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ANALYTICAL NOTE No. 4

The Ukrainian section of the “Samara - Western Direction” trunk petroleum product pipeline, indirectly owned by Viktor Medvedchuk

Project - “Monitoring the Management of Seized Assets”

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This publication was prepared within the project on monitoring the activities of the National Agency of Ukraine for Finding, Tracing and Management of Assets Derived from Corruption and Other Crimes (ARMA). The Institute of Legislative Ideas focuses on the practical aspects of transferring seized assets into management, including for their subsequent sale. The analysis covers the types of assets transferred into management, typical problems arising at different stages of this process, and systemic factors that prevent effective management. Based on the monitoring results, proposals have been developed to improve the relevant procedures and regulatory framework.

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Executive Summary

The seized Ukrainian section of the "Samara - Western Direction" trunk petroleum product pipeline was transferred into temporary management. Before that, it had been unlawfully controlled by structures linked to pro-Russian politician Viktor Medvedchuk.

ARMA's Tender Committee on Asset Management selected JSC "Ukrtransnafta" as the winner of the competitive selection procedure. To manage the asset, the winner created a separate department within its organisational structure, which also included personnel of the asset owner, LLC "Prykarpatzakhidtrans".

In parallel, the Commercial Court recognised the state's ownership, represented by the State Property Fund of Ukraine (SPFU), of the "Samara - Western Direction" pipeline. The appellate court and the Supreme Court upheld this decision in early 2024. However, as of May 2025, the procedure for state registration of ownership had not yet been completed, and the asset formally remained under ARMA's management.

Identified issues as of 02.05.2025

1. ***The procedure for registering state ownership, represented by the SPFU, of the petroleum product pipeline remains incomplete.***
2. ***There are risks that the former owner of the asset, LLC "Prykarpatzakhidtrans", which is linked to Viktor Medvedchuk, may retain influence through the involvement of LLC "Prykarpatzakhidtrans" personnel in management.***
3. ***No up-to-date asset valuation was carried out before the asset was transferred into management.***

1. General information about the asset

The "Samara - Western Direction" pipeline was built during the Soviet period and was in all-Union ownership. This asset is widely known as "Medvedchuk's pipeline".

The pipeline extends for more than 800 km across Zakarpattia, Lviv, Rivne and Zhytomyr regions. After Ukraine declared independence, it should have become state property of Ukraine by succession. However, this did not happen. For many years, it was used by the Russian company "Transnefteprodukt" through the Ukrainian company "Prykarpatzakhidtrans".

Until 2016, "Prykarpatzakhidtrans" was a structural unit of "Transnefteprodukt", part of Russia's "Transneft". In February 2016, "Transneft" sold "Prykarpatzakhidtrans" to the Swiss company International Trading Partners AG, which is linked to Viktor Medvedchuk. The former MP himself denies any involvement in the company[1].

Currently, LLC "Prykarpatzakhidtrans" is owned by the Swiss company International Trading Partners AG, Belarusian citizens Sergiy Bakanov, Eduard Shunevych and Yuliia Asheichyk, as well as Swiss citizen Anatoliy Schaefer. The final beneficial owner used to be sanctioned Belarusian oligarch Nikolai Vorobei. The current final beneficial owner is the above-mentioned Anatoliy Schaefer[2].

As of 1 November 1992, the value of the property was assessed at USD 8.18 million[3]. The asset was not valued before being transferred into management.

2. Current status

In 2011, the Commercial Court of Rivne Region recognised state ownership of the part of the "Samara - Western Direction" petroleum product pipeline located in Ukraine. However, in 2015 this decision was overturned due to newly discovered circumstances. Despite the requirement of the National Security and Defence Council of Ukraine (NSDC) to protect the state's interests, the court later finally dismissed the prosecutor's claim, leaving the asset in the ownership of the private company "Prykarpatzakhidtrans". In 2017, the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialized Anti-Corruption Prosecutor's Office (SAPO) launched an investigation into the circumstances surrounding the transfer of ownership of this strategic pipeline.

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[1] https://www.bbc.com/ukrainian/news-56216284
[2] https://youcontrol.com.ua/contractor/?id=15635423#express-universal-file
[3] https://epravda.com.ua/news/2021/07/1/675513/

On 19 February 2021, the NSDC adopted a new decision "On Taking Measures to Protect the State's Property Interests" concerning the "Samara - Western Direction" petroleum product pipeline[4]. By this decision, the NSDC instructed the Cabinet of Ministers of Ukraine (CMU), together with the Security Service of Ukraine (SSU), to conduct an inspection and establish why the 2015 NSDC decision had not been implemented, assess the legality of the pipeline's alienation and take appropriate response measures. On the same day, sanctions were imposed on Viktor Medvedchuk[5].

