

Novatek Getting Premium Price on Gas Sale to Germany

By [The Moscow Times](#)

August 15, 2012



The deal with EnBW will help Novatek create a consumer market for its gas, according to chief financial officer Mark Gyetvay.

Novatek, Russia's second-biggest natural-gas producer, may be selling fuel to Germany's EnBW Energie Baden-Wuerttemberg at an 18 percent premium to spot prices, Alfa Bank said.

"Assuming Novatek will be acquiring third-party natural gas at spot, we believe the company will be able to monetize the spot/contract gap," Maria Yegikyan, a Moscow-based analyst at Alfa Bank, wrote in a research note Wednesday.

Novatek confirmed Tuesday that it signed a 10-year contract for about 2 billion cubic meters of gas a year with EnBW, Germany's third-largest power supplier. It marks the first step to a potential breakup of Gazprom's export monopoly.

The deal implies "purely commercial trading operations," Novatek chief financial officer

Mark Gyetvay said during a conference call with investors, declining to disclose the source of the fuel, saying Gazprom won't act as an agent.

EnBW said on July 12 it signed a gas contract with an unidentified foreign gas producer valued at 600 million euros (\$740 million) a year. The contract covers about a third of the company's gas needs and will start in October, EnBW said. The value of the deal implies a gas price of about \$370 per 1,000 cubic meters.

The deal, which Gyetvay said would help Novatek create a consumer market for its gas, won't have "a substantial impact" on the company's valuation, Yegikyan said. The contract is expected to increase Novatek's earnings before interest, taxes, depreciation and amortization in 2013 by "just 2 to 3 percent," she said, adding that the gap between spot and contract prices may converge in the long term.

"In the future, however, Novatek may replace the supplied volumes with its own production if export rights are granted, which we believe will eventually take place," Yegikyan said.

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