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Rosneft Could Remain Unsold This Year – Minister

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Maxim Shemetov / Reuters

Russia may not be able to sell its stake in the Rosneft oil company by the end of this year, Economic Development Minister Alexei Ulyukayev told the Interfax news agency Monday.

Rosneft had been one of four companies slated for privatization this year, with the government planning to raise at least 700 billion rubles ($10 billion) from the sale of its 19.5 percent stake in the company. The Kremlin had hoped to raise 1 trillion rubles ($15 billion) through privatization this year, with the Rosneft sale providing a significant boost to government coffers.

"For now, the plan is to sell Rosneft this year, but there is a chance it could be postponed," one senior official confirmed. If the sale does not take place, the gover

nment
would
need⊠to increase the budget deficit,
the⊠official said.

The Rosneft sale is in⊠many ways unique: although the State Property Management Agency is⊠responsible for all other privatization deals, this transaction is⊠being overseen by state-owned firm and Rosneft parent company⊠Rosneftegaz. The state owns 69.5 percent of Rosneft through ⊠Rosneftegaz.

The⊠Economic Development Ministry has received a schedule for privatizing⊠Rosneft and must now make its official assessment, Ulyukayev said.⊠Italian bank Intesa is serving as financial consultant on the⊠sale, and should present officials with a list of potential buyers by⊠this fall. Both Western and Russian companies are reported to have⊠expressed an interest in the asset.

Rushing any⊠privatization deal would only work to the buyer's advantage, said⊠one investment banker involved in Rosneft consultations. The⊠government is looking for the best time to sell, just as it delayed⊠selling its stake in oil company Bashneft. When two major assets in⊠the same industry are up for sale, it is general practice in the⊠financial world to space them apart, the banker said.

Yet not⊠all parties are convinced that any delay would benefit Russia.
The⊠
Finance Ministry
is still⊠operating on the assumption that
revenue⊠from the
Rosneft sale⊠will offset budget
shortfalls, said⊠o
ne federal official. If⊠the sale does not go through —
and⊠if
oil prices
remain⊠at under $40 per barrel for the remainder of 2016 —
the government will
be forced to run its⊠reserve fund almost to depletion.
⊠
While the Kremlin⊠currently
needs⊠to spend some 2.3 trillion rubles
($35.4⊠billion)
from its⊠reserves,
postponing
the⊠Rosneft deal,
could⊠see the government forced to
spend⊠closer
to 3 trillion⊠ruble
s
($46.1 billion), said Deputy Finance Minister Maxim⊠Oreshkin. If that happens, the country's reserves will be left with⊠just 360 billion rubles ($5.5 billion) by the end of the year, the

Finance⊠Ministry predicts.

For now, Oreshkin is⊠continuing to stress the importance on decreasing the budget deficit⊠through alternative means, rather than focusing on the date of the⊠Rosneft sale. Making changes to the structural deficit is the key⊠task facing officials, he said.

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