As early as 23 February 2021, the High Anti-Corruption Court of Ukraine (HACC), based on evidence collected by the SSU, NABU, SAPO and the Prosecutor General's Office, seized part of the "Samara - Western Direction" trunk petroleum product pipeline. The property, including buildings, structures and other facilities located in Ukraine that support the operation of the pipeline, was transferred to ARMA for management[6],[7].

The HACC also determined that, until ARMA selected a property manager through a competitive procedure, the asset would remain in the safekeeping of JSC "Ukrtransnafta"[8].

On 25 March 2021, ARMA announced the start of the competitive selection of a manager for the seized section of the "Samara - Western Direction" petroleum product pipeline. Since the case concerned a strategically important facility, additional requirements were imposed on the bidders, including a licence to conduct business activities involving the transportation of oil and petroleum products by trunk pipeline in Ukraine and at least five years of relevant experience[9].

Two companies submitted documents for the competitive selection of a manager, including LLC "Prykarpatzakhidtrans", the owner of the seized property. On 16 April 2021, ARMA's Tender Committee on Asset Management decided to select JSC "Ukrtransnafta" as the winner of the competition[10].

On 11 June 2021, the Antimonopoly Committee, in a concentration case, granted JSC "Ukrtransnafta" permission to manage the "Samara - Western Direction" pipeline[11].

It is noteworthy that there is no public information about a valuation of the petroleum product pipeline. The latest valuation data available to us dates back to 1992. This is most likely due to the fact that the assets were transferred into management before the procedural amendments introduced at the end of 2023. We believe that information on the pipeline valuation should be made public if such a valuation was carried out.

On 1 July 2021, ARMA concluded an agreement with JSC "Ukrtransnafta" on the management of part of the "Samara - Western Direction" petroleum product pipeline.

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[4] https://www.rnbo.gov.ua/ua/Ukazy/4818.html
[5] https://www.rnbo.gov.ua/ua/Ukazy/4816.html
[6] https://epravda.com.ua/news/2021/02/24/671359/
[7] https://surl.li/hwdzyk
[8] https://epravda.com.ua/news/2021/02/24/671365/
[9] https://surl.lu/hmbwgf
[10] https://surl.lu/mtcdbt
[11] https://epravda.com.ua/news/2021/06/11/674933/

Under the agreement, management is to continue for the next five years or until the seizure of the asset is lifted. During this period, the company must pay at least UAH 1.1 million as a guaranteed payment to the State Budget[12].

However, even after the management agreement was concluded, JSC "Ukrtransnafta" could not immediately start actual management of the petroleum product pipeline. The seized property was transferred to the manager, but the permits required to operate the pipeline were not transferred. In practice, JSC "Ukrtransnafta" had to prepare all documents anew, which is a fairly lengthy procedure[13].

Only on 16 September 2021 did it become known that JSC "Ukrtransnafta" had obtained all the documents necessary to operate and properly manage the Ukrainian section of the "Samara - Western Direction" petroleum product pipeline. To manage the pipeline, JSC "Ukrtransnafta" also created a separate department within its organisational structure. It included employees of JSC "Ukrtransnafta" and LLC "Prykarpatzakhidtrans", namely leading specialists in the transportation of petroleum products by trunk pipelines[14].

On the one hand, we understand that pipeline management requires qualified specialists, and such specialists are scarce. On the other hand, including representatives of the former owner in the department may enable the latter to exert indirect influence over asset management.

As regards proceeds from the management of the seized "Samara - Western Direction" petroleum product pipeline, according to information provided in response to the Institute of Legislative Ideas' request, in 2024 JSC "Ukrtransnafta" transferred more than UAH 12 million to the State Budget from the management of the asset.

Also in 2021, the State Property Fund of Ukraine (SPFU) filed a claim with the Commercial Court of Zhytomyr Region seeking recognition of state ownership of the pipeline. On 26 June 2023, the court partially satisfied the claim, recognising the state, represented by the SPFU, as the owner of the technological complex of the part of the "Samara - Western Direction" trunk petroleum product pipeline located in Ukraine[15].

