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European focus

National dialogue in Ukraine: search for the ways of conflict resolution or freezing of the conflict in Ukraine's East?



It can be expected that the project on national dialogue in Ukraine will be reanimated in the near future. This is indicated by a number of recent statements by European leaders on the necessity to restore political trust in dialogue between the parties, namely by President of the European Council Herman Van Rompuy. Such statement was made during Mr. Van Rompuy's speech at the Institut d'études politiques de Paris on November 25, 2014. The same idea of the need for a dialogue between Kyiv and Donbas has been periodically pushed through by Russia. In particular, the relevant statement was made by Minister of Foreign Affairs of the Russian Federation Sergey Lavrov after the meeting with Germany's Minister for Foreign Affairs Frank-Walter Steinmeier on November 18, 2014. After 17 November session, Foreign Affairs Council concluded that there was the need for restoring nationwide comprehensive national dia-

logue on reforms in Ukraine, which was set out in the relevant Foreign Affairs Council conclusions.

The idea of initiating national dialogue in Ukraine with the aim of resolving armed conflict in Ukraine's East is slowly pushed through both by Ukraine's Western partners and Russia. Today, for Europe the implementation of the project on national dialogue in Ukraine is one of the means to reduce tensions in relation to the existing conflict in Ukraine's East and its further freezing. This will allow European countries to bring up the issue of lifting sanctions against Russia, which keep having a negative impact on their own economy. In this regard, goals of European countries and Russia concur.

At the same time, Russia is planning to reach other goals through the implementation of the project on national dialogue in Ukraine. Firstly, this project may become a means of further legitimization of the leaders of the self-proclaimed DNR

and LNR, whom Russia wants to engage in national dialogue at the political level. Taking into account that national dialogue is to be implemented first of all by the OSCE, this may become an additional platform for Russia to expose to the world the “violation” of Ukrainian Russian-speaking citizens’ rights in Donbas. In case national dialogue takes place, Russia will get a chance to promote its vision of the events in Ukraine through completely tame representatives of civil society in the same-proclaimed republics.

For both Russia and the West, which failed to respond effectively to Russian aggression, national dialogue is not a means of resolving the problem of national unity, but rather an instrument for reducing social tensions and mere talking round the subject. The following features of the project only confirm this:

For both the West and Russia national dialogue in Ukraine is a means of reducing social tensions

- National dialogue in Ukraine is viewed solely as dialogue between Kyiv and Donbas, while there is no such dialogue between Ukrainian regions, though historically Ukraine has never been a homogenous country;
- The issue of dialogue with Crimea is not mentioned in the project;
- Conflict in Eastern Ukraine is viewed mainly as Ukrainian internal conflict or civil war, without taking into account Russian factor.

Such attitude of international organizations and Western countries toward national dialogue in Ukraine may be taken as another victory of Russian non-linear information war in Europe, the main goal of which is to change the course of public discussion.

As for Ukraine, Ukrainian government viewed national dialogue solely as a requirement of the 17 April Geneva agreements in the quadripartite format (Ukraine — Russia — the US — the EU), according to which there should be “immediate start of a broad national dialogue in the context of constitutional process, which would take into account interests of all regions, political entities in Ukraine and public opinion”. In order to fulfil these agreements, Ukraine with the support of the OSCE conducted three national round table discussions in May, which were

a mere imitation of crisis resolution in Ukraine’s East by political means at a time when a large-scale armed conflict had not started yet.

Today, the ruling elite in Ukraine are not interested in holding national dialogue and implementing policy of reconciliation. The reason for this is its inability to go beyond the matrix of political culture in Ukraine, which has existed since Ukraine became independent. This inability results from financial — political groups abusing differences between Ukrainian regions to get certain electoral benefits. As a result of Crimea annexation and impossibility to hold parliamentary elections in Donetsk and Luhansk territories controlled by separatists, the ruling political bloc managed to considerably decrease the number of their political opponents from the Opposition Bloc (former Party of the Regions) in a new Parliament as well as exclude communists from the Parliament. If residents of these regions had participated in parliamentary elections, political parties, which won the elections and are currently discussing the future coalition, would have had less seats in the Parliament, whereas Petro Poroshenko would have not won in the first round of May presidential elections.

