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Sanctions-Hit Rosneft Could Get Less State Help Than it Wanted

By The Moscow Times

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Rosneft Chief Executive Officer Igor Sechin speaks during the Japan-Russia investment forum in Tokyo in this March 19, 2014 file photo.

Russia may provide some state support for sanctions-hit oil producer Rosneft, but significantly less than it has asked for, Economic Development Minister Alexei Ulyukayev said Tuesday.

Rosneft head Igor Sechin has asked for 1.5 trillion rubles ($41.5 billion) from the National Wealth Fund to help the company weather Western sanctions against Moscow in the Ukraine crisis, Vedomosti newspaper reported earlier this month.

"There are some options for the support, but the sums' order of magnitude is less than that," Ulyukayev told reporters.

Rosneft is facing a debt refinancing challenge as its access to Western capital is limited by the

sanctions.

The company needs to repay 440 billion rubles ($12 billion) by year-end and another 626 billion rubles next year, according to its latest presentation, after it borrowed heavily to finance last year's $55 billion acquisition of Anglo-Russian oil firm TNK-BP.

"The company is having a problem of lack of financing from the global markets. I have discussed the problem with the company's management," Ulyukayev said.

Analysts have been concerned about Rosneft's ability to attract funds as costs of borrowing have risen for Russian companies after Moscow annexed the Crimean Peninsula from Ukraine in March.

But Moody's said that Rosneft has taken steps to mitigate refinancing risks by signing an oil contract with China's CNPC. In June 2013, Rosneft and CNPC agreed to double oil flows to China to 600,000 barrels per day in a $270 billion deal between 2018 and 2037, with partial pre-payments.

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