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1. TOP NEWS

Pro-Russian separatists continue shelling positions of Ukrainian military

They launched the biggest offensive near the towns of Maryinka and Krasnohorivka.

You can find more details in the section ARMED CONFLICT IN UKRAINE’S EAST.

Ukrainian parliament authorizes access for foreign peacekeepers

The spokesperson of the Russian president has warned that the Kremlin might use force abroad due to the decision of the Ukrainian Verkhovna Rada.

You can find more details in the section DOMESTIC POLITICAL.

EBRD, IMF forecast Ukraine’s GDP fall by 9 percent

Japan will grant Ukraine a 1.5bn-dollar loan.

You can find more details in the section ECONOMY.

2. ARMED CONFLICT IN UKRAINE’S EAST

Pro-Russian separatists launch attack on Donbas towns

Pro-Russian separatists continue to attack Ukrainian positions using weapons which have been banned by the Minsk agreements, such as Grad multiple rocket launchers.

They launched the biggest offensive on 3 June, near the towns of Maryinka and Krasnohorivka, which are located west of Donetsk. The Ukrainian military said that they were able to repel the attack but were forced to return heavy artillery to their fighting positions.

The UN has reported that 28 people had been killed as a result of these clashes. Nine of them were civilians.

Experts believe that the most recent fighting, the worst since February, represents the most serious violation of the Minsk agreements.

Ukrainian Prime Minister Arseniy Yatsenyuk said that Russia had deliberately “ordered its terrorists to launch a military operation” ahead of the G7 summit.

On 5 June, the UN Security Council held an extraordinary meeting to discuss the deterioration of the situation in Ukraine.

OSCE observers attacked by militants in Luhansk Region

Pro-Russian separatists on 7 June opened fire on observers from the OSCE and...
the Joint Centre for Control and Coordination of Ceasefire and Stabilization of the Line of Contact near the town of Shchastya, Luhansk Region, the antiterrorist operation press centre has reported.

No casualties were reported.

Death toll in Donbas exceeds 6,300 people, UN says

Since the beginning of the armed conflict in eastern Ukraine in the middle of April 2014 and as of 15 May 2015, 6,360 people have been killed in Donbas and 15,780 have been wounded, the UN has reported.

UN experts estimate that the number of internally displaced people has reached 1.2 million. At the same time, cases of shelling, execution, illegal detention, torture and human trafficking are observed in the area of conflict populated by 5 million people, the UN added.

We would like to point out that according to information at disposal of the Security Service of Ukraine (SBU), as of 3 June, 1,180 people are considered missing in Donbas.

Donbas contact group holds meeting in Minsk

On 2 June, representatives of the trilateral contact group for settlement of the conflict in Donbas (Ukraine, the OSCE and Russia) and its four subgroups conducted negotiations in Minsk.

Russian representative Azamat Kulmukhametov left the room where the group convened, which derailed the meeting, the Interfax-Ukraine news agency has quoted its own source as saying.

OSCE special envoy in Minsk talks to resign

The special representative of the Organization for Security and Cooperation in Europe's (OSCE's) chairperson-in-office in Ukraine, Heidi Tagliavini, plans to step down from her role as OSCE representative in talks between Ukraine, Russia and pro-Russian militants in Ukraine's Donbas.

As previously reported, she represented the OSCE in the trilateral contact group for settlement of the conflict in Donbas.

The Ukrainian foreign minister believes that the change of the OSCE representative may slow down the Minsk dialogue.

The resignation might have to do with the derailment of the negotiations on 2 June, the Russian news agency Interfax has quoted its source in the trilateral group as saying.

Ukrainian president rules out national referendum on Donbas separation

Ukrainian President Petro Poroshenko has said that he will not allow a referendum on Donbas separation from Ukraine. The head of state made this statement at a news conference on 5 June, the next day after his annual address to parliament.
At the same time, he did not rule out the possibility of organizing a referendum on the status of Donetsk and Luhansk regions within the territory of Ukraine.

The president also noted that Kiev was ready to restore economic ties with the temporarily occupied territories in Donbas under the condition that the Ukrainian authorities regain control over the Ukrainian-Russian border. He ruled out economic cooperation with pro-Russian militants, as well as Ukraine’s and Western participation in the reconstruction of territories currently held by separatists.