Ukrainian ruling elite is not interested in implementing policy of reconciliation

Any election program of political parties, or blocs, which signed the coalition agreement (People’s Front, Bloc of Petro Poroshenko, Samopomich, Radical Party of Oleh Lyashko, and Batkivshchyna) does not contain the provision on national dialogue or policy of reconciliation, or provisions on return of Crimea to Ukrainian jurisdiction, or reintegration of Donetsk and Luhansk regions’ territories, which are not controlled by Ukrainian government. These issues are not mentioned in the coalition agreement.

The mentioned participants of political process view the current conflict in Ukraine’s East solely as the conflict with Russia, preferring not to mention the fact that if there were not internal divergence between Ukrainian regions, Russia would have not been able to turn the situation to its advantage (what actually happened in other south-eastern regions of Ukraine).

Only political programme of the “Opposition Bloc” contains the provision on the need to “devel-

op and implement national dialogue to reconcile different Ukrainian regions, which would provide for the creation of a platform to communicate with representatives of local authorities from all Ukrainian regions” as well as “develop and approve the Concept of humanitarian development entitled “Unity in diversity”. Moreover, the Opposition Bloc referred to the necessity to protect legal rights of Ukrainian citizens in Crimea alongside rights of IDPs, as well as the need to create conditions to ensure that “residents of the regions suffered as a result of military elections should see their prospects of living in a united Ukraine”.

At the same time, one should not idealize the approach of the Opposition Bloc as regards the issues of Ukraine’s unification, as this political party includes persons who used to deepen misunderstanding between Ukrainian regions, which led to the militarization of the conflict. Today, the mentioned political party uses rhetoric as to reconciliation and national dialogue to restore its once lost position in Ukrainian politics to protect their own interests, which were affected by the conflict.

As for Ukrainian government and President, the indication of their unwillingness to pursue public policy of national unity and reconciliation is the official self-withdrawal of Kyiv from Donbas regions which are not controlled by Ukrainian government, suspension of social welfare payments in these territories and refusal to solve the problems of Donbas residents, who are still Ukrainian citizens. Another problem is inability of Ukrainian government to protect rights of IDPs and Ukrainian citizens in Crimea because of Ukrainian government refusal to reform outdated Soviet-style administrative and licensing systems. Thus Ukraine turned out to be incapable of integrating IDPs which is the most active part of Donbas society and support a united Ukraine as well as Crimea residents that left the peninsula or continue living there, while keeping Ukrainian citizenship. There is a high possibility that such Ukrainian citizens will get disappointed with the idea of a united Ukraine as a result of inaction and indifference

“Opposition Bloc” is trying to use national dialogue in its interests

Kyiv’s dissociation from Donbas indicates the lack of interest in reconciliation and national dialogue

ence of Ukrainian government.

Secondly, in view of the complete unwillingness of Ukrainian government to implement reforms and the persistence of old corruption schemes, it can be assumed that today the ruling elite is interested in the existing conflict in eastern Ukraine and the absence of national dialogue. On the one hand, the existing conflict is used as justification not to implement reforms. On the other hand, it creates favourable conditions for further distribution of wealth in Ukraine. Thus the idea of return of Crimea to Ukrainian jurisdiction and reintegration of Donbas through the creation of an attractive project of reformed Ukraine is rapidly losing its potential for implementation.

In order to achieve a goal on resolving the conflict in eastern Ukraine, negotiations and dialogue should be conducted at three levels:

In order to resolve the conflict, the dialogue should be conducted at three levels

- international negotiations with leading geopolitical players, which would be aimed at finding solutions to reform the security architecture in the region and the world. Ukraine, which proved to be the main catalyst for the destruction of the existing security system, should be directly involved in the negotiations acting not just as an object of agreements. In addition, Ukraine should propose and promote its own vision of solving the conflict with Russia in the context of global security. Currently, the leading countries are not ready to address the issue of a new world order that was demonstrated during the recent G20 summit in Brisbane. The time required to agree the format of negotiations should be used by the Ministry of Foreign Affairs to improve its efficiency and to develop concrete proposals for a new agenda of international relations.
- dialogue between official Kyiv and DNR/LNR to solve citizens’ problems caused by the conflict. Understanding the reluctance of the official authorities to contribute to legitimization of the self-proclaimed republics’ leaders, such negotiations can be conducted at a lower level, in particular through the Special Representative for National Dialogue or the Minister for Reconciliation and Reintegration. It is reason-

able to immediately establish such positions. The Ukrainian government should demonstrate its willingness to protect the interests of all citizens of Ukraine, and not just those living in controlled areas. This approach will help create conditions for domestic reconciliation, as well as will give hope to the citizens of Ukraine residing in the temporarily occupied territories that law and order will be restored soon;

