



1-31 AUGUST NEWSLETTER

MAIN TAKEAWAY OF THE MONTH

This month has seen new developments in the Russo-Ukrainian war, with the Ukrainian Army actively targeting logistical objectives, particularly in Kherson Oblast and Crimea. In addition, with the assistance of the international community, Ukraine has resumed its maritime exports of crops and agricultural products. Meanwhile, military tensions have risen around the Zaporizhzhia Nuclear Plant, with Europe fearing a nuclear disaster.

The European energy sector has been severely affected by the conflict in Ukraine, considering the impact of Western sanctions on Russia, and the severe drought across the continent. Some European countries are considering financial assistance policies in their attempt to fight back rising energy prices, while others are looking at policies meant to cut down gas consumption. An extraordinary meeting of European energy ministers will be held in Brussels during the following month to discuss options for fighting the energy crisis.

In the Balkans, Serbia and Kosovo continue to fight over vehicle license plates and identity documents, Serbia, Albania, and North Macedonia have agreed to assist each other in energy matters as part of the Open Balkans Forum. At the same time, North Macedonia has declared a 30 days nationwide state of emergency in electricity supply starting Sept. 1, joining Kosovo who has done the same the last month – for 60 days.

WAR IN UKRAINE



The general trends in the Russo-Ukrainian war this month were the Ukrainian army advances and [reconquest of territories](#) by the Ukrainian Army in the Southern regions, particularly in Kherson, forcing the Russian Army to [reinforce that front](#). Meanwhile, Russian forces advanced on the Eastern front, in the Donbas region, despite suffering [heavy losses](#). They have bombarded all areas of the battlefield, with heavier damage recently inflicted upon the city of [Kharkiv, specifically to prevent any further counterattacks on other fronts](#).

Ukrainian forces have focused heavily on targeting the Russian army's infrastructure and logistics, bombing targets such as [trains and railways](#), military aerodromes, and [bridges](#), in a tactic intended [to raise chaos among the Russian invaders, by targeting their supply lines](#). The fact that Ukrainian forces have begun destroying multiple targets from the Crimean Peninsula has been a surprising development in the last month. These attacks highlight Ukraine's growing retaliatory capability and the extent to which Russia underestimated Ukraine's capabilities, being caught off guard during the Crimean bombings and using ["sabotage" as an excuse](#).

Exports of Ukrainian goods through the Black Sea have been restored thanks to a [Russo-Ukrainian accord, mediated by Turkey](#) and the [United Nations](#) last month. The first ship set sail for Lebanon on the [1st of August](#). Agricultural products have been the most commonly exported products ([corn](#), [sunflower seeds](#), or [cereals](#)). Due to Ukraine's agricultural importance, this treaty aims to prevent food

shortages in vulnerable countries in Africa and the Middle East. In addition to regular transports through Ukrainian ports, through the Pivdennyi port, the [first humanitarian food transport](#) to support African countries was completed since the start of the war. This is a slow but sure adaptation of the Ukrainian economy to war conditions, in the context of an international response to avoid a food crisis. Zaporizhzhia Nuclear Power Plant, caught in the conflict, faces daily threats of a nuclear disaster. According to the International Atomic Energy Agency (IAEA), [seven essential safety rules are being infringed there currently](#). Analysts say the Kremlin uses this tactic to [sabotage and discourage Western support for Ukraine](#), by nuclear threats. There have even been reports of the Russian army [depositing explosives and mines within the plant](#), essentially using it as a shield to protect its equipment. Accusations regarding the several bombings of the Zaporizhzhia plant came [from both sides](#), and Russia has wavered on accepting [Western pleas](#) to accept an IAEA inspection. Firstly, the Russian Foreign Ministry claims it wants to undergo an IAEA inspection, but [Ukraine is blocking the visit](#). Later, the Kremlin warned the IAEA that they would face [“tremendous risks” if they came to Zaporizhzhia](#). Later on, Vladimir Putin said Russia [will allow inspectors to the plant](#). The [International Atomic Energy Agency](#) (IAEA) team arrived at the beginning of September at the Zaporizhzhia power plant, its last assessment [reporting](#) that the power plant lost connection to its last remaining main external power line, but the facility is continuing to supply electricity to the grid through a reserve line. The facility lost connection to its last remaining main external power line, but it continues to supply electricity to the grid through a reserve line, according to the [latest assessment](#) of the agency. The level of panic in Europe increased exponentially when simulations of the spread of radioactive material from the Zaporizhzhia plant [began circulating](#). Radiation would affect Belarus, Poland, Slovakia, the Baltics, and northern Romania. Meanwhile, aid to Ukraine and sanctions on Russia are increasing, with Germany pledging to provide [another 200 million euros to displaced](#) Ukrainians and the EU Foreign Ministers informally agreeing to [suspend an agreement with Russia that eases visa issuance](#). Furthermore, the [United States has announced an additional aid package to Ukraine, worth \\$3 billion](#), set to be delivered in the upcoming months.

