

Putin Seeks Clarity on \$4Bln Fraud Claim at Transneft

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Prime Minister Vladimir Putin said he wants a full investigation into allegations of a \$4 billion fraud during construction of an oil pipeline across East Siberia.

Law enforcement agencies including the Prosecutor General's Office should look into a report published by Alexei Navalny, a minority shareholder in monopoly oil pipeline operator Transneft, Putin told reporters at the end of December.

Navalny posted on his web site Nov. 16 what he said were unpublished documents based on a 2008 inquiry by the Audit Chamber, the state budget watchdog. The documents indicate that costs for the East Siberian-Pacific Ocean pipeline were inflated and led to the embezzlement of \$4 billion, according to Navalny.

"As far as this specific issue is concerned, we need look into it thoroughly," Putin said. "We need to investigate if a minority shareholder is unhappy about something."

Navalny, a lawyer who has bought shares in more than 20 Russian companies to press for better corporate governance, said in a Dec. 15 phone interview that he planned to ask minority shareholders to participate in legal action against Transneft.

Transneft initiated the inquiry itself in late 2007 after current management took over, Igor Dyomin, a spokesman, said in a Nov. 17 interview. Contractors failed to keep to construction schedules and the pipeline opened a year late in December 2009, Dyomin said.

Audit Chamber investigator Mikhail Beskhmelnitsyn said Nov. 19 on state television that Transneft misspent 3.45 billion rubles (\$110 million) on the pipeline.

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