



UKRAINE

Ukraine's New Gas Chief Says He Is 'True Reformer' After Backlash Over His Appointment

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By Todd Prince

The new chief executive officer of Ukraine's state-owned gas behemoth has said he is committed to pushing reforms at the company after a recent management change sparked Western concerns about transparency.

Yuriy Vitrenko, who was named CEO of Naftogaz in late April, told RFE/RL on June 9 that he was behind many of the company's reform initiatives since 2014.

Vitrenko's comments came following a day of meetings in Washington with officials from the State Department and Energy Department, among others, and a day before addressing U.S. energy industry investors.

Ukraine's Cabinet of Ministers, of which Vitrenko was a member in his capacity as acting energy minister, came under harsh criticism after it temporarily dismissed the supervisory board of Naftogaz on April 28 in order to fire longtime CEO Andriy Kobolyev.

The body then appointed Vitrenko to replace Kobolyev.

The United States, which has pushed reforms of the once notoriously corrupt company for years and viewed Kobolyev's efforts positively, sharply criticized the decision as "calculated."

Vitrenko said that Washington reacted as it did because of existing concerns over Ukraine's reform agenda and because Naftogaz had emerged as a "symbol" of the nation's reform progress.

The Naftogaz shakeup came in the wake of the Constitutional Court's decision in October to roll back many of the anti-corruption laws put in place with the help of the West following the overthrow of Kremlin-leaning President Viktor Yanukovich in 2014.

The decision came as other key reforms stalled or were rolled back, including corporate governance at other key state-owned companies.

'It Hit A Nerve'

Senator Chris Murphy (Democrat-Connecticut), who visited Ukraine last week, summed up the U.S. view during a hearing of the Foreign Relations Committee on June 8, saying Ukraine appeared to be taking "one step forward and two steps back."

"I believe that it hit a nerve," Vitrenko told RFE/RL during his first trip to Washington since being tapped as CEO. He added, however, that he felt the criticisms were "less about Naftogaz" and "more about this general context" of reforms.

Vitrenko said the purpose of his trip was twofold -- to push the United States to restore sanctions against Russia's Nord Stream 2 pipeline, and also to "rebuild trust" with officials in Washington and to share his vision as CEO of one of Ukraine's most crucial companies.

Vitrenko, 44, served for many years at Naftogaz, and was behind **a victorious legal battle** against Russian state-owned Gazprom that netted the company billions of dollars. He also negotiated a new transit contract with the Kremlin in 2019.

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He was considered Kobolyev's right-hand man, but the two had a falling out in 2020. Vitrenko left Naftogaz and began criticizing its performance before being tapped as acting energy minister, which put him in a position to oversee the company.

Vitrenko told RFE/RL that the government was right to fire Kobolyev for poor performance, citing the company's loss in 2020 as well as its failure to boost natural-gas production over many years.

Kobolyev had defended his leadership, saying the 2020 loss was driven in large part by unpaid debts from government-owned heating companies and private retail supply operators controlled by tycoon Dmytro Firtash, who is wanted by the United States on corruption charges.

Kobolyev also blamed the failure of Naftogaz to boost gas production to a lack of new fields, saying the company was unfairly denied dozens of licenses by local officials during his tenure.

Kobolyev has alleged that the government fired him in part to get its hands on the \$2 billion in cash sitting on its balance sheet.

The Supervisory Board, which backed Kobolyev, initially criticized Vitrenko in a statement following his appointment.

The board said in a May 3 letter to the government that "it would appear difficult" to work with Vitrenko since he had backed the Cabinet of Minister's statement that its performance was "unsatisfactory."

The board also said Vitrenko failed to share a plan for the company, a claim Vitrenko dismissed during his interview with RFE/RL, saying it was an unreasonable expectation just days after his appointment.

Boosting Production

Vitrenko said he will focus on boosting Naftogaz's production with the help of Western partners, a request made by President Volodymyr Zelenskiy in an effort wean the country off expensive imports.

Vitrenko also said he would look to tackle industry problems that hurt the company's performance.

U.S. Secretary of State Antony Blinken told the Senate Foreign Relations Committee on June 8 that Ukraine has "unrealized" potential to improve its energy production and efficiency, calling it a "really important story which gets missed."

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Vitrenko said he would try to push heating companies that historically have failed to pay their natural-gas bills into using other forms of energy, including biomass.

Vitrenko also said he would go after Firtash, whom the United States has been trying to extradite for seven years, in Ukrainian courts for not paying his natural-gas bills and seek assets as compensation.

Vitrenko also claimed that Firtash has historically charged Ukrainian residential users significantly more for natural gas than other supply companies yet shows almost no profit because he overpays for European gas.

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High natural gas prices led to protests late last year, pushing the government to impose a temporary price cap in January that has since been lifted.

Vitrenko said he is looking into a contract the previous Naftogaz management team signed with Firtash companies at the beginning of the year at below spot market prices for delivery to residential users. He said he is concerned that the Firtash firms may be selling some of the gas to commercial buyers, which pay higher prices, and pocketing the difference.

Vitrenko said he was confident he will get the backing of Washington for his leadership and his plans.

"I met all these people before, and I believe they trust me personally as a reformer, so they don't need to second guess if I'm a true reformer or not," he told RFE/RL.