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$5.5Bln in Gas Taxes Envisioned

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The Finance Ministry is looking to collect additional billions of dollars by raising taxes on the natural gas industry, Finance Minister Alexei Kudrin said Thursday.

The ministry expects to reap an extra 150 billion rubles ($5.5 billion) if the gas production tax is increased — an idea that Prime Minister Vladimir Putin approved for consideration, Kudrin said.

He didn't say when the measure might take effect.

Gazprom and Novatek are the largest payers of the tax, which has already gone up 61 percent this year, to 265 rubles a metric ton, after a long freeze. Under earlier plans, the rate was to climb on par with consumer prices next year, or about 6 percent.

Kudrin didn't say Wednesday how much the tax rate would have to increase to generate the additional revenue. His ministry said in March that it sought a doubling.

An expected 51.2 billion rubles more will flow into the budget thanks to this year's increase, the Finance Ministry's tax and customs policy department chief Ilya Trunin has said.

The government refrained from raising the gas production tax over most of the previous decade in a move that helped state-controlled Gazprom boost its investment. Now that budget deficits replaced surpluses, the industry lost its immunity from fiscal pressure.

The prospect of a higher tax burden came as a Gazprom-led international consortium completed laying the Nord Stream pipeline Thursday. The pipe sections on the bottom of the Baltic Sea will be finally welded together this coming summer.

The 7.4 billion euro ($10.8 billion) pipeline with a capacity of 27.5 billion cubic meters of gas will start operating by the end of this year. Construction of its second phase is scheduled for completion in 2012.

Gazprom is also investing in the development of Yamal fields, while Novatek plans to do so in the next few years.

At the same time, Gazprom has the government's permission to continue increasing regulated domestic prices — the gas monopoly is now earning a profit on domestic sales, unlike most of the last decade.

Also, Gazprom is likely to benefit from nuclear plant shutdowns in Japan and Germany that are pushing up natural gas demand, UralSib said in a note to investors last week.