



Russia Grants Trillion-Ruble Tax Cut for Arctic Oil and Gas Production

A host of taxes will be slashed for Russia's largest energy companies in a bid to tap into the region's vast oil and gas reserves.

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The energy industry and foreign investors demanded huge tax breaks to launch production facilities in Russia's arctic. gazprom-neft.ru

Russia will grant energy companies huge tax incentives to boost oil and gas production in the Arctic, the government [confirmed](#) yesterday.

Under pressure from industry and foreign investors, and following negotiations between state departments and energy executives, the government has agreed to slash a string of taxes on exploration and extraction in the region.

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KPMG previously estimated the tax breaks for Rosneft's Vostok Oil project alone could be worth 2.6 trillion rubles (\$41 billion) over the next 30 years. The government has not said how much the scheme will cost.

A consortium of foreign investors, reportedly from India and China, also warned they would only invest into Vostok Oil, which plans to launch production facilities at a number of gas and oil fields in northern Siberia, if the government gave in to demands from Rosneft CEO Igor Sechin for a preferential tax system.

Under the new rules — which now need to be passed by the state Duma — the mineral extraction tax (MET) for new oil and gas projects in the Arctic will either be cancelled entirely or reduced to 5% of its usual rate until annual production at each field hits 1% of the estimated oil or gas reserves.

Local taxes on land and property will also be cancelled, and the government is still considering granting a 50% tax break on investments into infrastructure around new production sites. Russian companies launching new extraction projects would also be exempt from caps on the number of foreign workers they can employ and will enjoy a fast-track non-competitive procurement process to get the work started.

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