

Brent spot
\$76.79
▲ +0.29%

Brent futures (1 mo)
\$77.00
▲ +0.51%

WTI spot
\$71.59
▲ +0.02%

WTI futures (1 mo)
\$71.83
▲ +0.35%

UK Nat Gas (1 mo)
83.53p
▼ -3.77%

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Patience: Naftogaz Ukrainy chairman Oleksiy Chernyshov. Photo: AP/SCANPIX

On the energy frontline: Naftogaz chairman's vision for Ukrainian energy independence

Ukrainian real-estate mogul turned public servant Oleksiy Chernyshov vows to make state gas supplier a 'market-oriented business'

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By [Vladimir Afanasiev](#)

Should Ukraine prevail in its military struggle with Russia, the task of putting state oil and gas company Naftogaz Ukrainy back on the commercial track will likely fall to current executive chairman Oleksiy Chernyshov.

Appointed by the government to head Naftogaz in November last year, Chernyshov's urgent mission included ensuring the stability of natural gas supplies to more than 12 million households as well as gas-fired utilities in cities and towns built in the Soviet era to provide centralised heating to residents during winter.



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The Russian invasion early that year completely reshaped Ukraine's gas supply market, with Naftogaz taking over privately held regional gas distributors across the country to guarantee deliveries, effectively becoming a monopoly supplier of gas for households.

The move took off the table the policy of "unbundling" gas supplies — implemented by previous Naftogaz chairman Andrey Kobolev, who was detained last year on controversial embezzlement charges — that gave households and businesses the option of shopping around for better prices from multiple gas suppliers.

But territory loss in eastern Ukraine and the flight of five million citizens to Europe after war broke out cut the country's consumption to 19.8 billion cubic metres of gas last year, from 28.8 Bcm in 2021.

Speaking to the Ukrainian edition of Forbes, Chernyshov acknowledged that while the war continues, Naftogaz essentially will remain a governmental arm — "a quasi-social company", he said — whose main goal will be ensuring the stability of gas supplies to the population and energy-generating utilities, rather than worrying about top and bottom lines.

"Russia considers energy as a weapon," he said. Its aim is to destroy Ukraine's energy installations but Naftogaz is prepared to repel attacks against its infrastructure, he added, deploying concrete blocks, gabions — wire cages filled with rock or broken concrete — sandbags and other types of fortifications.

Protected

Speaking this summer at a conference in Kyiv attended by President Volodymyr Zelensky, Chernyshov said that almost all Ukraine's gas production and transportation infrastructure has been protected against possible Russian attacks this winter.

"Company employees have to select where they must serve the nation: at the frontline, or at the workplace, which is essentially the energy frontline," he said. "We have kissed goodbye to some people who did not accept such terms."

With degrees in business and law from educational establishments in Kharkiv, Chernyshov was one of many successful, self-propelled Ukrainian businessmen who navigated the murky rules of the country's economy, which was engulfed in widespread corruption and nepotism after Ukraine declared independence in 1991.



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In 2016, Ukrainian governmental officials made headlines after changes in the law required them to submit public disclosures of their income and property, with dozens reporting that they held hundred of thousands, or even millions, of US dollars in cash, rather than in bank accounts.

Before October 2019, when Chernyshov was appointed to head the Kyiv region city administration, he was known as a co-owner of a real estate and construction company with several successful developments in Kharkiv and the founder of an investment vehicle that was a partner with France's Auchan in Ukraine's top food retailer.

Following the Kyiv appointment, Chernyshov said in an obligatory disclosure that he and his wife together had more than \$600,000 in cash, along with a collection of expensive Swiss watches and three luxury sports utility vehicles.

Just four months later, in October 2020, Ukraine's parliament rubber-stamped Chernyshov's appointment to the post of development minister for territories and communities.



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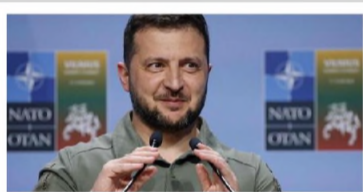
Chernyshov has hailed his two-year stint as minister, saying it has helped him align the interests of Naftogaz and the government in wartime Ukraine, and given him valuable understanding of relationships between the central government and regional administrations.

Addressing Zelensky at the conference in Kyiv, Chernyshov said the company expects to see its gas production rise by 1 Bcm, to 13.5 Bcm, this year compared with 2022.

Despite war-related challenges, Naftogaz increased the drilling of development wells, with new wells boosting the average production rate per well by 150% this year, to 79,000 cubic metres per day, he said.

Progress

Chernyshov has also reported strong progress in persuading foreign gas players to ship gas to Ukraine for temporary storage in vast underground facilities in the country's west.



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Earlier this year, Naftogaz exited its technical default status after holders of its corporate Eurobonds agreed to reschedule repayment after months of negotiations.

However, Chernyshov — who says he admires US investor Warren Buffett — speaks openly about challenges that the company will continue to face unless it becomes a "market-oriented business".

The government already owes more than 200 billion hryvna (\$5.3 billion) in compensation to Naftogaz, which has been forced to import gas from Europe and deliver it to households at a regulated price of between 10% and 30% of the purchase price.

"Sooner or later we will have to come back to [working] under market [principles]," he said. "I believe in the logic and laws of the market. Reforms have been long overdue since the country's independence.

"The future of Ukraine depends upon the quality and effectiveness of these changes." [\(Copyright\)](#)

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