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Rosneft Cannot Buy Bashneft Shares, Says Deputy PM

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Gas and oil giant Rosneft cannot take part in the privatization of state company Bashneft, Deputy Prime⊠Minister Arkady Dvorkovich said Thursday.

Dvorkovich told Russian newspaper Vedomosti that Rosneft would be excluded from the deal as the Kremlin indirectly controls the firm through parent⊠company Rosneftgaz. “It was decided not to allow companies directly⊠or indirectly controlled by the state to participate in⊠privatization,” Dvorkovich said.

Rosneft applied to participate in the privatization deal on Tuesday, the Interfax agency reported.

The company can legally take part in Bashneft's privatization, as it is not under direct state control. Yet any proposal that would see Rosneft buy Bashneft shares would be highly controversial: 69.5 percent of Rosneft shares are owned by the company Rosneftgaz, which the government does control.

Presidential spokesperson Dmitry Peskov has previously skirted the question on whether Rosneft would be allowed to take part in the deal, telling reporters Monday that there were “different views on this matter.”

Presidential aide Andrei Belousov also spoke out, calling Rosneft's application "nonsense." "A state-owned company cannot buy another state company: this is not privatization," Belousov said, Vedomosti reported.

Rosneft's application for participation in the sale is still under consideration by VTB Capital. If the Bashneft shares worth 247.8 billion rubles ($3.8 billion) passed to Rosneft, its share of the Russian oil market would increase from 38 to 41 percent.

Even if Rosneft is not allowed to take part in the government’s sale, it could still take over a large part of Bashneft’s assets, Vladimir Milov, President of the institute of energy policy, wrote in The Moscow Times.

One of the potential “private” buyers, Independent Petroleum Company (IPC) is in fact controlled by Rosneft’s former vice chairman Eduard Khudainatov, Milov said. It has often been billed as a Rosneft affiliated player. If the IPC succeeds in winning the initial privatization prize, Rosneft may, further down the road, step in to buy off all or most of the “privatized” Bashneft assets. LUKoil, meanwhile, if it wins, could also easily surrender at least a portion of Bashneft’s assets to Rosneft at a bargain price. The logic of doing so would be to secure good relations and further peaceful co-existence in the industry, he said.

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