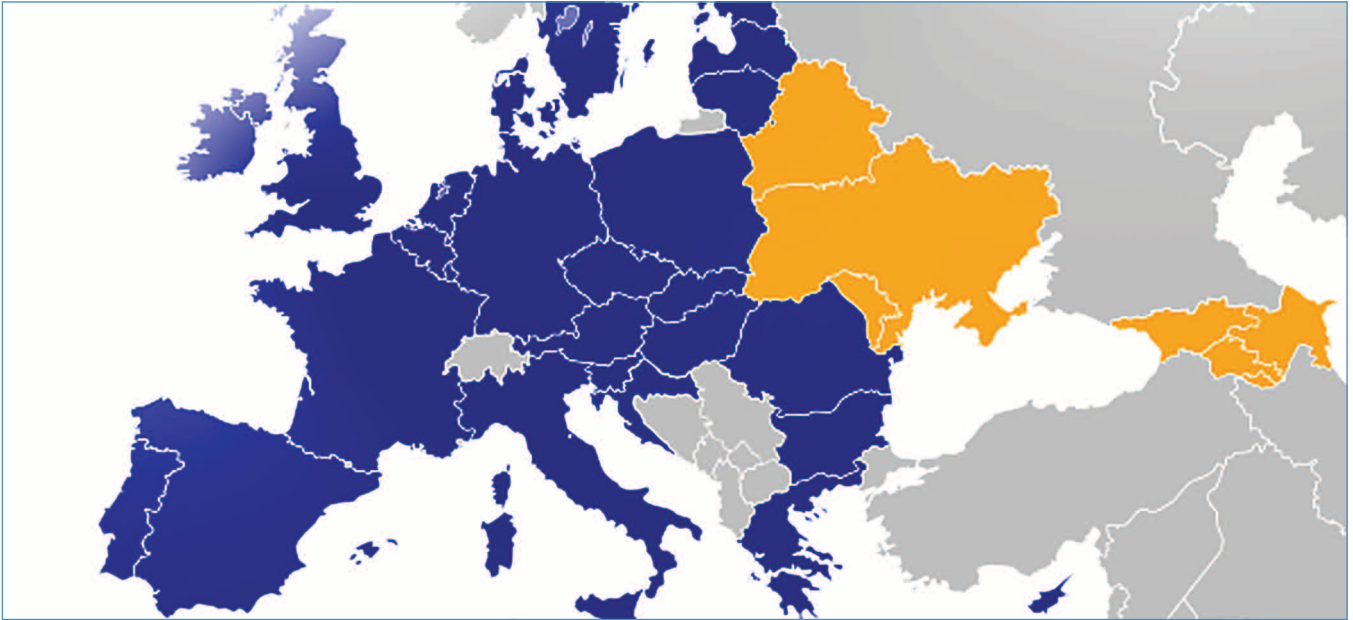
- internal Ukrainian dialogue at the societal level aimed at increasing the level of trust between citizens from different regions of Ukraine in order to reach national unity. Such a dialogue should be conducted at the grassroots level and commenced with confidence establishment that can be achieved through implementation of joint projects including restoration of destroyed territories, exchanges, sporting events etc. After achieving results in this direction, it will be possible to start developing joint generalized approaches on the common vision of the future development of the country and creation of the policy on national unity.

Unfortunately, today neither the government, nor part of the civil society in Ukraine does not understand the importance of national dialogue for the country's reintegration. There are only few initiatives of non-governmental organizations aimed at facilitating internal Ukrainian reconciliation. At the same time, there is a great number of international non-governmental organizations trying to implement projects on national dialogue in Ukraine. It creates a number of risks for the country. First, riskiness is associated with insufficient knowledge on peculiarities of the conflict, as well as the possibility of changing the national dialogue in Ukraine into a discussion desired by foreign actors that may not meet national interests.

