

In Siemens Turbines Scandal, Russia Has Most to Lose (Op-ed)

The Kremlin might have miscalculated the costs of its secretive delivery of turbines to Crimea

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Siemens Press Service

Moscow's covert decision to circumvent Western sanctions by delivering two Siemens gas turbines to Crimea could be considered as bold as the decision to annex the peninsula in the first place.

That step, taken three years ago, has apparently left the authorities with no choice but to approach everything as if it were part of a special operation. The case of the Siemens turbines is a perfect example of the long-term and unexpected costs Russia is having to pay

for that political decision.

The Kremlin has not confirmed that it planned to install German equipment at two new power stations in Sevastopol and Simferopol. But [evidence](#) to the contrary has forced Siemens to admit the reports, saying that Russia moved the turbines to Crimea without the company's knowledge.

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The German company refused to participate in the launch of its turbines in Crimea and filed a lawsuit with the Court of Arbitration in Moscow against Rostec subsidiary Technopromexport and its joint venture partner Siloviye Mashiny (Power Machines).

The Reuters news agency reported in July that SGT5-2000E turbines had been delivered to Crimea. The units were built by Siemens Gas Turbine Technologies (SGTT), a joint venture in St. Petersburg owned by Siemens (65 percent) and Alexei Mordashov's Silovye Mashiny (35 percent).

Rostec head Sergei Chemezov was tasked with installing and launching the turbines in Crimea. He used the company's state-owned subsidiary Technopromexport to hire the Russian company Interavtomatika, which is 45.7-percent owned by Siemens, for the job.

The tender called for delivering the turbines to the Krasnodar region city of Taman. But nothing was ever built there.

Vedomosti [reported](#) on this scheme back in 2015. Siemens denied wrongdoing at the time. The probable motives for both buyer and the supplier are easy enough to understand: aside from trying to hide their tracks, both sides had hoped for a gradual easing of Western sanctions against Russia.

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Those hopes did not pan out. Now Siemens faces heavy fines and not only in Germany.

What does Russia get from this? First, it gets turbines that it will have to install and service without the benefit of the necessary Siemens specialists, software, and parts, which will probably reduce the quality and duration of the turbine's operation.

Russia also faces having its cooperation with SGTT frozen, and the enterprise is the only one in Russia producing high-capacity gas turbines. Production is only a little more than 50 percent localized, and the German company will take back the rest of the technology.

The clandestine delivery of two turbines to Crimea, which might yet prove impossible to put into operation, could deprive the entire country of turbines. Who will answer for this?

Apparently, the ax has fallen on Silovye Mashiny CEO Roman Filippov, with both sides agreeing on his dismissal last Thursday.

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