Poroshenko also said that if the Ukrainian authorities fail to regain control over the Ukrainian-Russian border, they will be forced to tighten border control on the demarcation line in Donbas.

Blast hits coast guard boat near Mariupol

A Ukrainian coast guard cutter on 7 June hit an improvised explosive device in the Azov Sea off the coast of Mariupol, the antiterrorist operation press centre has reported. According to the statement, the device was planted by pro-Russian militants.

There were eight people on board at the time of the incident; one of them was killed.

Earlier, on 31 May, a fisherman accidentally detonated an explosive device floating in the water near Mariupol.

3. CRIMEAN ISSUE

Crimean Tatars denied right to celebrate National Flag Day

The Simferopol city authorities have denied the organizing committee of the Crimean Tatar youth to mark Crimean Tatar National Flag Day on 26 June.

We shall remind you that the city administration had denied the self-styled Crimean Tatar government Majlis permit to hold a rally in the city centre to commemorate victims of deportation on 18 May.

We would like to point out that on 4 June unidentified individuals tore down a Crimean Tatar flag from the Majlis building, as well as a plaque near the entrance to the building, and surveillance cameras.

The UN has reported that the situation in Crimea “remains alarming and such that we can characterize it by human rights violations committed by de facto authorities, who apply legislation of the Russian Federation”. The organization paid special attention to violations of rights of the Crimean Tatars.

Russian jury hand down verdict to son of Crimean Tatar leader

The Russian jury has decided that a son of the Crimean Tatar leader and Ukrainian MP Mustafa Dzhemilyev, Khayser, is not guilty of murder motivated by hooliganism. At the same time, it found him guilty of illegal possession of weapons and ammunition, as well as manslaughter. He faces up to seven years in prison.
The verdict is the same as the one issued by a Ukrainian court in May 2015.

We shall remind you that on 27 May 2013 Khayser Dzhemilyev killed a family member, Fevzi Edemov, as a result of negligent handling of weapons. At the end of September 2014, the Russian authorities illegally transferred him from a Crimean detention facility to Russian Krasnodar Region.

4. INTERNATIONAL POLITICAL

UKRAINE-RUSSIA

Russia launches new military drills along Ukrainian border

Russian Su-25 attack aircraft units of the Southern Military District airbase have launched military exercises to practice how to overcome "enemy air defences", the Russian Defence Ministry reported on 2 June.

We also learned that large-scale military drills are conducted along the Ukrainian border by Belarus.

We would like to point out that Ukrainian President Petro Poroshenko said that the massing of Russian soldiers along the Ukrainian border was the largest since August 2014. He added that the risk of Russia's direct invasion in Ukraine was extremely high.

Russian special unit operative transferred in Ukrainian detention facility

On 3 June, an operative of the Main Intelligence Directorate of the General Staff of the Russian Armed Forces, Yevgeniy Yerofeyev, was transferred from a Kiev military hospital to a remand centre.

It is planned that the second detained Russian soldier, Aleksandr Aleksandrov, will also be transferred to a remand centre soon.

The two Russians were detained near the town Shchastya in Luhansk Region on 16 May. A Ukrainian soldier was killed in the clash. A Ukrainian court ruled to keep the Russian soldiers in detention. They may face terrorism charges.

Ukrainian security service holds 53 Russian citizens criminally liable

The Security Service of Ukraine holds 53 Russian citizens criminally liable and has opened criminal cases against the majority of them over committing terrorist acts.

Ten cases were considered by courts, which have already handed verdicts.

Twenty-eight Russian nationals, including a former defence minister of the Donetsk people’s republic, Igor Girkin, and other leaders of the self-proclaimed Donetsk and Luhansk people’s republics have been placed on the wanted list.

Ukrainian security service opens criminal case over abduction of Ukrainian citizen

The Security Service of Ukraine has launched an investigation into the trumped up charges presented to Ukrainian military pilot and MP Nadiya Savchenko by the Russian Federal Security Service and the Russian Investigations Committee.
Ukrainian authorities enact law banning Russian-made films

On 4 June, the Ukrainian authorities started to implement a law which bans broadcasts of Russian movies which had been made after a Russian act of aggression against Ukraine on 1 January 2014.

