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Putin Calls for Government Recapitalization of Gazprom

By The Moscow Times

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Russia's vast pipeline infrastructure is built to funnel gas westward to Europe.

President Vladimir Putin on Wednesday called on the Russian government to consider pumping additional capital into state-owned energy giant Gazprom to help it fund a massive infrastructure upgrade following Russia's $400 billion gas supply deal with China last month.

"The government and Finance Ministry should think about re-capitalizing Gazprom to the total cost of new infrastructure," Putin said during a Wednesday session of the Commission for Development of the Fuel and Energy Complex, news agency PRIME reported.

Russia's vast pipeline infrastructure is built to funnel gas westward to Europe, Gazprom's largest market. But Russia and Europe have fallen out over political crisis unfolding in Ukraine, and Russian politicians have increasingly talked of diversifying eastwards. In May, Russia signed a 30-year gas supply deal with China worth $400 billion, and Moscow plans to invest $55 billion in building up pipeline infrastructure between the two countries. China has

agreed to hand over a $25 billion prepayment to shore up the plans.

There are a range of ways to finance the construction, Putin said, including seeking advances from partners, but recapitalization is also an option, and one that might be a wise investment of state savings, of which Russia has close to $500 billion.

“In the modern world, building up endless gold and foreign currency reserves entails certain risks,” Putin said, without specifying the potential scale of the recapitalization.

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