

Gazprom Reroutes Europe's Gas as It Ups Payout

By [The Moscow Times](#)

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Gazprom began rerouting some supplies to Europe through the Nord Stream pipeline and another across Belarus as it tries to end reliance on Ukraine after disputes over prices.

"We are at the start of a big move to redistribute gas transit volumes from Ukraine to our Beltransgas unit and new undersea pipelines," Gazprom spokesman Sergei Kupriyanov said Friday in a statement.

Gazprom is acting on a pledge to halt dependence on Ukraine to deliver the fuel to the European Union, where Russia is the biggest single supplier. Arguments over the cost of gas sold to Ukraine led to periodic halts in supply to Europe during the past six years.

Ukraine, which has typically carried as much as 80 percent of Russian gas westward, so far has failed to win an agreement in negotiations over price cuts it's seeking from Gazprom.

The Russian company accused Ukraine of siphoning off gas destined for Europe during a cold snap last month after Gazprom failed to fully meet demand for increased volumes from EU buyers. Ukraine's state-run energy company Naftogaz Ukrainy denied the allegation.

Russian gas transited through Ukraine has fallen by half because of weakening European demand, Vadym Chuprun, Naftogaz's deputy chief executive officer, said Friday. Daily flows fell by about 180 million cubic meters on March 28 and as much 200 mcm by late Thursday, Chuprun told reporters in Kiev. Ukraine's state energy company had planned to ship 400 mcm of Russian gas, he said.

Gazprom last year gained control of Belarussian national gas pipeline operator Beltransgaz, which served as a lesser route for Russian gas flows to Europe. Since last year, Russian gas has also flowed to Germany directly under the Baltic Sea through the Nord Stream pipeline, which Gazprom plans to expand.

Gazprom may pay a record dividend of 220 billion rubles (\$7.5 billion) for last year, higher than budgeted, after gains in European prices more than doubled profit.

The payout of 9.29 rubles a share is based on net income of 880 billion rubles under Russian accounting standards, which Gazprom reported late Thursday, and company guidance of 25 percent of profit for dividends, according to Bloomberg estimates. It implies a yield of about 5.1 percent.

"Excellent results, translating into higher than we expected dividends," Lev Snykov, a partner at Greenwich Capital in Moscow, said by phone. "This is a very important baby step toward improved corporate governance."

Gazprom budgeted 199 billion rubles for dividends at its Dec. 20 board meeting, while cutting investments for 2012 by 39 percent to 777 billion rubles. The plan signals a change in policy that benefits investors, Ronald Smith, director of oil and gas research at Citigroup in Moscow, said at the time.

The company's highest previous dividend was 3.85 rubles for 2010. Gazprom allocated 25 percent of profit to dividends in this year's budget, the same as last year, chief financial officer Andrei Kruglov said on Feb. 1.

"We like the dividend, but a meaningful reduction in capital expenditures would be a much more powerful catalyst, which appears unlikely for now," Oleg Maximov, Alex Fak and Valery Nesterov, analysts at Troika Dialog, said Friday.

Gazprom pencils in a "conservative" investment program initially and revises it after reviewing first-half results, Kruglov said last month. The spending plan soared 56 percent last year to 1.28 trillion rubles from the initial budget.

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