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Rosneft Ignores Sanctions to Take Equity Stake in Norwegian Oil Driller

By The Moscow Times

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The logo of Russia's top crude producer Rosneft is seen at the company's headquarters, behind the Kremlin wall, in central Moscow.

MOSCOW/OSLO — Russia's top crude oil producer Rosneft will sell drilling rigs to Norway's North Atlantic Drilling in return for shares in the firm, going ahead with an earlier agreed deal despite sanctions over Ukraine.

Rosneft and its head Igor Sechin, a long-standing ally of Russian President Vladimir Putin, have been sanctioned by the West over Moscow's role in the Ukraine crisis, limiting the firm's access to international financial markets.

Earlier this month, Norway decided to join the United States and European Union in the punitive measures against Moscow.

Although the sanctions do not stop Rosneft from signing the agreement, the Kremlin-

controlled firm may face difficulties in funding the deal as its access to the capital markets is limited by the punitive measures.

But a source close to the deal said that the main component is the asset swap, rather than cash. A Rosneft spokesman declined to comment on the amount of cash the firm would need to fund the deal.

In a separate statement, North Atlantic Drilling said that Rosneft will get an approximately 30 percent stake in the company by the issue of new shares at the previously agreed price of $9.25 per share, with the balance between the value of the rigs and the new shares being paid to North Atlantic Drilling in cash.

The deal was first announced in May.

The Russian and Norwegian firms had already entered into a drilling agreement worth up to $4.25 billion in July.

Rosneft has been expanding its business rapidly after the $55 billion acquisition of Anglo-Russian oil firm TNK-BP last year. It has said it was aiming to develop its servicing business and dropped its cooperation with Russia's biggest oilfield services company Eurasia Drilling.

Following the transaction, Seadrill Limited, the world's largest driller by market capitalization, will continue to own more than 50 percent of North Atlantic Drilling.

Seadrill currently owns 70 percent of the outstanding shares in the company, which has a market capitalization of approximately $2.4 billion.

Rosneft will be entitled to two out of seven seats on North Atlantic Drilling's board once the deal is completed.

NADL said it would acquire Rosneft's 150 land drilling rigs along with new five-year contracts with Rosneft for these units.

"The final parameters of the deal, including the amount of Rosneft's cash contribution in North Atlantic Drilling's charter capital, will be defined upon receiving corporate

and accountant's approvals which is expected till the end of the 2014," Rosneft said in a statement.

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