The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Novatek Pushed to Share State's Burden

By Anatoly Medetsky

September 08, 2013



Novatek is facing additional spending as an apparent return favor to the government, which is promising to allow the company access to lucrative foreign markets.

Prime Minister Dmitry Medvedev on Friday urged Novatek to step up natural gas sales to domestic households, an effort that offers low, if any, returns and requires new pipelines.

"Although you ... represent private business ... if you have presence in a region, then perhaps you should take on a considerable portion of this work," Medvedev said at a meeting with Novatek chief Leonid Mikhelson.

State-controlled behemoth Gazprom has so far beared the brunt of catering to households, earmarking 34 billion rubles ($1 billion) for expanding the service this year alone.

The government has vowed to end Gazprom's monopoly on natural gas exports by the end of this year, giving other industry players, such as Novatek, a chance to tap into the juicy foreign market for sales of their liquefied natural gas, or LNG.

A bid by Novatek to increase supplies to domestic households could involve construction of new pipelines and the pain of extracting often-delinquent payments for its bills.

"It looks like compensation for permission to export," said Vasily Tanurkov, an oil and gas analyst at brokerage Veles Capital.

At the start of the meeting with Mikhelson, Medvedev noted the company's drive to gain an export opportunity.

It was unclear Friday how much investment Novatek would have to plough into the new mission. A spokesman for the company was in a meeting and unavailable for comment.

The discussion between Medvedev and Mikhelson centered on the idea that Novatek would focus on households only in the areas where it was a dominant supplier, but they did not specify the number of such regions.

Tanurkov suggested that the outlays would not exceed 1 percent of Novatek's profit, which was 69.5 billion rubles ($2.3 billion) in 2012.

"I don't think the demands will be for Novatek to spend too much," he said.

The company lists billionaire Gennady Timchenko, an acquaintance of President Vladimir Putin, as one of its majority owners, in addition to Mikhelson.

Contact the author at medetsky@imedia.ru

Original url:
https://www.themoscowtimes.com/2013/09/08/novatek-pushed-to-share-states-burden-a27455