The document also bans broadcasts of movies in Ukraine which promote Russian law-enforcement agencies and Soviet security agencies, which were made after 1 August 1991, regardless of where the films were produced.

UKRAINE-EU

Russia demands Ukraine postpone transfer to EU technical regulations by 10 years – media

The first technical consultations of experts from Ukraine, the EU and Russia regarding certain aspects of the implementation of the EU-Ukraine free trade area agreement took place in Brussels on 4-5 June 2015.

Ukraine's representative, Deputy Trade Minister Nataliya Mykolska, said after the talks that Russia was not constructive.

According to Ukrainian media reports, instead of offering anything specific, the Russian delegation suggested that the enactment of all technical regulations adapted to the EU standards be postponed by 10 years.

The next round of talks will be held in late June.

EU to extend sanctions against Crimea

The Council of the European Union on 5 June 2015 made a political decision to extend sanctions against Crimea for another year. The decision will be formalized in a while, the Council of the EU’s press service has said.

The sanctions include the ban on the import of Crimean goods, export of goods and technologies for transport, telecommunication and energy development to Crimea, and investment in the peninsula through purchase of real estate and other measures.

The AFP news agency quoted its sources as saying that at its June summit the EU will prolong the sanctions against Russia by another year due to its military aggression against Ukraine.

EU extends asset freezes for three Ukrainian ex-officials

The Council of the European Union decided on 5 June 2015 to extend the asset freeze and entry bans for former Ukrainian Justice Minister Olena Lukash, former Education Minister Dmytro Tabachnyk and MP Serhiy Klyuyev. The measures are extended by nine months for Lukash and Tabachnyk and by four months for Klyuyev.

The ex-president's younger son, Viktor Yanukovych Jr, was expelled from the sanction list due to his death.
It also transpired that ex-President Viktor Yanukovych and his elder son Oleksandr appealed against the EU decision on sanctions against them for the second time.

The EU restrictive measures now apply to 17 former Ukrainian officials.

**European Parliament rolls out sanctions in response to Russia’s “black list”**

On 2 June 2015, European Parliament President Martin Schulz announced suspending the parliament’s engagement with the EU-Russia parliamentary cooperation committee, restricting free access to parliament to the Russian ambassador; and assessing requests for access by members of the Duma and the Federation Council on a case-by-case basis.

The sanctions were introduced following the publication of the blacklist of 89 European politicians banned from entering Russia.

**UKRAINE-USA**

**Ukrainian-US military naval exercise held in Black Sea**

The Ukrainian frigate Hetman Sagaidachny and the US Navy destroyer USS Ross held a joint exercise in the Black Sea on 1-2 June 2015.

**UKRAINE-CANADA**

**Canada allocates 4m dollars for Ukrainian patrol police**

Canada has decided to allocate 5m Canadian dollars (4m US dollars) for an initiative to train a new Ukrainian patrol police force, Ukrainian Prime Minister Arseniy Yatsenyuk said after a meeting with his Canadian counterpart Stephen Harper in Kiev on 6 June 2015.

The new patrol force, which is expected to replace the State Automobile Inspectorate, will take to work in July in Kiev, to be followed by Lviv, Odessa, Kharkiv and later all over Ukraine.

**Ukraine, Canada in consultations on visa liberalization**

Ukraine and Canada have started consultations on visa liberalization for Ukrainians, in particular on increasing the term of visa holders’ stay in Canada and relaxing requirements to obtaining visas, Ukrainian President Petro Poroshenko said after a meeting with Canadian Prime Minister Stephen Harper in Kiev on 6 June 2015.

Ukrainian Prime Minister Arseniy Yatsenyuk hopes to complete free trade talks with Canada in three months.

**UKRAINE-WORLD**

**Ukrainian president appoints envoys to Serbia, Kyrgyzstan**

President Petro Poroshenko appointed Oleksandr Oleksandrovych as Ukraine's ambassador to Serbia and Mykola Doroshenko as ambassador to Kyrgyzstan.
5. DOMESTIC POLITICAL

Parliament authorizes peacekeepers’ entry to Ukraine

On 4 June 2015, parliament authorized foreign armed forces units’ entry to Ukraine for peacekeeping missions on Kiev’s request and UN or EU decisions to this effect.

