

Investors Wary of LUKoil Investment Plan

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LUKoil American depository receipts closed last week at \$55.46, down from a high of \$75.06 in March, on concerns that Russia's second-largest oil company will spend too much as it seeks to revive output growth.

The oil company plans to invest \$48 billion in 2012-14 and aims to spend more than 70 percent of the \$13.9 billion earmarked for next year to halt declines at west Siberian units and ramp up the West Qurna-2 project in Iraq, Vagit Alekperov, LUKoil's billionaire chief executive officer, told reporters late last week in Moscow. LUKoil also aims to start projects in the Caspian Sea and Uzbekistan, Alekperov said.

"Investors are concerned that as capital expenditure will rise to gigantic levels, there will be less money left for dividends," Sergei Vakhrameyev, a senior analyst at IFC Metropol, said by phone from Moscow. "Investment of \$48 billion over three years is very high for LUKoil, and foreign projects bring much lower profits compared with the Russian ones."

Oil and gas output will rise at an average of 3.5 percent annually over the next 10 years, LUKoil said in a statement last week after the board approved its strategy through 2021.

LUKoil closed Friday almost unchanged at 1,705.5 rubles on the MICEX Index.

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