



CONTACT GROUP ON RUSSIA-WEST RELATIONS

Russia-West relations: What will the next 12 months bring?¹

21 July 2022

On 21 July, the ELN Contact Group on Russia-West Relations met to discuss the general picture of Russia-West relations and the Ukraine war. The conversation covered specific aspects of Russia's invasion of Ukraine (both current and future), questions regarding energy politics in Europe, Ukraine and Russia, and the future of Ukrainian grain exports through the Black Sea.

Ukraine: Russian occupation of the Donbas will be difficult; Ukraine will not give in and recognise any post-February borders

Participants discussed both the short-term and long-term future of the conflict, focusing mainly on specific aspects of the war in the short term and prospects for negotiation in the long term.

Short-term future:

One Ukrainian member and speaker outlined two key moves on the frontlines, one in the south and one in the Donbas. In the south, Ukraine has "slowly started a counter-offensive to achieve as much as possible until winter." A few factors are pushing this move: the difficulty mounting a counter-offensive in winter and an acknowledgement that many Ukrainians did not leave southern cities such as Kherson, Melitopol, and Nova Kakhovka, and are now held hostage. Additionally, the arrival of HIMARS systems has made such manoeuvres more feasible.

Second is the "Donbas question", through which Russia plans, in the words of our speaker, "to occupy all of the Donbas." In June, Russia almost wholly occupied the Luhansk Region, and Russian forces are preparing for a full-scale invasion of Donetsk Oblast. However, our speaker noted this would be tough for Russia as the Donbas has served as the Ukrainian frontline since 2014. It will be challenging to move the Ukrainian army from these positions, including around the cities of Sloviansk and

¹ This was the Contact Group's 18th meeting. The Group met virtually to discuss the current situation regarding Russia's invasion of Ukraine, as well as the future outlook for Ukraine, energy and food markets. This summary note was prepared by the European Leadership Network and does not necessarily represent the views of any individual Contact Group member or any member of the European Leadership Network.

Kramatorsk. The speaker argued that Bakhmut is likely the weakest of the frontline cities at present, given its geographic location; however, other cities have good natural fortifications, such as rivers and hills. Thus, this offensive would potentially be a problem for Russian forces, and they will have to expend high energy to take further territory in the region and expand the separatist entities in Donetsk and Luhansk Oblasts.

In addition to these two fronts, there has been action in Kyiv. There was recently a reshuffling in the law enforcement structures, as President Zelensky fired the prosecutor general and the head of the State Security Service over allegations of treason, which caused Ukraine to lose more territory. At the same time, our Ukrainian speaker also noted that some oligarchs were "stopping being oligarchs" and have been closing their TV channels and trying to operate more in the background. In general, there is a sense of consolidation around the President, which, in the speaker's view, will make him stronger for the counter-offensive.

A final topic addressed was the question of weapons and ammunition. Despite reports that Russia is [running out of ammunition](#), our Ukrainian speaker opined that Russia would not truly encounter this issue as it has an abundance of stockpiles. They argued that this could not be an argument to supply fewer weapons to Ukraine. The speaker continued to describe the HIMARS systems sent to Ukraine as "a miracle" that had already been extremely helpful and that Ukrainian soldiers were currently being trained to use NATO-standard weapons.

Long-term future:

As for the long-term future, our speaker adamantly advocated for the necessity of "more": more ammunition, more weaponry, more sanctions, etc. Regarding weapons, the speaker specifically mentioned HIMARS systems, howitzers, and F-16 fighter jets. While sanctions would undoubtedly hurt Europe economically, the conflict was phrased as an existential battle over "the future of Europe" and "the future of democracy". In this speaker's mind, the conflict is not about Ukraine – it is about all of Europe and the Euro-Atlantic space, and it is in the "small villages of Donbas [that] the future of Europe is being decided".

Regarding the future of negotiating with Russia, opinions were quite pessimistic. According to a Ukrainian member, Ukraine "cannot accept borderlines that Russia has laid down after 24 February". This stance would be Ukraine's "opening negotiating position", as "Ukraine wants to keep its territory according to internationally recognised borders". For many in Ukraine, there is the idea that Russia will never be a partner anymore in anything, as Russia "is a terrorist state". The near-term prospects for any negotiated settlement seem rather slim.

Oil and Gas: A grim situation for all involved

A second topic addressed was that of energy, mainly focused on oil and gas. We spoke with one Contact Group member who provided insights on the European continent's current oil and gas situation.

Gas:

Simply put, gas markets are "under huge stress", and there is a "very bleak outlook" for Russian gas production and upstream development. Russian gas development will be down, and the gas that cannot be sold will likely either stay in the ground or be flared. There are also questions about the Nord

Stream I pipeline, which was recently shut down for technical reasons. According to the speaker, this has "very little commercial logic and looks like a very distinct political play." Despite technical problems with the NS1, there were means and ways to increase gas supplies – via Yamal or the Ukrainian transit – which had not happened. While the pipeline was eventually reopened in late July, it runs at a limited capacity (40%).

Given the circumstances, there was real worry in Europe that Putin could keep gas shut off indefinitely. While this has not happened, gas would likely "stay volatile", and additional supply cuts and higher gas prices can be expected in the coming months. In response, EU member states are expected to cut their gas demand by 15% by next March, which, despite European preparation, will make this upcoming winter quite difficult for Europe.

Another question is how the energy situation will look in Ukraine itself. According to our speaker, this depends on whether Ukrainian transit will continue running at its current capacity. If Putin decides to take the economic "nuclear option" by shutting down pipelines through Ukraine, Ukraine could satisfy domestic demand by importing gas from Europe thanks to its well-functioning reverse flow mechanisms. There is also a worry about the potential for pipelines being destroyed in the process of the war. This has not happened yet, but it would undoubtedly have a huge impact.

The session's Ukrainian speaker weighed in on this topic, stating that while gas was quite important, a few factors could help to mitigate an impending crisis. For one, demand in Ukraine for gas will likely be lower, as there are simply fewer people in Ukraine now than there were a year ago. Nonetheless, Ukraine is still looking for a form of "lend-lease" for gas to help it weather difficulties.

Members also discussed oil supplies. The sixth sanctions package introduced an embargo on Russian oil, which also provides a problem for the Russian budget, given that oil has always been the "cash cow" for the state. The speaker warned that the embargo and ensuing decreased revenues would not likely halt the Russian war effort, as the domestic military industry does not need the foreign currency to run. They added, "the Russian Central Bank can print as many roubles as it would like, even without resorting to foreign currency reserves."

Discussions also revolved about accelerating climate change. Russia is one of the world's largest emitters of CO₂ and methane; thus, for climate change-related initiatives to go forward, Russia's involvement is crucial. Since the work of the Arctic Council has been put on hold, there has been no exchange with Russian scientists, and the West lacks access to data on the destruction of permafrost or methane emissions in Russia, crucial for the future of climate modelling. Considering the heat wave in Europe and the upcoming climate conference (COP27) in Egypt, it will be interesting to see how Russia will be involved. According to the speaker, "we need some mechanism enabling exchange between scientists." In all, there remain many questions regarding the future aspects of energy, including oil and gas supplies, supply of nuclear fuel, and climate change.

Grain: Quickly realised hope for a breakthrough

A final aspect of the war discussed was the situation surrounding grain exports from Ukraine. Our Ukrainian member and speaker stated there was "small progress on negotiations on grain exports" and that they "expect that grain can be exported starting next week". Despite this member's disclaimer

that this optimism seems to happen every week, the [agreement signed on Friday, 22 July](#) in Turkey bears witness to the veracity of this optimism in this instance.