Russian presidential press secretary Dmitriy Peskov said that Vladimir Putin may exercise his right to ask the Federation Council’s permission to use Russian troops abroad due to this decision of the Ukrainian parliament.

Earlier Ukraine suggested that the UN and EU deploy a peacekeeping mission to Donbas.

Ukrainian parliament shortens period of defence planning

On 2 June 2015, the Ukrainian parliament passed the bill which shortens the period of long-term defence planning for the Armed Forces from 12 to five years, mid-term planning from six to three to five years, and short-term planning from two to one to three years.

Ukrainian parliament approves plan of legislative support for reforms

On 4 May 2015, the Ukrainian parliament adopted a plan of legislative support for reforms.

The document says that parliament should pass bills along the following directions:

- constitutional reform and rule of law;
- national security and defence reform;
- Ukraine’s international commitments;
- macroeconomic stabilization and reform of economy;
- social sector;
- environment and natural resources;
- humanitarian policy.

According to an opinion poll held by the Gorshenin Institute, the majority of Ukrainians considers anticorruption reform (63.4 percent) and officials’ vetting (52.2 percent) as priority steps. See the detailed report on the opinion poll on the institute's website.

Two Ukrainian MPs stripped of immunity

On 3 June 2015, the Ukrainian parliament stripped a member of the People’s Will parliamentary group and ex-chief of the Aydar volunteer battalion, Serhiy Melnychuk, of immunity as he is suspected of banditry and a number of other crimes. He risks spending his life behind bars.

The same day parliament stripped non-affiliated MP Serhiy Kluyev of immunity as he is suspected of gross fraud. He is facing over 10 years in prison.
Klyuyev made an attempt to leave for Vienna but was stopped by border guards. On 4 June the politician was put on wanted list.

President Petro Poroshenko in his annual address called on parliament to lift MPs' immunity and limit that of judges.

Special pensions for Ukrainian officials cancelled

As of 1 June 2015, the Pension Fund stopped assigning special pensions to MPs, ministers, judges, prosecutors, customs and tax officers and other officials.

Ukrainian president denies confidential agreements with controversial tycoon

Ukrainian President Petro Poroshenko has denied reaching any confidential agreements with tycoon Dmytro Firtash during a meeting in Vienna in spring 2014. He said this at a news conference on 5 June while answering a question from an LB.ua correspondent.

He added that there was a different political agreement, however it was signed with Vitaliy Klitschko. He made the agreement available to journalists.

During the court hearing on his extradition, Firtash said that he met Poroshenko and Klitschko in Vienna in spring 2014. He refused to reveal the details citing the non-disclosure agreement. "I can say that we have achieved what we wanted. Poroshenko became the president, Klitschko the mayor," he added.

Head of Ukraine's migration service dismissed

The head of the State Migration Service, Serhiy Radutnyy, has been dismissed, President Petro Poroshenko said in his address to parliament on 4 June 2015.

According to the head of state, Radutnyy failed to prepare the state for visa-free regulations with the EU.

Poroshenko recalled that Kiev should have completed all technical assignments on EU visa liberalization by the end of August ahead of the visit by a European assessment mission in September.

Kiev police chief dismissed

On 5 June 2015, the Cabinet of Ministers dismissed the chief of the Interior Ministry’s main directorate in Kiev, Oleksandr Tereshchuk, in accordance with the vetting procedure.

Earlier some media reported that Tereshchuk lived in a house which he had built on the land plot which was arrested on suspicion of being an illegal allotment.

The Prosecutor-General’s Office also started a pre-trial investigation into illegal
enrichment by the former head of the State Automobile Inspectorate, Oleksandr Yershov.

Ukrainian defence minister dismisses chief procurement officer

On 6 June 2015, Defence Minister Stepan Poltorak dismissed the head of the procurement centre for the Defence Ministry and the General Staff for insufficient supply of the Armed Forces of Ukraine.

Some heads of Defence Ministry and General Staff departments faced disciplinary action.

Ukrainian cabinet suggests dismissal of Donetsk regional governor

On 5 June 2015, the Cabinet of Ministers petitioned the president to dismiss the head of the Donetsk regional state administration, Oleksandr Kikhtenko, due to his poor performance.

