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Naftogaz Seeks $2Bln Loan Extension

By The Moscow Times

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Ukraine state oil and gas company Naftogaz is seeking to extend by five years the term of a $2 billion loan from Russia's Gazprombank, that fell due last month, the company said Wednesday.

Naftogaz imports Russian gas and sells it to domestic households and heating companies for much less under a system of state subsidies. Naftogaz also transships a large share of Russian gas bound for Europe.

It was originally due to repay the loan on June 24 but has instead started negotiations on rolling it over.

On Wednesday, Naftogaz said in a statement that it wanted to have the term of the loan extended by five years. It did not provide any other details.

The policy of subsidizing household gas and heating prices forces the government to spend money on covering losses incurred by Naftogaz and thus increase the budget deficit.

The International Monetary Fund — from which Ukraine is seeking a new $15 billion loan — has long urged Kiev to drop the subsidies in order to reduce deficit and avoid building up debt.

But the issue is politically sensitive as an increase in utility prices would badly damage the already flagging popularity of President Viktor Yanukovich's government.

Instead of that, Ukraine has been trying for months to renegotiate its current gas deal with Russia, seeking a lower price. But the talks have so far failed to yield any tangible results.

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