

TNK-BP Considers 50% Stake in Itera

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Executives of TNK-BP and gas trader Itera are discussing a deal in which the oil company may acquire a stake of up to 50 percent in Itera, TNK and Itera sources said.

Itera vice president Alexander Beryozikov announced last week that his company was ready to turn over up to 50 percent of its shares to a strategic investor "to bring investment and technology that will allow the company to evolve more rapidly."

Beryozikov acknowledged that negotiations had started but he declined to say with whom.

The TNK and Itera sources confirmed that TNK-BP has been in discussions with Itera for several months.

"So far no documents have been signed ... but we are committed to close a deal," said a source close to TNK shareholders.

As payment, TNK may provide cash to reduce Itera's debt and hand over its own natural gas

assets — though it is not yet clear exactly which ones.

Officials at TNK-BP and Itera declined to comment, but one TNK employee confirmed that negotiations were ongoing.

With a stake in Itera, TNK would become a leader in gas production among Russian oil companies. Last year, TNK-BP produced 11.1 billion cubic meters of gas, putting it in fourth place after Surgutneftegaz (13.6 bcm), Rosneft (13.2 bcm) and LUKoil (12.4 bcm).

TNK-BP's interest in the gas industry is connected primarily with a promised increase in domestic gas prices, said Valery Nesterov, an analyst at Troika Dialog. After 2013, the government plans to raise gas prices to make domestically sold natural gas as profitable as exported gas.

Itera's current share consolidation may be the first stage of a deal with TNK. Now Itera is buying a 26 percent stake of Itera Holdings from Sun Group of India, which is ending its role as a charter investor. "We have signed an agreement with Sun to buy back its shares of Itera Holdings. The deal will be completed soon," Igor Makarov, principal co-owner of Itera, told Gazprom Magazine.

Igor Gundobin, head of Sun Group in Russia, declined to comment.

In 2001, TNK tried to gain control over Itera subsidiary Rospan by buying up its debts. By early 2002, Makarov had almost agreed to share his assets with TNK but unexpectedly sold a 56 percent stake in Rospan to Yukos. The deal marked the beginning of a long war between Yukos and TNK, and only in August 2004 did TNK manage to buy the Yukos share of Rospan.

Now the main assets of Itera are 49 percent stakes in Sibneftegaz and Purgaz, which experts value at up to \$1.85 billion, and 65 percent of the largest natural gas trader, Uralsevergaz. Consolidated financial results are only known for 2008 — revenue of \$1.7 billion, profits of \$111.5 million and a debt of \$801 million.

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