The Moscow Times
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SUEK Buys Share in Murmansk Port

By The Moscow Times

February 23, 2012



Loading coal in Murmansk has price advantages, while also creating jobs and attracting investment to the area. **Vladimir Filonov**

SUEK, Russia's largest steam coal miner, took a minority share in the country's biggest Arctic port Murmansk to remain competitive against rival exporters developing a similar-sized cape port on the other side of the bay at Lavna.

The coal company said on its website Wednesday that it bought 24.9 percent of voting shares in the port. Earlier, sources close to the deal said SUEK had taken a minority stake of 24.9 percent, contradicting news reports Tuesday that the coal firm had bought either the whole port or a smaller shareholding.

SUEK has not revealed what it paid for the Murmansk stake, but the Russian press on Tuesday reported a price tag of $260 million.

SUEK is not the only Russian coal exporter looking at investment in Russian ports to move away from more expensive terminals in Latvia and Estonia that are still being used, although

as little as possible.

The port was not immediately available for comment.

There is enough port space in the St. Petersburg area, but larger-scale ports would be a cheaper, more efficient option and the government wants investment and job creation in regions like Murmansk, industry sources said.

"If you buy into a port and can get lower port charges, you could recoup what you paid over several years. With cash costs of $90 a ton, every dollar counts," one senior industry source said.

"I don't think that they've [SUEK] bought all of Murmansk port — they should, it makes sense, but there are other companies also looking, involved," another said.

Prompt thermal coal into Europe is currently trading at about $96.00 a ton delivered, leaving Russian exporters an extremely slim margin, thanks to the plunge in freight rates.

The 12-million-tons-a-year Murmansk Commercial Sea Port, on the Barents Sea in the Arctic Circle, is an ice-free, key export point for coal to Europe and may have potential in the longer term for shipments to China.

It is controlled by a group of private investors, while the Russian government retains a 25.5 percent stake.

The port is on the government's 2012 privatization program. The state's shareholding will be auctioned, but the timing has not been announced.

Rival coal exporters Kuzbassrazrezugol and the diverse SDS Group owned by Mikhail Fedyayev and Vladimir Gridin, who are involved in the development of the Lavna port, are expected to shift all or most of their coal from Latvian and Estonian ports to Lavna and other Russian terminals.

Lavna exporters will be able to set their own port charges low because they own the port, industry sources said.

Rail tariffs have been set lower than Baltic ports for several years on routes to Russia and this trend is likely to continue, although tariffs have crept steadily higher on average, they said.

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