



UKRAINE

Ex-U.S. Diplomat Steps Down From Naftogaz Board, Citing Ukrainian Corruption Concerns

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By RFE/RL

A former U.S. State Department official said he is stepping down from the supervisory board of Ukraine's state-owned gas company amid concerns about a slowdown in reform and creeping corruption.

Amos Hochstein, who served as the U.S. special envoy for international energy affairs during former President Barack Obama's administration, made the announcement in [an October 12 opinion piece in the Kyiv Post](#).

He singled out a Ukrainian government deal to import liquefied natural gas from a little-known American company and name one of its executives to the supervisory board. He also said there have been "unfounded allegations" leveled against the company as it seeks to reform the nation's energy industry.

"I can no longer stand by and be used to endorse this negative trend, and it's why I must voluntarily leave the board. Supervisory boards cannot include members whose values are not in line with the reform and good governance agenda. Supervisory boards must continue to be independent, strengthened, and protected from undue influence," he said.

Hochstein's resignation is the latest warning sign that reforms in Ukraine are being stymied by powerful politicians and oligarchs. A slow reform process has deflated optimism ushered in by the surprise victory of comic and political novice, Volodymyr Zelenskiy, in the 2019 presidential election.

Zelenskiy campaigned on a platform of fighting corruption, carrying out reform, and attracting foreign investment. However, his ties to Ihor Kolomoyskiy, one of the most powerful oligarchs with interests in oil and gas, raised concerns about his commitment to those goals.

Naftogaz, the nation's largest producer of natural gas, has been at the center of Ukraine's biggest corruption scandals over the past two decades. After Ukrainians overthrew President Viktor Yanukovich in 2014, the United States and Europe tied financial aid to the country's progress on reforms, with a major focus on Naftogaz.

The United States and the EU -- along with Western financial institutions -- pushed Ukraine to set up independent supervisory boards at state-owned companies to combat corruption.

Hochstein joined the board in December 2017 and oversaw the divestiture of the pipeline business into a separate company as required by European legislation.

Since the start of reforms in 2014 and aided by domestic price increases, Naftogaz has turned into one of the nation's most profitable companies and accounts for a significant portion of the nation's budget revenues.

However, the reforms have hurt in some cases the fortunes of oligarchs, who account for nearly all the private-sector gas production and related services.

“Unfortunately, Naftogaz management's successful efforts to create a new corporate culture, transparent mechanisms, and an adherence to international standards, was resisted at every step of the way. The company has been forced to spend endless amounts of time combating political pressure and efforts by oligarchs to enrich themselves through questionable transactions,” Hochstein said.

In his statement he made no mention of Zelenskiy or Kolomoyskiy, who owns about 40 percent of Naftogaz's oil production business.

Hochstein called Ukraine's decision to sign a memorandum of understanding to import liquefied natural gas from Louisiana Natural Gas Exports a “sordid affair” that represents the nation's slide “back towards its past.”

Louisiana Natural Gas Exports was only recently formed and has no track record of exporting liquefied natural gas. Prior to 2014, Naftogaz had a notorious history of giving contracts to politically connected companies.



Michael Carpenter ✓ @mikercarpenter · Oct 12

Naftohaz's American board member, @amoshochstein, resigns and says the company "has been forced to spend endless amounts of time combating political pressure and efforts by oligarchs to enrich themselves through questionable transactions."



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