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Chinese Investors May Gain Access to Russian Hydroelectric Assets

By The Moscow Times

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George Rizhinashvili, deputy CEO of RusHydro, speaks as he attends the Reuters Russia Investment Summit in Moscow.

RusHydro, one of Russia's largest power generating companies, is set to offer a majority stake in its far-eastern subsidiary to Asian investors, a news report said Friday.

The asset in question is RAO Energy Systems of the East, in which RusHydro has an 84 percent stake. The company, which unites several hydropower generation facilities in the Far East, is struggling with a heavy debt burden, while government control over electricity tariffs stunts revenue and investment.

"We are looking into the possibility of selling up to a majority stake [in RAO Energy Systems of the East] to a strategic investor from Asia," George Rizhinashvili, deputy head of the board of RusHydro, was quoted by the Kommersant newspaper as saying. RusHydro would consolidate a 100 percent stake in RAO Energy Systems of the East before the sale,

Rizhinashvili said, giving a timeline of 3-5 years for the deal.

While Rizhinashvili did not name specific prospective investors, Kommersant cited unidentified sources in RusHydro as saying an offer to buy the company had been made to investors from China.

Such an offer would be a major departure for Russia, which has under President Vladimir Putin kept strategic industries like electricity generation closed to foreign ownership. But Western sanctions limiting Russian access to foreign capital may be forcing Moscow to give ground.

China seems to be taking advantage of the opportunity. Earlier this month, Russia's state oil champion Rosneft and China's CNPC signed a framework agreement to sell 10 percent of Rosneft subsidiary Vankorneft, which is exploring the vast Vankor oil deposit in eastern Siberia.

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