

№ 27

Date 08.04.2022

President of the European Commission
Ursula von der Leyen

European Commissioner for Energy
Kadri Simons

European Commissioner for Competition
Margrethe Vestager

Director of Energy Community Secretariat
Arthur Lorkowski

EU Delegation to Ukraine

Copy:

Secretary General of the Ministry of Infrastructure
and Regional Development of Moldova
Lilia Dabizha

CEO Ukrenergo
Volodymyr Kudrytskyi

An appeal on the necessity of sanctions against Inter RAO and seizure of assets.

We, the coalition of NGOs and municipalities "Energy transition", consisting of NGOs Ecoaction, Ekoltava, Ecoclub, Khmelnytskyi Energy Cluster, All-Ukrainian Sustainable Development & Investment Agency, PravoPolice, Social Initiative "City of the Sun" and Mykolaiv municipality, call on the governments of EU members, the USA, and the UK with a request to immediately impose sanctions against one of the key instruments used by the leadership of Russia for energy blackmailing and undermining of the energy security in neighboring countries.

The energy company Inter RAO UES is a monopoly in the sector of electricity export from Russia, as well as it controls power generation and grid infrastructure of power supply in Eastern Europe, Caucasus, and Central Asia countries. The company's position gives the Kremlin leverage of economic and political influence on the region's governments and undermines their energy security.

The chair of the board and an executive director of Inter RAO UES is Kovalchuk Borys Yuriyovych, a son of Yuriy Valentynovych Kovalchuk. The latter is the largest shareholder and former chairman of the board of directors of "russia" bank, where he owned 38% of shares in 2013, which is considered a personal bank of the top officials of the Russian Federation. He belongs to the closest circle of President Putin. Kovalchuk is a co-founder of a so-called summerhouse cooperative "Ozero," a community that brings together an influential group of people from Putin's surroundings. On March 20 in 2014 Kovalchuk was subject to financial and visa sanctions from the USA against Russian citizens involved in the annexation of Crimea. Later Kovalchuk was included in sanction lists by EU countries, Canada, Switzerland, and Australia. The updated sanction list of the United Kingdom ([as of 25.03.2022](#)) also includes Yuriy Kovalchuk.

In addition to Kovalchuk's son, Sechin Ihor Ivanovych is also a board member of the board of Inter RAO UES. He is the president of the state company "Rosneft" and is one of the most influential figures in Russia after Putin.

In December 2020, the Moscow city court detained for 15 years Karina Tsurkan, a director of one of the Inter RAO divisions, who was charged with espionage on behalf of Moldova, which she denies and refutes because of the lack of evidence. State repressions that are applied to her demonstrate the very close ties between the company and state administration and are a blatant violation of human rights.

Inter RAO UES serves Russia's political goals by controlling assets in the power sector in the annexed Crimea, occupied Donbas, and Transnistria. In Transnistria, a Russian-controlled part of Moldova, the Kuchuhuran thermal power plant of 2520 MWt is located. LTD "Moldavska HRES" operates the power plant, a subsidiary enterprise of Inter RAO UES. The primary fuel - Russian natural gas - is permanently subsidized through a shady deal according to the "agreement with the Transnistria government on the measures for state support."

Before the Ukrainian and Moldavian transmission systems synchronized with ENTSO-E, Kuchuhuran TPP had been the leading electricity supplier in Moldova and had a monopoly, with the market share exceeding 80%. Now it's the biggest foreign asset owned by Inter RAO UES. Money flows related to the company and the corresponding corruption schemes support the pro-Russian separatist regime in Transnistria and allow the Russian Federation to intervene in the internal affairs of Moldova. Currently, after the synchronization with ENTSO-E, Inter RAO UES continues to undermine the energy, economic and internal security of Moldova through control of the asset.

The war led to a drastic decrease in the electricity demand in Ukraine while the irregularities of electricity production increased due to the seasonal increase in solar energy generation. Due to that, Ukraine experiences difficulties balancing the power system, and there is a significant surplus in installed capacities. At the same time, Moldova is forced to buy energy from the Russian monopoly at inflated prices while subsidizing the gas supply for the thermal power plant.

In the light of the provided facts, we call on taking the following steps:

1. Introduce a complete sanction package against Inter RAO UES and its management.
2. Seize all assets of LTD "Moldavska HRES"
3. Transfer operation of the Kuchuhuran TPP to the Moldova grid operator "Moldelektryka"
4. Ensure connection of the electricity markets of Ukraine, Moldova, and Romania to enable the free exchange of electricity and optimize system performance, which should help reduce utility bills for customers.

We ask you to immediately introduce sanctions and take necessary legal and financial measures in accordance with the EU legislation and the conditions of the Treaty establishing the Energy Community.

Sincerely,

Coordinator of the Coalition

A handwritten signature in blue ink, appearing to be 'NL', written over a faint circular stamp or watermark.

Ms. Nataliia Lytvyn