Ukrainian government and society should understand: if the country does not take an active stand in conducting the national dialogue at all levels mentioned above, other interested parties will do it. Such an approach will facilitate further marginalization of the country and its existence as an object of international relations, as well as implementation of new scenarios on the country's split.

European focus

A year after Vilnius: what happens to the Eastern Partnership



In 2008, Poland and Sweden came up with a new format of cooperation with 6 former Soviet republics (Azerbaijan, Belarus, Armenia, Georgia, Moldova and Ukraine). The EU initiative “Eastern Partnership” (EaP) was officially launched on May 7, 2009 in Prague. Then, after the EU enlargement in 2004, the local bureaucrats were determined to fix eastern borders with the EU and approximate neighbouring partners to European standards.

In 2009 the EU regarded the EaP as an opportunity to fix Eastern borders

Visa liberalization, FTA and political association were among the key areas of collaboration that evoked interest. However, the most desirable provision, i.e. the feasibility of EU membership, was not mentioned neither in the initiative of EaP nor in the Association Agreements signed by Georgia, Moldova and Ukraine in 2014.

This week marked a year since the Vilnius summit of the Eastern Partnership took place. On November 29, 2013, Ukrainians and Europeans still hoped that President Yanukovich would sign the Association Agreement and Ukraine would become the first country of the EaP, which succeeded in it. However, expectations were not met due to

well-known events. As a result, only after the victory of the revolution of dignity the Association of Agreement was signed in two stages. A political part of the document was signed by Prime Minister Arseniy Yatsenyuk on behalf of Ukraine, while newly elected President Petro Poroshenko signed an economic one. The Association Agreements with Georgia and Moldova were signed fully and comprehensively.

The goal of the EU and EaP countries that signed the Association Agreement is to figure out which steps to be made next. To understand whether the Eastern Partnership can advance and succeed in the future, the pros and cons of the initiative should be explored. It is worth mentioning that distinct differences among the member states were noticeable even while developing the Eastern Partnership initiative.

Differences among the member states were noticeable while developing the initiative

The countries of so-called ‘old Europe’, which had significant relations with Russia, tried to hinder this initiative implementation. Southern EU member states also were not wholly supportive since they sought how to enhance cooperation with Mediterranean countries. In fact, the

initiative lobbyists were its initiators — Poland and Sweden, as well as Great Britain and some countries of Central and Eastern Europe. As a result, unconsolidated position and lack of enthusiastic support from the key states, founders of the EU, influenced both this initiative funding and future prospects of the partner countries.

The EU inability to agree on a mutually beneficial format of full-scale cooperation with Russia, the largest country in Europe which happened to be outside the European integration processes, became one of its failures. Vladimir Putin was offered to sign a separate Agreement between Russia and the EU, but this was insufficient. The Eastern Partnership became the cornerstone of Russia-EU relations. Obviously, while launching the initiative, the EU could not forecast (unlikely on purpose) a scenario that we have today. It is adequately justified by Europe belief in the rule of law and the need to respect human rights. Instead, Russia has historically regarded all 6 Soviet republics as its sphere of influence. The Kremlin cultivates the rule of force rather than the rule of law, which resulted in divergent views and actions concerning the EaP countries. While the EU offers the Association Agreement carrot, Russia uses trading, gas and real wars stick. Moscow is not able to sustain European standards of life and respect for human rights and freedoms. But it can (in the case of Yanukovich, for example) give billions in loans, which happened just after diplomatic fiasco in Vilnius.

However, the Association Agreement is signed and it is “not an ultimate goal”. This formulation by the EU is so veiled that it is difficult to be slammed. It creates the illusion that the EaP countries might get the status of candidates for EU membership in the long run. On the other hand, such a formulation is the most convenient when Europeans have not decided yet which substance to inject into its content.