On 21 May, the governmental commission recognized the work of the Donetsk regional state administration as unsatisfactory.

6. ECONOMY

IMF mission completes its work in Ukraine

The IMF mission has concluded its two-week visit to Ukraine. In its final statement, the mission noted that "all performance criteria for end-March were met and all structural benchmarks due in the spring are on course to be met, albeit some with a delay."

However, Ukraine needs to reach agreement with its creditors on the restructuring of its public debt in order to receive a new tranche, the IMF said.

It should be noted that to receive another tranche, the Ukrainian parliament should also pass a number of laws, particularly, on strengthening the central bank's independence, on fiscal decentralization, and on changing the tax administration system.

Japan to give Ukraine 1.5bn-dollar loan guarantees

Japan plans to provide Ukraine with loan guarantees worth 1.5bn dollars, Ukrainian President Petro Poroshenko has said following the talks with Japanese Prime Minister Shinzo Abe held in Kiev on 6 June.

On the same day, the sides signed an intergovernmental agreement on a 1.1bn-dollars loan. The funds will be provided by Japan to Ukraine for the reconstruction of the Bortnychi sewage treatment plant in Kiev.

On 3 June, the Ukrainian parliament ratified the agreement between Ukraine and Japan on investment promotion and protection.
It was also reported that Ukraine and Japan began negotiations on relaxing visa requirements for Ukrainian citizens.

**Foreign exchange reserves grow by 3 percent**

Foreign exchange reserves of Ukraine's central bank in May increased by 3 percent to 9.92bn dollars.

Since the year's beginning, the reserves have grown by more than 30 percent.

According to experts, the central's bank reserve assets are expected to grow to 13bn dollars by the end of the year, provided that public debt securities are restructured successfully, the news and analysis website LB.ua said.

**EBRD, IMF worsen economic outlook on Ukraine**

The European Bank for Reconstruction and Development (EBRD) has revised downwards its forecast for Ukraine's economy, expecting the country's GDP to fall by 9 percent in 2015, as compared to the 7.5-percent decline projected earlier.

The IMF also projects that Ukraine's economy should shrink by 9 percent.

Previously, the IMF expected Ukraine GDP to contract by 5.5 percent this year.

**Inflation in May slows to 2.2 percent**

The Ukrainian statistics service has said that inflation in Ukraine slowed to 2.2 percent in May, while in April it was 14 percent. Annualized inflation rate slowed down to 58.4 percent from 60.9 recorded at the end of April.

According to the IMF, inflation in Ukraine should reach 46 percent this year.

It should be recalled that according to the targets set in Ukraine's national budget for 2015, GDP should decline by 5.5 percent while inflation should reach 26.7 percent.

**Central bank extends currency restrictions for three months**

The National Bank of Ukraine has extended the anti-crisis measures until 3 September.

In particular, the regulator extended the requirements for compulsory sale by exporters of 75 percent of their foreign exchange earnings, settlements on export-import operations in a 90-day term, and the restriction on purchase by banks of non-cash currency for their own operations in the size of 0.1 percent of their regulatory capital per day.

At the same time, the National Bank increased the amount of cash funds in the national currency that can be withdrawn by clients from their deposit accounts from 150,000 to 300,000 hryvnyas (from 7,000 to 14,000 dollars) per day.
National Bank liquidates Nadra bank

The Ukrainian National Bank on 4 June decided to revoke the banking license of Nadra bank, which is owned by businessman Dmytro Firtash, and liquidate the financial institution as insolvent.

It should be noted that the regulator also declared Natsionalnyy Kredyt (National Credit) bank as insolvent on 5 June. This financial institution has become the 17th insolvent bank since the year's beginning and the 50th since the start of 2014.

Ukraine resumes exports of Oplot tanks

Ukraine has resumed exports to Thailand of Ukrainian new-generation Oplot tanks, which are manufactured at the state-owned Malyshev plant, the Interfax-Ukraine news agency has said, citing a source in the defence sector. The exports were suspended in 2014.

The 200m-dollar contract for the supply of 49 tanks to Thailand was signed in 2011.

