

Gazprom Is Record Holder for Spending

By [The Moscow Times](#)

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Gazprom looks like it's set to take the world record for spending this year, having announced, along with its subsidiaries, an investment plan of \$51 billion.

Until now the global leader for spending in the oil and gas sector was Brazil's Petrobras. Its investment program for 2011 to 2015 is \$224.7 billion, or about \$45 million per year.

Gazprom's investment program for 2011, as approved in September by the board of directors, is 1.28 trillion rubles (\$41.4 billion). Last year's plan was for 905 billion rubles.

These figures do not include Gazprom Neft and the energy companies that are subsidiaries of Gazprom, whose investment programs were not clear before now. On Wednesday, however, as part of a eurobond issue, Gazprom declared that the investment plan for the entire holding would be 1.57 trillion rubles.

The bond memorandum reported Gazprom Neft's investment plan at 174 billion rubles. The main expenses — 61.4 billion rubles — will be long-term investments and purchases.

Gazprom did not provide more details, but a spokesman for Gazprom Neft said this is funding for well-known deals: the purchase of shares of Serbia's NIS, purchasing shares of Sibir Energy, payments to Gazprom for oil assets, a regional chain of gas stations and so forth.

Neither Gazprom nor its subsidiaries would comment on the investment plan for 2012. The executive committee of Gazprom will only review its plan in December. However, in June a senior executive of Gazprom said the spending program for next year would be comparable to this year's.

So far Gazprom has enough of its own funds to cover spending, said Denis Borisov, an analyst at Nomos Bank, but that's only if there will not be any major acquisitions. The company itself is warning investors that it faces a challenging period. Competition in Europe is growing; the Russian government is increasing the tax burden; there is no guarantee that domestic gas prices, which are regulated by the state, will have a chance at all to grow; and markets are again beginning to show signs of a crisis.

Gazprom plans to sell \$1.6 billion in bonds due in May 2016 and January 2021, in its first issuance of international debt in a year, according to people familiar with the transaction, Bloomberg reported.

The world's largest natural gas company plans to sell \$1 billion of notes due in 2016 to yield 4.95 percent and \$600 million of 2021 bonds to yield 6 percent, said the people, who asked not to be named because the deal is not yet public. A banker had earlier said the 2016 debt would probably yield about 5.13 percent and the 2021 bonds about 6.13 percent.

Gazprom is rated Baa1 by Moody's Investors Service, the third-lowest investment grade and the same as the Russian government and Petroleos Mexicanos. The company last sold eurobonds, in November 2010, placing \$1 billion due in 2015.

BNP Paribas and JPMorgan Chase are arranging the sale, the banker said.

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