "deal" was ever struck.

But, as we have seen, the only two deals made by Tymoshenko and Putin were in October and January, both on gas, and these have been beneficial for Ukraine. The RUE intermediary has been removed from the gas relationship, which will reduce corruption in Ukrainian politics (an added bonus will be reduced financing of the Party of Regions from the gas lobby). Meanwhile, the transition to "market" prices for gas and transit fees will free Ukraine of Russian gas pressure and permit Kyiv to pursue Trans-Atlantic integration.

Meanwhile, those who made the treason charges themselves re-introduced RUE into Ukraine's gas relationship three years ago and permitted it, according to RUE co-owner Dmytro Firtash, to control three quarters of gas distribution inside Ukraine. This fact is, as former Defense Minister Anatoliy Grytsenko states, a direct threat to Ukraine's national security. The RUE gas lobby also controls the largest party in the Ukrainian parliament, the Party of Regions.

It is obvious therefore which Ukrainian politician has, therefore, harmed national security the most.

Central Asia, not Russia, has been subsidizing Ukraine with gas while Ukraine has been subsidizing the Russian economy with low transit fees. The RUE gas intermediary and its affiliates have meanwhile, been corrupting Ukrainian politicians and politics and damaging its sovereignty.

Hopefully, there will not be a repeat of this year's gas crisis.

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