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Rosneft Wants Massive Tax Break for Arctic Investment, Media Reports

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Igor Sechin **Kremlin.ru**

The head of Russia's Rosneft oil giant has asked the government for a 2.6 trillion ruble ($41.3 billion) tax break in exchange for large-scale investment in the Arctic, the Vedomosti business daily reported Monday.

President Vladimir Putin has promised tax incentives and other benefits to encourage companies to develop the Arctic region and the Northern Sea Route. Putin has said he expects cargo volumes along the route to increase tenfold to 80 million metric tons by 2025, while Rosneft CEO Igor Sechin has said he expects oil production in the region to rise to 100 million tons by 2030.

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Rosneft could invest up to 8.5 trillion rubles ($135.2 billion) in the Arctic in exchange for the $41.3 billion tax break, Vedomosti reported, citing a letter it said Sechin had addressed to

Putin in late June. Seven sources confirmed the authenticity of the letter to the daily.

The project could contribute up to 2 percent to Russia's GDP every year until 2050, according to an estimate by the KPMG consultancy group attached to the letter.

Vedomosti cited two sources as saying that Putin had instructed Prime Minister Dmitry Medvedev to "explore the proposal" and report on it later.

Experts say that if the Kremlin approves the proposal, the government could raise taxes for the population to recoup costs.

"Benefits aren't free, they're always at someone's expense," ex-deputy finance minister Sergei Shatalov was quoted by Vedomosti as saying.

"There's a risk that taxes will have to be raised — most likely on the population — with a decrease in budget revenues," he told Vedomosti.

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