

Rosneft Excluded From Bashneft Privatization, Says Official

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Russian President Vladimir Putin (back) and Rosneft CEO Igor Sechin attend a signing ceremony at the St. Petersburg International Economic Forum in St. Petersburg, Russia. **Sergei Karpukhin / Reuters**

Russia's largest oil producer Rosneft has been "unofficially" excluded from taking part in the privatization of the Bashneft oil company, a senior government official has reported.

Russian President Vladimir Putin gave explicit "off the record" instructions that state-owned companies, including Rosneft, should not participate in the privatization bid, the finance and economics official said.

"We are categorically opposed to the idea [of Rosneft taking part in the deal]: that would not be true privatization," the official maintained.

The upcoming privatization of the Bashneft oil company, valued at 242 billion rubles (\$3.7 billion), is set to bring some much needed funds to the Russian state treasury.

Rosneft sparked controversy after telling the Reuters news agency in June that the company could consider taking part in the privatization once the government defines the rules of the sale.

Although not owned by the government, the Kremlin owns a 69.5 percent stake in its parent company Rosneftegaz.

Putin has already stressed that all privatization deals should strictly conform to the rules and legal requirements, but these laws — which say that no company with a government stake of more than 25 percent can participate in privatization deals — do not apply to Rosneft.

“We have not received any direct or indirect indication that the company cannot participate in privatization,” one Rosneft representative told Vedomosti. “We never said that we want to purchase Bashneft. We said that we want a level playing field, so that we could consider this question,” he said.

VTB Capital, the appointed agent for the deal, sent the privatization proposal to potential investors last week, including to a number of foreign companies. Applications will be accepted until July 25. Rosneft, Lukoil, Gazprom, Tatneft, Surgutneftegaz also received invitations to take part in the Bashneft privatization. Rosneft has not yet responded to the VTB Capital offer to take part in the privatization of Bashneft. but Deputy Prime Minister Arkady Dvorkovich, who oversees the fuel and energy sector, has reportedly already reminded the VTB leadership of Putin’s instructions.

“If Rosneft takes part in the privatization, it will only be moving the same money around,” one federal official insists.

The government's top priority is to sell the controlling stake in Bashneft to a strategic investor, said First Deputy Prime Minister Igor Shuvalov. Selling through the stock exchange has also not been ruled out.

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