Deepening integration within the EU and its enlargement have always been concurrent. Such a construction and its self-regenerating nature prevail over the ultimate goal of the EU development, i.e. its final content

Russia is a threat to European integration as its outsider

Deepening and enlargements of the EU are concurrent processes

and form. It is probable that granting the candidate status to three countries which signed the Association Agreement would provide all parties of the process with precise answers to eternal questions — what will happen next and what to strive for. In the light of difficult political situation in Europe, such a move would let Russia comprehend the EU firm intentions, determination and consistency of actions. Moreover, in practice, such a step would highlight the efficiency of the EU motto “more for more”, and again confirm the validity of the fundamental principle of European community “unity in diversity”.

In this regard, financial assistance is a basis for the initiative endorsement. Significant financial resources are required for reform implementation in EaP countries. The EU budget for 2009-2013 included only EUR 600 mln for the Eastern Partnership initiative (6 states). For comparison, in 2007-2010, financial assistance for candidate countries Macedonia (population 2.107 million) and Croatia (population 4.4 million) made EUR 302.8 mln and EUR 592 mln respectively, while Turkey received EUR 2 bln 256 mln. Experience confirms that providing political stimulus by means of European prospective and economic motivation through appropriate financial support made a positive impact on these countries' European integration. Such model might be applied to three countries of the Eastern Partnership.

As a matter of fact, the EU and those countries which refused to sign the Association Agreements require a new cooperation approach. Belarus and Armenia are currently in the Russian sphere of influence, but with regard to recent events in Ukraine, they should reconsider their position. For these states, collaboration with the EU is more vital than its impact on reform implementation, since their political elites are not ready to change to democracy now. New approaches to Azerbaijan should be adopted, given its strained relations with Armenia because of Nagorno-Karabakh conflict.

According to recent observations, the official EU still has not taken any decision on further existence

Granting the candidate status to the EaP countries and “pre accession” financial assistance are the keys to positive changes

The EU cooperation with Belarus, Armenia and Azerbaijan requires a new format

of the Eastern Partnership. There are no conclusions as to the results and failures of the EU throughout years of this policy implementation. It is clear that the EU should have the tools to spread the influence from its borders towards East, considering the key importance of the bordering countries for Europe's safety. The effective implementation of the format will ensure common success of the EU and former Soviet republics. In order to avoid a complete collapse of the EaP, the official EU needs to try innovative approaches and solutions, as well as asymmetric responses to security issues in Europe.

Instead, civil societies of the EaP countries activate their collaboration. Thus, on 20-21 November, 2014 a regular meeting of the Eastern Partnership Civil Society Forum was held in Batumi. Recent events on the European continent affected a number of important decisions, which were reconsidered during the meeting.

The EaP civil society looks for new models of cooperation

Among them are the resolutions on the EaP countries' fight against information warfare waged by Russia, strengthening cooperation with EU-Russia forum, looking for a new format of cooperation between Armenia and the EU in the field of security as regards the situation in Nagorno-Karabakh. Special attention was given to the establishment of Civil Society Platforms between the EU and states, which signed the Association Agreements. Ukraine, Georgia and Moldova proposed to found a special multilateral EU-Ukraine-Moldova-Georgia committee to consolidate an effective mechanism and elaborate approach to platform creation. Such position is explained by the fact that the European Economic and Social Committee imposes its vision, which representatives of partner countries are not in favour of.

Consequently, civil societies of the EaP countries take on the initiative to modernize the EU policy. Responsible decisions of Brussels and the EU member states are necessary to restart the EaP.

Regional and global focus: implications for Ukraine

IMF expects more active reforms from Ukrainian government



In addition to an increasing military threat and possible escalation of the conflict in Eastern Ukraine, Ukrainian current economic situation remains a major threat to Ukrainian statehood. Material losses and destruction caused by military actions, the loss of control over certain territories, suspension of the functioning of many enterprises in ATO zone, which negatively affected the production chain, added to the traditional problems of Ukrainian economy, which were caused by a lack of reforms, pervasive corruption, unfavourable entrepreneurship climate, the absence of the mechanism for investors' protection, over-regulated licensing system, non-transparent and complicated tax system etc. All these problems create additional pressure on public expenditures as regards debt repayment and FX rate.

Economic deterioration is a threat to Ukrainian statehood

Under such conditions, it is very important for Ukraine to renew its active cooperation with the IMF at the beginning of 2015. The IMF agreed to deliver substantial financial aid to Ukraine on condition that Ukrainian government comply with a number of requirements, which regard the implementation of urgent economic reforms, especially banking, budget, tax, and energy reforms. However, the last IMF fact-finding mission to Ukraine, which was tasked with analyzing current Ukrainian economic situation, progress on the program implementation as well as government policy aimed at supporting macroeconomic and financial stability and stimulating economic growth, was not satisfied with the way reforms were being implemented in Ukraine.

