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Shmatko Sees Caspian Tax Break for LUKoil

By The Moscow Times

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Prime Minister Vladimir Putin speaking to LUKoil chief Vagit Alekperov at the LUKoil-Nizhegorodnefteorgsintez refinery in the Nizhny Novgorod region on Monday. Governor Valery Shantsev is on the left. **Alexei Nikolsky**

LUKoil, the country's second-largest oil producer, is to receive long-sought tax breaks on oil from new North Caspian fields, similar to those competitors are getting in East Siberia, Energy Minister Sergei Shmatko said Monday.

Shmatko said the government had prepared an order relieving LUKoil of taxes on exports from the new fields, and it was awaiting Prime Minister Vladimir Putin's signature.

"The program [of tax breaks] was supported by the prime minister in principle. We are expecting a decision in the near future," he said, adding that LUKoil would receive the same terms as competitors developing greenfields in East Siberia.

"We are not going to apply a zero export duty, but we have agreed to apply a similar methodology [already applied to East Siberian deposits]," Shmatko said.

"We developed the draft order, the Finance Ministry signed off on it, and we submitted it," Shmatko said, Interfax reported.

Unlike greenfields in East Siberia being developed by Rosneft and TNK-BP, LUKoil's Korchagin field in the Caspian Sea does not benefit from breaks on export duties.

LUKoil has been lobbying for export duty breaks for Korchagin after launching production there in April and spending more than 40 billion rubles ($1.3 billion) over 15 years to get it commissioned.

Vagit Alekperov, the company's president, told Reuters earlier this month that the government was prepared to lower export tariffs paid on oil extracted from the Korchagin field beginning Jan. 1.

Analysts have said tax breaks on exports from the technically challenging and investment-heavy Caspian fields were crucial for the profitability of a company whose oil production has been falling this year.

"If LUKoil gets the same discounted rate as the East Siberian producers for their Caspian field, they will pay almost 70 percent less in taxes," Denis Borisov, an analyst at Bank of Moscow, said earlier this month.

LUKoil plans to launch the largest of its Caspian deposits, the Vladimir Filanovsky field, in 2014 or 2015. Annual output there was expected to reach 10.5 million tons.

Shmatko's announcement came after Putin visited LUKoil's Norsi refinery in Nizhny Novgorod, where the company started a cracking unit that will produce cleaner gasoline, RIA-Novosti reported.

The first supplies of the fuel, which will meet European Union Euro 5 standards, will be shipped in December, Alekperov was quoted as saying.

(Reuters, Bloomberg)

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