SURGING GAS PRICES



At the beginning of the month, the European Commission approved the German government's €3 billion scheme to [support renewable energy and waste heat-based district heating programs](#), which it said would help Germany and the EU achieve their climate change targets. The European gas prices are hitting a new high, with increasing inflation and [financial markets now bracing for surging prices](#), a faster pace of interest rate hikes, and a deeper economic downturn. With that in mind, [German households](#) will have to pay nearly 500 euros more per year for gas after a levy was imposed to help utilities cover the cost of replacing Russian supplies, increasing pressure on Berlin to come up with additional public-relief measures. In these circumstances, most European countries are exploring options to alleviate the severe [impact of the intensifying energy crisis](#) on the population.

While a Bulgarian Ombudsman [urged the government to take action](#) to financially support domestic consumers of natural gas as prices continue to rise, the British government announced that millions of households will receive the [Energy Bill Support Scheme](#) to help ease the impact of energy prices. Furthermore, the German government agreed on a [saving plan to cut gas use by around 2%](#) by reducing heating in public buildings and shutting off the lights at night. Following the opening of a new pipeline with Poland and the approval of a nuclear power facility in August, [Slovakia will receive more liquified natural gas and nuclear power](#). In addition, [Slovenia will lower the value-added tax \(VAT\) on energy](#) (electricity, gas, biomass, and remote heating) from 22% to 9.5% for eight months beginning in September. Spain's parliament approved the minority government's [energy-saving rules which include limits on air-conditioning](#) use as part of an EU-wide effort to reduce reliance on Russian gas. Furthermore, the Slovenian parliament has agreed on a [plan of a €41 million package](#) for the most vulnerable groups.

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In the meantime, [Slovakia](#) is considering a cap on the gas prices for households, while [Romania](#) has agreed to extend the energy price cap until next year. As a reaction to the countries' national initiatives to ease the impact of surging gas prices, the Kremlin declared that it [would stop selling oil](#) to countries that impose price caps on Russia's energy resources.

On the other hand, authorities of [Bosnia and Herzegovina](#)'s Bosniak-Croat entity called on citizens and businesses to use energy rationally. In addition, [Albania](#) is asking households to save energy. Bulgaria has announced it will [only accept one of the agreed seven liquefied gas supplies](#) from the US company Cheniere, with opponents accusing President Rumen Radev of attempting to resume Gazprom supplies. However, experts have shown that [Bulgarian talks with Gazprom will ultimately fail](#) due to the Kremlin's stance and the delicate political situation in Sofia. Furthermore, the [Bulgarian population protested in Sofia](#) against the government's intention to start negotiations with Gazprom and in support of Ukraine. Meanwhile, Bulgaria's only oil port has been granted a 35-year [concession to the Russian company](#) "Lukoil Neftochim" for €500,000 per year. Kosovo has also [announced](#) it could no longer afford to import electricity and would begin energy rationing, while the government of North Macedonia has decided to declare a 30-day [state of energy crisis](#) due to a shortage of heating energy in Skopje and electricity across the country.

Meanwhile, at an EU-wide level, the Czech Republic, which holds the EU's rotating presidency, called an [extraordinary meeting of energy ministers](#) to discuss a bloc-wide solution to the spike in power markets. The meeting, which will take place in Brussels on Sept. 9, will debate concrete measures to tackle the energy crisis. [G7 finance ministers](#) also agreed to impose a price cap on Russian oil to slash Moscow's revenues while keeping crude flowing and avoiding price spikes.

