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Inter RAO Power Vertical Emerging

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Inter RAO chairman Boris Kovalchuk is looking for a strategic investor. **Denis Grishkin**

An apolitical power vertical is emerging, as state-controlled electricity company Inter RAO on Thursday unveiled details of an aggressive expansion plan that will include consolidation of disparate assets under a single umbrella firm.

Inter RAO, which holds the monopoly on electricity import-export, aims to capture 25 percent of the domestic energy market as part of a strategy that company bosses hope will make it the No. 1 local energy producer by 2015.

The expansion could be funded by selling off a 25 percent stake to a strategic investor that "could be a Russian fuel or energy company or a foreign company that could provide synergies," Inter RAO chairman Boris Kovalchuk told reporters as he unveiled the company's strategy for the next five years.

The strategy to 2015 foresees the firm maintaining a complex portfolio of interests at every stage of electricity production, including extraction of fossil fuels and the construction of

power stations and infrastructure, but will place overwhelming emphasis on power generation.

Sales from power generation are expected to account for 70 percent of revenues by 2015. The electricity giant hopes to be generating up to 23 billion euros ($31 billion) in revenue and 2.8 billion in earnings before interest taxes, depreciation and amortization by 2015.

In the same period, the company expects to more than double its current installed generating capacity to 40 gigawatts, up from the 18 gigawatts it now produces at mostly gas and coal-fired power stations in Russia and abroad.

To facilitate its consolidation plans, the company issued 13.8 trillion new shares at 5.35 kopeks apiece on Monday. It hopes to acquire power industry assets worth between $9 and $15 billion, mostly from state-owned companies, in exchange for some of its own shares.

As a result other state-controlled power firms, including grid operator FSK and hydro-electric giant RusHydro, could take stakes of 17 and 6 percent respectively in Inter RAO. The company expects at least 50 percent of its shares to be directly owned by the government and state controlled firms by 2015.

Kovalchuk also promised an ambitious overseas campaign in a bid to become one of the top 10 electric power companies in the world in terms of installed capacity and turnover.

The firm, which already has operations in Finland, the Baltic states, Kazakhstan and Turkey, expects 25 percent of the eventual 40 gigawatts of installed capacity to be located abroad.

Although Kovalchuk outlined plans for expansion on every continent except North America, Australasia and Antarctica, he sidestepped questions about specific countries.

“We're looking for countries with potential for a range of results,” said the chairman, citing operations in Turkey, where it is involved in both construction of power plants and export of electricity via Georgia.

South America and Southeast Asia were identified as markets to which the export of electricity would be untenable, but Kovalchuk said he expects to increase exports to China by 40 percent by the end of the third quarter of this year.

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