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Sechin Headed Back to Rosneft

By Howard Amos

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Prime Minister Dmitry Medvedev meeting with Igor Sechin, a former deputy prime minister named CEO of Rosneft, in the White House on Tuesday. **Dmitry Astakhov**

Kremlin heavyweight Igor Sechin was put back in charge of Rosneft on Tuesday, a little over a year after he had the reins of the oil giant yanked from his hands under orders from then-President Dmitry Medvedev to reduce the grip of government ministers on state-owned companies.

The official Rosneft return of the figure dubbed Russia's energy tsar solves one of the last remaining mysteries about the game of musical chairs that has played out in the ruling elite since Vladimir Putin won the presidency.

But analysts warned that making Sechin the chief executive of the country's largest oil company was likely to set up a struggle with the government's liberals: in particular Arkady Dvorkovich who assumed Sechin's deputy prime ministership and energy portfolio in the new Cabinet announced Monday.

“Because Dvorkovich is taking over Sechin’s position, Sechin needs an institutional base where he will be a counterbalance to the liberals in the government,” said Shamil Yenikeyeff, a research fellow at the Oxford Institute for Energy Studies.

Multibillion-dollar privatizations of Rosneft and other energy sector companies are likely to be the key flashpoint between liberals in the White House and the siloviki — the former spies and military officers who rose to power with Putin in the early 2000s of whom Sechin is a leading figure.

“That battle could be quite severe and push disunity within the Russian elite,” Yenikeyeff said.

Putin signed a decree on Monday that includes one Rosneft share in a list of designated strategic companies, meaning that under the law Rosneft can never be fully privatized, Interfax reported late Tuesday.

Sechin resigned from Rosneft in April last year along with his other board positions at Rosneftegaz and Inter RAO in line with Medvedev’s presidential order.

In the first sign that this was just a temporary move, Putin used his last decree as prime minister to sign off on Sechin’s likely reappointment to the chairmanship of Rosneftegaz, a holding vehicle that controls 75.16 percent of Rosneft and 10.74 percent of Gazprom.

Sechin served as chairman of Rosneft — currently the biggest tax contributor in Russia paying 1.5 trillion rubles ($48 billion) into the budget in 2011 — for seven years. Under his tenure, the oil giant grew to become the biggest oil company in the country out of the breakup of Mikhail Khodorkovsky’s Yukos, which Sechin is widely assumed to have masterminded.

Recent deals with international majors ExxonMobil, Statoil and Eni, blessed by Putin, have given Rosneft a new international profile and opened the way for the exploitation of Russia’s bountiful Arctic hydrocarbon reserves.

Rosneft shares spiked 3.9 percent on the news of Sechin’s appointment. In a discussion with Medvedev he promised to boost production, increase payments to the budget and focus on offshore projects, according to a transcript on the Kremlin’s website.

The current chief executive of Rosneft, Eduard Khudainatov, will become a vice president at the company, RIA-Novosti reported, citing anonymous sources.

“The best commentary on the appointment of Sechin are the stock exchanges and the growth in share price of Rosneft,” said an industry source who requested anonymity to speak freely. “No one can say anything clearer than that.”

Sechin has long been one of Putin’s closest allies, and their relationship goes back to St. Petersburg in the early 1990s, when they both worked for then-Mayor Anatoly Sobchak. Analysts said Sechin’s reputation as a strong manager and his relationship with the president will guarantee that he continues to wield considerable power.

“Putin has no reason to reduce his influence,” said Yevgeny Minchenko, general director of the International Institute for Political Expertise. “Sechin has been an indispensable

manager."

He added that it wasn't just the position Sechin occupies that is important, but where the large bureaucratic clan that owes him their allegiance ends up.

"Sechin isn't just Sechin," he said.

Two weeks ago, former Sechin aide Alexander Popov was named head of the Federal Subsoil Resource Use Agency, a key regulatory body which distributes licenses for mineral exploitation. Popov has already made his presence felt with a decision to push LUKoil away from the Trebs and Titov oil field it jointly operates with Bashneft (see related story, p. 7).

Others dismissed the significance of the appointment because Sechin will exert extensive power wherever he is placed.

"Exactly which post Sechin occupies is a matter of secondary importance," said Andrei Piontkovsky, of the National Academy of Sciences' Institute for Systems Analysis.

And there has been skepticism about whether Dvorkovich, who is designated with overseeing the energy sector in Medvedev's government without a ministry of his own, has enough administrative resources or political experience to enforce his will.

"We don't see any strong counterweights to Sechin in the government," said Alexei Makarkin, an analyst with the Center for Political Technologies.

Heavyweights in the oil and gas sector could run roughshod over Dvorkovich, he speculated. "It's going to be very difficult for him to manage their appetites and ambitions."

But foreign investors and analysts who place their hopes in the government's liberals said Sechin's new position as a manager, albeit at the country's biggest oil company, was a demotion.

"It may be a signal that his own personal power has been reduced," said one industry insider who requested anonymity to speak freely. "Going from deputy prime minister to chief executive of Rosneft is a step down."

Sechin himself said last month that he would serve where he was told.

"There is a leader who makes decisions," he responded when asked where he would be in the next government. "Where it's necessary, that's where I'll be."

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