LATEST FROM THE BALKANS



Late last month, Kosovo's government [declared](#) Serb-issued identity documents and license plates invalid in Kosovo, just as Kosovo-issued ones are invalid in Serbia. After Pristina decided to [postpone](#) the decision in order to avoid tensions, the two sides agreed to [attend talks mediated by Brussels](#) on the 18th of August. The initial results were [disappointing](#), with Serbian President Aleksander Vucic [claiming](#) that Kosovo officials rejected all the proposals of the Serbian side. This initial setback can be explained by the [hardened rhetoric](#) employed by both sides before the negotiations. A [solution](#) was reached by the end of the month, by agreeing on a compromise regarding free movement between the two sides. More specifically, Belgrade agreed to eliminate its entry-exit requirements for individuals using Kosovo IDs, while Pristina agreed to not introduce them to Serbian ID holders, according to Josep Borrel, High Representative of the Union for Foreign Affairs and Security Policy.

Unrest has also risen following a government decision to [extradite](#) a pro-Ukrainian Russian protester, Alexey Alchin, who was facing charges of tax evasion and forgery in Russia. This decision was later [overturned](#), following popular protests.

In the meantime, Montenegro has been the target of a series of [cyberattacks](#). The exact source has not been identified. However, the Agency for National Security (ANB) believes that the Russian services are to be blamed for this series of coordinated cyberattacks on ITS official servers.

[Serbia, Albania and North Macedonia have agreed](#) during this month's Open Balkans forum, to form a joint commission to assist each other in dealing with the threat of energy and food shortages this winter as a result of ongoing crises in Ukraine.

[According to a Rockefeller Brothers-funded study by The Balkan Forum](#), the 'Open Balkan' initiative, spearheaded by Serbia, Albania, and North Macedonia, just six of the region's countries, could have negative symbolic and genuine cooperation implications. Open Balkan, previously called 'Mini-Schengen', foresees the easy movement of people and goods throughout member countries. A study conducted by [the foundation](#), found that while those involved in the initiative claim that it will run parallel to the Berlin Process and even improve cooperation, this is not the case.

Fragile Balkan peace is at risk due to Russia, who would be happy if conflict erupted, said Albanian Prime Minister Edi Rama for the German newspaper Der Spiegel, as both France and Germany [appointed](#) special advisors to the EU's envoy for the Serbia-Kosovo dialogue.

On the 19th of August, the Montenegro government [was toppled](#) by the DPS, smaller parties in the ruling coalition and the opposition Democratic Montenegro. After the meeting of former ruling majority representatives, the head of the pro-Serbian Democratic Front coalition, Andrija Mandić, said that the winners of the August 2020 elections had signed an [agreement on forming a new government](#).

IN THE MEANTIME

- [Protests against the Moldovan government](#) have erupted in the autonomous region of Găgăuzia in the Republic of Moldova, which is led by pro-Russian leaders. People have taken to the streets in Chişinău demanding that the government fix the rising gas prices and go to Moscow to negotiate a better gas deal. On September 2, [Moldovan President Maia Sandu visited the region](#), urging people to remain calm in the face of the Ukrainian conflict and attempts to divide Moldovan society along ethnic lines. In response to a question about Lavrov's comments on the oppression of Russian speakers in Moldova, Maia Sandu hinted that Russia is attempting to destabilize the situation in the country.
- On October 2nd, two important elections will be held: in Bosnia and Herzegovina and in Bulgaria - where snap elections were called following the collapse of the former government. Both countries' elections have high stakes, as Bulgaria holds its fourth parliamentary election in two years. [Analysts say](#) the snap poll will likely usher in another fragmented legislature with stronger representation of pro-Russian parties, potentially making the formation of a ruling coalition even more difficult. Meanwhile, [elections in Bosnia and Herzegovina](#) may very well determine the future of the country, especially against the backdrop of growing fears of a possible secession.
- Romania continues to increase its deterrence and defense capabilities, currently [intending to buy](#) 18 Bayraktar TB2 drones, amounting to approximately 300 million dollars. The acquisition of unmanned systems (UAVs) is aimed at implementing the capability targets assigned to Romania in the NATO defence planning process and contributes to achieving the objectives of the Romanian Army Transformation Programme by 2040.
- Russian and Kazakh oil exports via the Caspian Pipeline Consortium's (CPC) Black Sea terminal [face at least one month's disruption](#) each once repairs begin on two of its three single mooring points (SPMs). Kazakh oil exports are not only vital for the countries in the region, but also ensure 1% of the global consumption.



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