The last IMF fact-finding mission was not pleased with the way reforms were being implemented in Ukraine

This year Ukraine received two loans from the International Monetary Fund. The first tranche totalling USD 3.19 bln was received at the beginning of May. Though expected in the middle of summer, a second tranche was received as late as early September in an amount of USD 1.39 bln, USD 1 bln of which was used to replenish the state budget and around USD 400 mln was used to replenish the National Bank of Ukraine reserves.

The expected amount of upcoming IMF third and fourth tranches is USD 2.8 bln. Without these tranches, it will be harder for the NBU to support Ukrainian hryvnya. NBU gold and exchange reserves have fallen to a minimal level by the end of November since March 2005, totalling USD 12.6 bln. If Ukraine does not receive more IMF tranches in the near future and Ukrainian hryvnya is in need of active support on the interbank, the reserves may lower to USD 10 bln by the end of this year.

NBU reserves may lower to USD 10 bln by the end of this year

Additional risk factor is the need to repay the debt to "Gazprom". Ukraine should repay the debt to "Gazprom" in an amount of USD 3.1 bln for

the gas consumed during November-December. Ukraine should also pay for gas, which Ukraine will need by the end of this year, which makes additional USD 1.5 bln (it is expected that 4 bln cubic meters of gas will be imported from the Russian Federation under prepayment). Another challenge is a possible Russian demand to pay off last year's loan worth USD 3 bln before the agreed deadline. The Kremlin may do this at the beginning of the next year, even despite its assurances to the contrary. In this regard, the risk of default looms large without the IMF tranches.

Debts to "Gazprom" and Russia last year's loan are additional risk factors for gold and exchange balance.

The delay with additional IMF tranches may not only affect the support for hryvnya and foreign debt payment, but also may keep out potential institutional and private investors, which are very important for Ukraine in terms of economic recovery. In addition, investment climate in Ukraine is quite unfavourable. Given such conditions, a top priority task for Ukrainian government is to start the implementation of real economic reforms.

Will current innovations in the national energy legislation allow implementing "gas hub" project in Ukraine?

As a result of the decline in financial liquidity of "Naftogaz", the government introduced a number of restrictions for private energy companies in order to strengthen the capitalization of "Naftogaz". This happened against the background of deterioration of the investment climate in the industry and the growing distrust of the European partners.

At the same time, interim Ukrainian-Russian gas agreements provide for repayment of Ukraine's debts to "Gazprom" for previously consumed gas in the amount of USD 3.1 bln by the end of 2014. Only after debts payment, the official Kyiv can purchase the required volumes of gas. Taking into account a difficult economic situation in the country, expenditures for ATO and increase in payment arrears

of gas consumers (total arrears of heating utility enterprises, heating plants and direct gas buyers to "Naftogaz" amount to USD 14.7 bln), "Naftogaz of Ukraine" got a problem with underfunding and lack of state funding.

The Ukrainian government decided to strengthen capitalization of "Naftogaz" by coercion, resorting the old model of management proved by Soviet authorities and built on the principle of state monopoly. Thus, on November 7, 2014, the regulation № 596 of the Cabinet of Ministers was approved. According to it, the Cabinet of Ministers obliged the industrial,

Capitalization of "Naftogaz" is carried out on account of private companies

energy-generating and heat-generating enterprises (90 economic entities) to purchase natural gas only from “Naftogaz” since 1 December 2014 until 28 February 2015. However, 5 days after, Yatsenyuk’s government adopted the regulation № 599 and accelerated the process of monopolizing gas supplies by “Naftogaz” by making an amendment to the regulation № 596: the indicated enterprises are obliged to purchase gas “after the date of enactment of this regulation”. If companies indicated in the list does not have a contract of sale with “Naftogaz”, they have to conclude such contracts immediately. Moreover, GTS operators are not allowed to receive applications from these 90 enterprises regarding gas supplies from other gas suppliers. Thus, “Naftogaz”, which was selling gas mainly to the population and budget organizations at “favorable” prices, is shifting its capitalization burden to private businesses. It is not excluded that the reason for the adoption of the regulation of the Cabinet of Ministers may be an attempt to tighten control over production and financial capability of the enterprises. The intention of the Cabinet regarding state monopolization of the gas market, even in extreme conditions, contradicts European integration vector of Ukraine’s foreign policy and the implementation of the Third Energy Package.

