

Inter RAO Limiting Foreign Expansion

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InterRAO head Boris Kovalchuk **Denis Grishkin**

State electricity holding company Inter RAO has abandoned plans to further expand by acquisition overseas due to uncertainty about domestic Russian power market regulations, head of the firm Boris Kovalchuk said.

The company had been linked to deals in Italy and Spain, a strategy that had dismayed businessmen who favored investment in the underdeveloped Russian market.

"At the moment we do not want to spend money in foreign markets, except for a few projects in Kazakhstan and ... possibly in Turkey," Kovalchuk told the group's annual general meeting Monday.

He said the Russian regulatory system was too opaque to predict future developments, making it difficult to persuade investors to back major expansion.

Russia privatized large swathes of its electricity sector last decade, but inconsistent policy

on tariff rises and investment incentives mean it remains in need of modernization.

Inter RAO shares are down 24 percent in the year to date, partly because investors broadly opposed the previous plan to expand into Italy and Germany.

The company said in October it was looking at a unit of Italian conglomerate CIR, while in February it said it was in talks to buy assets for German utility RWE.

Kovalchuk said the same uncertainty over power market regulations should prevent any further privatization of Inter RAO in the foreseeable future.

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