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'Dark Horse' Replaces Rosneft Head

By Olga Razumovskaya

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Igor Sechin, reflected at far left. Sechin is one of the most powerful deputy prime ministers serving under Vladimir Putin, and this Rosneft changeover tightens his grip on the oil major. **M. Stulov**

Rosneft's board has approved first deputy chief Eduard Khudainatov as its new president, the company said Sunday, ending Sergei Bogdanchikov's 12 years at the helm and tightening chairman Igor Sechin's control over Russia's largest oil producer.

During his tenure, Bogdanchikov turned Rosneft into the industry leader — in large part through the acquisition of assets from the now-bankrupt Yukos. But the CEO had a cool relationship with Sechin, the influential deputy prime minister who oversees industry in the government.

Khudainatov, a relatively little-known Rosneft vice president since 2008 and former head of a major Gazprom production unit, is not expected to change much at Rosneft, where Sechin has been gradually installing loyal managers.

"I'm confident that Eduard Khudainatov has the experience and insights to lead the

management team as Rosneft enters its next stage of development," Sechin said in a statement announcing the decision.

President Dmitry Medvedev met Khudainatov at his residence near Moscow on Saturday and officially proposed his candidacy, Kremlin spokeswoman Natalya Timakova told reporters.

The oil industry had speculated for years that Bogdanchikov could be on his way out, but the rumors intensified after Vedomosti reported Wednesday that his ouster was imminent.

"Last week there was an article in one of the papers that said I would replace [Energy Minister Sergei] Shmatko and that someone else would take my place," Bogdanchikov said Wednesday, without specifying the publication.

"As you can see, I am here and not planning on going anywhere and these rumors are absolutely false," he told reporters. "I'm a shareholder, the president and besides — I'm a board member. I am so attached to [Rosneft]," he said.

Bogdanchikov's contract was not extended at the June 18 annual shareholders meeting, even though it was set to expire June 29. Sechin said at the time that "no replacement candidates were being considered."

Rosneft itself added fuel to the fire Friday, releasing a message from "acting president" Khudainatov to congratulate workers with the national oil and gas industry holiday, celebrated on the first Sunday of September.

The company later denied that Bogdanchikov was being replaced and posted a press release changing Khudainatov's title back to first deputy president, noting that he was filling in as chief while Bogdanchikov was on a business trip.

Several other names had been floated as possible replacements, including Deputy Energy Minister Sergei Kudryashov and former Rosneft vice president Alexander Ryazanov. But analysts called Khudainatov a logical choice, despite his low profile among investors.

The 49-year-old joined Rosneft in September 2008 as head of capital construction and was promoted to first vice president in January 2009.

Khudainatov held several oil posts in the 1990s and served as a regional inspector for the presidential administration from 2000 to 2003. He then took over as chief of Gazprom's Severneftegazprom unit, based in the Tyumen region, where he remained until joining Rosneft.

"Khudainatov is untainted. He has never participated in any business alliances and has industry-specific expertise. He has proven to be prompt and receptive to instructions," a source close to Rosneft told The Moscow Times.

"There are people who are easy to work with and who will quickly get things done, and there are people with whom it is difficult to get along," the source said. "That's not to say that Bogdanchikov wasn't effective. He's a top-notch professional. But with Khudainatov things will run [more] smoothly."

Analysts agreed that investors would not be overly concerned by the management change, particularly given Sechin's influence.

"As someone uninvolved in any Kremlin clans, Khudainatov is a good choice. Khudainatov, the technocrat, will do as he is told," Konstantin Simonov, head of the National Energy Security Fund, a think tank, told The Moscow Times.

"Truth be told, nothing has changed in the company. Sechin is in control, so the market has nothing to worry about," Simonov said. "Khudainatov may be a dark horse, but we'll have to wait and see whether he'll be a winner."

But the unfamiliar face could nonetheless take a toll on Rosneft's shares when markets reopen, said Shirvani Abdullayev, an independent oil and gas analyst.

"The reaction will probably be negative, come Monday, since very little is known about [Khudainatov]," Abdullayev said.

"It'll be followed by a quiet period when investors will be cautious and looking out for his first move, the first thing he does or says during a press conference," he said.

It was not immediately clear whether Bogdanchikov, 53, would retain his seat on Rosneft's board. He owns 0.0012 percent in Rosneft, Interfax reported Wednesday.

Rosneft had a market capitalization of $69.5 billion at the close of trade in London, valuing Bogdanchikov's stake at $83.4 million.

The outgoing CEO could find a state job or move on to another company in the Russian oil industry, analysts said.

"Bogdanchikov's employment is his headache now. Do you think anybody will be running around looking to find him a job?" Simonov said, calling rumors that Bogdanchikov could take over the Energy Ministry "absurd."

The position reports directly to Sechin.

Independent gas producer Novatek, in which Gennady Timchenko and Leonid Mikhelson own large stakes, is "a plausible option," Simonov said. The company hired Bogdanchikov's son, Alexei, as head of business development after he left Rosneft in January.

International oil and gas companies would be unlikely to tap Bogdanchikov for a management role, since his experience in Rosneft would be of little use in another corporate environment, Simonov added.

Abdullayev suggested that a new industry job in Russia could also be tough, since the top spots at other oil and gas companies do not appear to be up for grabs.

"He can work for the state, but the big companies are taken," he said.

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