The decision on monopolization of gas market immediately caused outrage in the European Energy Community. Head of Secretariat Janez Kopac said that “liberalization and an open gas market are among the main principles of the Energy Community... Ukraine should understand that it should not secure its supplies by abolishing already implemented reforms.” Thus, the Cabinet of Ministers departs from the key principles of Energy Community though they are legally binding for Ukraine.

Almost simultaneously with the Prime Minister’s “innovations” in the energy sector, on November 14, the President approved a Decree “On ensuring energy security of the state and urgent measures regarding sustainable heating season for 2014/15 years”. According to it, since 1 December 2014, the private gas extracting companies, including those operating under the joint venture agreement, are obliged to sell gas to the state to meet the needs of the population and housing and communal services for the period of 2014-2015. According to “Ukrgezvydobuvannya”, “Naftogas” purchases gas of national extraction at a price of USD 50/

thousand of cubic meters. If the government plans to oblige private gas distributors to sell gas at this price, it will inevitably lead to bankruptcy of the private gas extracting companies. According to estimates of Wood Mackenzie (2013), the cost of extracting Ukrainian gas from non-traditional gas-bearing reservoirs of Dniprovsk-Donetsk cavity is not less than USD 265. According to private companies, the cost is about USD 200/thousand of cubic meters (excluding taxation). In this case, private companies will have to sell gas to the state at a loss.

Therefore, whereas Europe clearly understands the threat from Russia as regards energy supplies and the overt Moscow’s blackmail of most dependent energy consumers, and accelerates reforming of the energy sector as an element of national security, Ukraine is moving in the opposite direction. Currently, European Commissioner for Energy calls on the EU Member States to accelerate the formation of a transparent and competitive energy market in Europe and the complete implementation of the Third Energy Package with the establishment of adequate energy infrastructure. Ukraine, instead of following the progressive civilized game rules in the European energy market, takes such legislative decisions, which contribute to its energy sector stagnating and national energy market destroying. As an evidence, during Ukraine-Norway meeting on November 18, Norwegians demonstrated their restrained position on investment projects in gas production industry of Ukraine. Actually, the Norwegian private gas extracting companies emphasized that high dynamism in Ukraine’s legislation (referring to the energy sector) makes them to be prudent.

Moreover, implementation of the project on the so-called “Eastern Interconnector”, which is extremely favourable for Ukraine, is called in question. Thus, in October this year, the European Commission decided to fund energy infrastructure projects

Ukraine has a chance to implement the “Eastern Interconnector” project

related to the creation of new interconnectors (gas hub that ensures two-way gas flow) between the countries of Central and Eastern Europe. This project is actively implemented by the Eastern European states, including Visegrad Group. For Ukraine, to become a participant of the “Eastern

Interconnector” program is an extraordinary opportunity to develop the national energy sector. Ukraine has the second largest gas storage facilities in continental Europe after “Gazprom” (Russia — 34%, Ukraine — 20%, Germany — 11%, Italy — 10%, France — 7%, Hungary — 2%, Czech Republic — 2% Poland — 1%, Slovakia — 1%, etc.). If the national gas transportation network is modernized, Ukraine will get a chance to become

a large-scale European gas hub (storage). For instance, “Gazprom” receives EUR 65 per thousand of cubic meters of gas for Austrian customers, whereas keeping gas in storages of “Ukrtransgaz” costs about EUR 7. However, implementation of such projects may be hindered by legislative chaos in the national energy law that already worsened the investment climate in the industry and disturbs confidence of European partners.

The aim of the publication is to provide analysis of Ukraine's foreign policy in the context of global processes in the region and the world, as well as an overview of major world events that may have an impact on the further development of Ukraine and the region. Special attention is paid to the European integration of Ukraine, in particular implementation of Ukraine–EU Association Agreement.

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