Court arrests property of Firtash's Ostchem

The court has arrested 46 real estate facilities and land plots belonging to Ostchem company of Ukrainian businessman Dmytro Firtash under a criminal investigation into the infliction of 5.74bn hryvnyas (2.7m dollars) of losses on the state, Ukrainian Interior Minister Arsen Avakov has said.

It should be recalled that earlier the court arrested 499m cu.m. of gas stored in Ukrtranshaz facilities belonging to Ostchem group.

In addition, Avakov said that the Interior Ministry opened a criminal case on the collusion between former managers of Naftohaz Ukrayiny, a state-run energy company, and Firtash during the court proceedings in Stockholm in 2010, which resulted in the defeat of the Ukrainian side. As a result, Naftohaz was obliged to return 12.1bn cu.m. of gas to RosUkrEnergo gas intermediary company.

It also became known that the Supreme Economic Court rejected the request submitted by company Ukrainian Chemical Products, owned by Firtash, to extend the lease of the Vilnohirsk state-run mining and metallurgical plant worth 430m hryvnyas (20.5m dollars).

7. ENERGY

Brussels hosts Ukraine-Russia-EU expert-level talks on gas issues

Experts from Ukraine, Russia and the European Commission met in Brussels on 2 June to discuss the terms of Russian natural gas supplies to Ukraine.

According to Russian Energy Minister Aleksandr Novak, the two sides reached a preliminary agreement that at least 19bn cu.m. of gas will be pumped into the Ukrainian underground gas storage facilities ahead of the winter season. He also
said that the European Commission will provide financial assistance for Ukraine to purchase the gas if the latter does not have enough resources.

At the same time, Russian news agency RIA Novosti, citing Naftohaz's business development director Yurii Vitrenko, reported that the company is not going to provide any guarantees for the purchase of gas or its pumping into underground storage facilities.

It is planned that a trilateral ministerial meeting will be held by the end of June, at which Ukraine, Russia and the EU will sign a protocol establishing the terms of Russian gas supplies to Ukraine until the spring of 2016.

It should be recalled that the agreement under which Ukraine is currently buying gas from Russia expires on 1 July.

**President gives Naftohaz green light to recover debts from consumers**

Ukrainian President Petro Poroshenko has signed a law that gives the right to Naftohaz Ukarayiny, a state-run energy company, to conduct forced recovery of debt from fuel and energy companies, and to sell consumers' debts for supplied gas to third parties through auctions.

**Ukraine resumes gas imports from Hungary**

Ukraine resumed imports of natural gas from Europe through Hungary on 4 June, the state-run company Ukrtranshaz has reported. The imports were suspended in April.

It is also reported that Ukrtranshaz and Hungarian gas operator FGSZ on 29 May signed an agreement on the interconnection of pipelines crossing the Ukraine-Hungary border, which allows performing virtual reverse gas supplies.

The capacity of the interconnector in the direction of Hungary reaches 26bn cu.m. per year while the pipes in the direction of Ukraine can pump 6.1bn cu.m. per year.

**Court overturns dismissal of Ukrtransnafta head**

A Lutsk court on 29 May declared illegal the 19 March decision by the supervisory board of Ukrtransnafta, the operator of Ukraine's oil pipelines, to dismiss Oleksandr Lazorko (who is said to be affiliated with Privat Group of Ihor Kolomoyskyy) from the post of the company’s board chairman, Andriy Pasichnyk, executive director of the state-run energy company Naftohaz Ukarayiny, has said.

The Naftohaz official believes that the lawsuit was filed in order to legitimize the agreements on placing 2bn hryvnias (95m dollars) in state funds on Privatbank’s (Kolomoyskyy's bank) deposits, which were signed on the day of Lazorko's dismissal.

It should be recalled that the supervisory board of Ukrtransnafta managed to appoint Roman Sydorak as a new board chairman (who is running the company today) only on 22 April.
Parliament cuts "green tariff" for solar power plants

The Ukrainian parliament on 4 June passed the law on reducing the "green tariff" for solar power plants by removing the peak ratio of 1.8 from the tariff calculation formula.

According to Energy Minister Volodymyr Demchyshyn, this document will allow saving 1bn hryvnyas (47.6m dollars) by the end of the year.

Experts say that the law will help eliminate the monopoly of Serhiy and Andriy Klyuyev on the market.