

Minister Sees Credit Risks for Rosneft in Privatization

By [The Moscow Times](#)

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The sale of the government's stake in Rosneft carries many risks for the company, and there should be no strict deadlines for divesting the state's biggest oil asset, Energy Minister Sergei Shmatko said.

Shmatko's position is outlined in a letter he sent to Economic Development Minister Elvira Nabiullina on Feb. 1, a copy of which has been obtained by Finmarket, Interfax reported.

The energy minister cites the conclusions of consultants about the risk of higher borrowing costs for Rosneft, which would lose its sovereign-level credit rating if the government reduces its stake to less than a controlling interest.

The company would also automatically lose the right to future development of Russia's continental shelf. The Energy Ministry does not think that it is wise to amend legislation for the sake of Rosneft's privatization. The procedure for allowing state companies access

to federal-status license blocks "is a strategic decision of the Russian government, enshrined in the corresponding federal law," the letter states.

The same arguments were made to the Economic Development Ministry at the end of January by representatives of Rosneft itself, according to the minutes of a meeting obtained by Interfax. They also repeated the earlier argument of Deputy Prime Minister Igor Sechin about the risk of selling shares at a price that is lower than the price at which the company carried out its IPO in 2006.

Considering all of these factors, as well as the poor market climate, setting a tight deadline in the privatization plan for the government, as represented by Rosneftegaz, to completely withdraw from the capital of Rosneft would not be wise, Shmatko said.

The Russian government owns 75.16 percent of Rosneft. Last year the Economic Development Ministry proposed that the government commit to completely selling its stake in the oil major by 2017 — beginning in 2012 with the sale of up to 15 percent of shares.

Rosneft president Eduard Khudainatov said management is proposing that the government carry out a partial privatization of Rosneft in three to five years at the earliest, and retain a controlling stake.

Economic Development Ministry industry department head Alexei Uvarov said at the beginning of February that the issue of beginning Rosneft's privatization in 2012 remains open.

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