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Putin to Decide on $40Bln in Tax Breaks for Arctic Oil

By bne IntelliNews

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Arctic hydrocarbon extraction has become a priority **Fiona Paton / Flickr (CC BY-NC-ND 2.0)**

Russia's President Vladimir Putin will decide on 2.6 trillion rubles ($40 billion) worth of tax breaks for Arctic hydrocarbon extraction and infrastructure projects at a meeting with the Finance Ministry and other stakeholders in the next few weeks, Vedomosti business daily reported citing unnamed government officials.

The Finance Ministry is understood to have been trying to block attempts to gather state support for Arctic development by Russia's largest crude oil producer Rosneft.

Reportedly, the ministry will maintain its firm stance toward Putin, because it estimates that the tax breaks could result in 200-300 billion rubles in budget losses in the first few years, and grow larger after that.

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"Currently, a moratorium is in place on the imposition of any tax benefits for the sector until the end of 2019, excluding only [Rosneft's] Priobsky field and Arctic projects," BCS Global Markets pointed said in a research note on Sept. 12.

"The tax benefits are likely to be imposed, with Rosneft the main beneficiary," BCS said, adding that it believes the exemptions will end up being below 2.6 trillion rubles due to the need to compromise with the Finance Ministry.

Other unconfirmed reports suggested last week that the ministry could maintain mineral extraction tax (MET) surcharges for Gazprom and crude oil producers as a countermeasure to compensate for another 600 billion rubles worth of benefits granted to Rosneft.

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