

Differences Over Vankor Duty Expose Deeper Rifts

By [The Moscow Times](#)

April 24, 2011

The  Moscow Times

The Finance Ministry and a top energy official clashed openly in front of Prime Minister Vladimir Putin over oil field tax breaks, highlighting policy fault lines before 2012 presidential polls.

During a meeting of the Russian Union of Industrialists and Entrepreneurs at government headquarters, Putin asked whether the major Vankor oil field, controlled by state-owned Rosneft company, would be stripped of a beneficial tax regime.

Deputy Finance Minister Sergei Shatalov said it would, while Putin's aide and deputy Igor Sechin then contradicted him, saying Thursday that the export duty breaks were only being suspended, not axed.

With presidential election in March 2012 fast approaching, rivalry for the Kremlin keys is getting more conspicuous.

Putin and President Dmitry Medvedev have recently set the tone for the election campaign by stressing different priorities in domestic and external politics.

They have not yet said they would challenge each other in the race, however.

The new Vankor oil field in the Arctic north, set to pump 15 million tons this year, has been a key driver behind Russia's high oil production, now the world's biggest.

But officials have decided to remove its duty breaks, starting from May as crude prices have shot to their highest since 2008. Analysts estimate that an extension of the duty exemption for Vankor would have saved Rosneft \$3 billion a year.

At the meeting, Sechin stepped in to contradict Shatalov.

"Vladimir Vladimirovich, we didn't cancel it, it's just we don't apply it at a time of high oil prices," Sechin told Putin, who chuckled and praised the difference of views without favoring one side or the other.

"You see how different the opinions are in our government. In fact, it's good, it speaks volumes that, in government, there are always people who speak the same language as you," he told the businessmen at the meeting.

Putin has to sign the tax break move before it takes effect.

The exchanges showed that tensions are high over tax policy on the oil industry, which says it cannot keep pumping at current near-record rates, much less launch new fields, without tax breaks.

The Finance Ministry, led by the hawkish Alexei Kudrin, has said it might redistribute but not cut the levies on energy that make up more than 40 percent of the budget.

Earlier this month, Sechin, seen as a staunch Putin ally, stepped down as Rosneft chairman after Medvedev ordered government officials to quit from boards of state-controlled companies.

The move was seen by some analysts as a sign of Medvedev's efforts to strengthen his grip on power before the election.

Sechin's clout has also been weakened by the gate crashing of a \$16 billion share swap deal and Arctic development agreement between Rosneft and BP by the British company's oligarch partners in the Russian TNK-BP venture.

Original url:

<https://www.themoscowtimes.com/2011/04/24/differences-over-vankor-duty-expose-deeper-rifts-a653>