

Novatek Could Save \$717M From Tax Break

By [The Moscow Times](#)

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The government is considering tax breaks on the planned hikes in the gas extraction duty for independent producers, with Novatek set to be the main beneficiary if the plans are approved, Vedomosti reported on Monday.

Novatek, the country's second-largest gas producer, may save more than 20 billion rubles (\$717 million) on paying a gas extraction tax between 2012 and 2013, according to Vedomosti's calculations.

The mineral extraction tax, or MET, for gas is seen as a key source of extra cash as the country prepares for a likely increase in budget spending ahead of elections and seeks to make up for revenue losses from a planned cut in social taxes, the newspaper said.

MET for gas was increased by 61 percent from the start of this year to 237 rubles (\$7.92) per thousand cubic meters, and the Finance Ministry has proposed doubling it in 2012.

This month, ministries have been discussing how independent producers could be compensated for the increase because, unlike state gas export monopoly Gazprom, they cannot compensate the extra taxes by selling more abroad, Vedomosti reported, citing sources.

One option would be to increase the duty on dry gas faster than on wet gas, which contains hydrocarbons, representatives from the Finance and the Economic Development ministries told the newspaper. The issue is set to be discussed with Prime Minister Vladimir Putin in the near future, An Energy Ministry official added.

Novatek would benefit the most from such a move as its reserves are mostly wet gas, Vedomosti said.

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