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Gazprom and Sberbank Subsidiaries to Fight Over Stake In MOEK

By Alexander Panin

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Subsidiaries of Gazprom and Sberbank will participate in an upcoming tender to buy the city government's 98.9 percent stake in Moscow Integrated Power Company, or MOEK, worth about 100 billion rubles ($3 billion), the city's competition policy department said Thursday.

Gazpromenergoholding, a subsidiary of Gazprom, and Sberenergodevelopment, which is controlled by Sberbank, were the only ones who submitted bids for the tender to be held August 13.

One of the tender requirements was that the potential bidders would have to deposit 10 billion rubles prior to the tender to prove their solvency.

MOEK is one of the largest power generating companies in Russia. It supplies hot water and heat to commercial and residential customers in Moscow and some of its suburbs and is responsible for grid maintenance.

The bidders will compete for both the 98.9 percent stake and 16,000 kilometers of heating networks and power generating facilities leased by MOEK from City Hall.

"The government and the city in particular should not own what they do not have to own," Andrei Likhachyov, CEO of MOEK, told the Moskva 24 television channel at a presentation of company's privatization plans earlier in July. "The state has enough mechanisms to regulate anyone who will manage this business," he added.

The starting price of assets is worth 98 billion rubles. The bid increment is 5 billion rubles. The authorities estimate that their initial offer is close to what the asset is worth on the market.

"This is a strategic asset that could later generate revenues but will require extensive additional investment as the power infrastructure of MOEK is worn-out," said Alexander Pasechnik, head of National Energy Security Fund's research department.

Meanwhile, the company has managed to achieve stable operations with few major accidents, he added. He also said MOEK's infrastructure would have to be upgraded by the buyer.

"This would not be a core asset for Sberbank, it is probably participating in the tender for the sake of compliance with formal procedures," Pasechnik said, implying that the bank had to take part to make sure that the number of bidders exceeds one. "Gazprom's interest in MOEK seems to prevail."

He also said the asset could be bought after the first increment.

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