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Potanin Asks Putin to Exempt Norilsk from Duties

By Irina Filatova

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Norilsk Nickel's new chief executive, Vladimir Potanin, asked President Vladimir Putin to exempt his company from export duties to free up approximately $500 million a year for modernization of the nickel giant, a report said Monday.

In a letter to the administration earlier this month, Potanin asked Putin to order the government to consider the issue, Kommersant reported, citing sources familiar with the content of the letter.

Cancellation of export duties would allow Norilsk Nickel to spend more on upgrading its facilities and fulfilling its social obligations, the letter said.

The government is unlikely to exempt Norilsk Nickel from paying export duties because it would have to do the same for other producers, like Ural Mining and Metallurgical Co., said Andrei Lobazov, a metals analyst at Alfa Bank.

The move would bring a loss to the federal budget of approximately $1 billion a year, an amount the country's leaders are unlikely to sacrifice, he said.

Russia is slated to abolish export duties on nonferrous metals in 2015 as part of its agreement to accede to the World Trade Organization.

Lobazov also said Norilsk Nickel is in a sustainable financial position, so Potanin's initiative is likely a result of the need for additional funding to pay the high dividends outlined in the new shareholder agreement, which was signed by majority owners in December.

The agreement stipulates that the nickel company will pay $9 billion in dividends over the next three years, sources familiar with the situation said late last year.

Norilsk Nickel spokeswoman Alisa Fialko declined to comment on Potanin's letter but said the nickel giant would like to see the duties go down, as metal prices remain weak.

"The idea of lowering export duties is being discussed at the company," she said, adding that Norilsk Nickel might spend the saved money on its development.

A spokeswoman for RusAl, which holds 25 percent in the nickel company, said the aluminum-maker is aware of the letter and supports the initiative.

Potanin's Interros Group, which owns approximately 28 percent of the nickel giant, declined to comment.

Putin's spokesman, Dmitry Peskov, told Reuters on Monday that the Kremlin hadn't received the letter.

RusAl plans to pay off $1.5 billion in debt annually in 2014 and 2015, with part of that amount coming from the dividends the company will get from Norilsk Nickel, first deputy chief executive Vladislav Solovyov said in an interview with Interfax published Monday.

"The funds from Norilsk Nickel are more than sufficient to maintain the debt. ... The situation was comfortable enough anyway, and considering the proceeds from Norilsk Nickel, we understand already how we'll survive in 2014 and 2015," he said.

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