This decision was upheld by the ruling of the North-Western Appellate Commercial Court of 30 October 2023[16]. On 31 January 2024, the Supreme Court dismissed the cassation appeal filed by LLC "Prykarpatzakhidtrans"[17]. Thus, Ukraine defended its right to this property.

The registration of state ownership, represented by the SPFU, of the petroleum product pipeline is currently ongoing.

However, the asset still remains under the management of JSC "Ukrtransnafta" based on the management agreement with ARMA[18].

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[12] https://surli.cc/zuhplz
[13] https://www.rbc.ua/ukr/news/truba-medvedchuka-chemodan-ruchki-tsenoy-1628694006.html
[14] https://surl.li/xwcudt
[15] https://reyestr.court.gov.ua/Review/112044532
[16] https://reyestr.court.gov.ua/Review/114717589
[17] https://reyestr.court.gov.ua/Review/117105852
[18] https://surl.lu/obkcwo

3. Grounds for seizure of the asset and its transfer to ARMA

In 2005, the Prosecutor General's Office, acting in the interests of the SPFU, filed a claim seeking recovery from the unlawful possession of "Prykarpatzakhidtrans" of part of the "Samara - Western Direction" trunk petroleum product pipeline. On 22 March 2011, the Commercial Court of Rivne Region satisfied the claim and recognised state ownership, represented by the SPFU, of the pipeline located in Ukraine[19].

The decision of the first-instance Commercial Court was upheld by rulings of the Rivne Appellate Commercial Court of 25 November 2014[20] and the Higher Commercial Court of Ukraine of 17 March 2015[21].

On 21 April 2015, the Commercial Court of Rivne Region overturned its decision of 22 March 2011 due to "newly discovered circumstances"[22]. This decision reversed the already effectively completed nationalisation of the strategic petroleum product pipeline.

On 6 May 2015, the NSDC, by its decision, instructed the CMU to determine the central executive authority responsible for the preservation and operation of the part of the "Samara - Western Direction" petroleum product pipeline passing through Ukraine, and to take measures to protect the state's economic interests[23]. After that, the NSDC did not return to this issue for almost six years.

Subsequently, by a decision of the Commercial Court of Rivne Region dated 30 August 2017, the prosecutor's claim in the interests of the state against LLC "Prykarpatzakhidtrans" was dismissed[24]. This decision was upheld by rulings of the Rivne Appellate Commercial Court of 18 December 2017[25] and the Supreme Court of Ukraine of 30 May 2018[26]. Thus, the strategic facility ended up in the ownership of a commercial entity.

In 2017, NABU and SAPO launched an investigation into the circumstances surrounding the transfer of ownership of the pipeline.

On 19 February 2021, the NSDC adopted a new decision "On Taking Measures to Protect the State's Property Interests" concerning the "Samara - Western Direction" petroleum product pipeline[27] and imposed sanctions on Viktor Medvedchuk[28].

As early as 23 February 2021, the HACC, based on evidence collected by the SSU in cooperation with other law enforcement agencies in criminal proceeding No. 52017000000000752, seized the part of the "Samara - Western Direction" trunk

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[19] The decision is hidden in the Unified State Register of Court Decisions. Information on its existence is contained in the following decisions.
[20] https://reyestr.court.gov.ua/Review/41606206
[21] https://reyestr.court.gov.ua/Review/43306793
[22] https://reyestr.court.gov.ua/Review/43763388
[23] https://www.rnbo.gov.ua/ua/Ukazy/400.html
[24] https://reyestr.court.gov.ua/Review/68623780
[25] https://reyestr.court.gov.ua/Review/71202529
[26] https://reyestr.court.gov.ua/Review/74411329
[27] https://www.rnbo.gov.ua/ua/Ukazy/4818.html
[28] https://www.rnbo.gov.ua/ua/Ukazy/4816.html

petroleum product pipeline located in Ukraine, which had previously been unlawfully controlled by structures linked to pro-Russian politician Viktor Medvedchuk.

The property was seized with a prohibition on disposal, alienation and use of real estate objects, buildings, structures, technological facilities and linear sections directly involved in ensuring the production activities of the technological complex of the "Samara - Western Direction" petroleum product pipeline. The relevant court ruling is hidden in the Unified State Register of Court Decisions.

By the same ruling, the seized property was transferred to ARMA for management[29].

[29] https://epravda.com.ua/news/2021/02/24/671359/