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Rosneft Targets Iraq, Squares Up to Gazprom

By The Moscow Times

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Rosneft said on Tuesday it may seek an alliance with ExxonMobil or other partners in Iraq and double its Russian gas market share by 2020, boosting its credentials as the world's largest listed crude producer.

Rosneft's chief executive officer Igor Sechin told reporters that the company is considering teaming up with its long-standing partner, ExxonMobil, in tapping oil and gas in Iraq.

"We will work with anyone who offers good terms. We'll work with ExxonMobil too," he said to the question of who might partner Rosneft in Iraq. He also said a delegation from Iraq's oil ministry would come to Moscow on May 10.

"The ministry of Iraq will come to Moscow ... by our invitation to work with us," he said after he launched a charm offensive in London where he and other Rosneft's officials made a presentation to investors.

Rosneft has been expanding since Sechin, a powerful long-standing ally of President Vladimir Putin, was appointed to head Russia's top oil producer last May.

It bought British-Russian oil company TNK-BP from BP and the AAR consortium of Soviet-born tycoons for $55 billion, clinched deals with international majors to tap Russia's Arctic hydrocarbon reserves and acquired domestic gas producer Itera.

Sechin said the united company may reach a market capitalization of $120 billion in two years to become Russia's largest company, compared with its current value of about $73 billion and $90 billion that of Gazprom's.

The state may sell as much as 19 percent in Rosneft in a wider privatization, but Sechin said he has not received any instruction from the government, downplaying the prospects of reducing the state's share in the company.

Sechin said he would cooperate with minority shareholders in TNK-BP, some of which have complained of unfair treatment relating to the buyout, but said Rosneft was not a "charity fund."

Rosneft has also raised the stakes in a battle with rival Russian state-owned corporation Gazprom, aiming to more than double its share of the domestic gas market by 2020, Rosneft said in the presentation.

Rosneft aims to increase its share of the domestic gas market from 9 percent to 19-22 percent by 2020, according to a presentation to investors in London on Tuesday, potentially eating into the 70 percent share of gas export monopoly Gazprom.

It expects to produce more than 40 billion cubic meters (bcm) this year, over 60 by 2016 and 100 bcm in 2020, of which more than half is to be produced at newly-acquired projects.

Rosneft has hired former Gazprom executive Vlada Rusakova to oversee its gas business.

Rosneft's main onshore gas project is the Kharampurskoye field in Russia's largest gas-producing region, Yamal Nenets, which holds more than 400 bcm in reserves. Its offshore project Sakhalin-1 in the Russian Far East, jointly developed by Rosneft and ExxonMobil, has been pumping gas since late 2005.

Rosneft has also teamed up with ExxonMobil to build a $15 billion liquefied natural gas plant in Russia's Far East by 2018. According to the Oxford Institute for Energy Studies, Russia's gas consumption in 2013 will outstrip the pre-crisis level of 2008.

Rosneft also said it aims to reduce capital expenditure by cutting costs through combining its business with TNK-BP. It expects capex of $20 billion this year. The previous guidance for Rosneft's capex was $15 billion, and $6 billion for TNK-BP.

Sechin also told investors on Tuesday that the company is able to reduce spending following the deal to acquire TNK-BP with synergies seen at $10 billion over next few years.

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