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Russia to Explore Mega Oil Merger – WSJ

November 09, 2024



Kirill KUDRYAVTSEV / AFP

Moscow is exploring a plan to merge its three largest oil companies into a single mega oil producer, The Wall Street Journal reported Saturday.

Under the merger, state-backed Rosneft Oil would absorb Gazprom Neft—a subsidiary of the natural gas giant Gazprom—and Lukoil, sources familiar with the discussions told The Wall Street Journal.

The deal would see the new company become the world's second-largest oil producer after Saudi Arabia's Aramco, and would pump nearly three times Exxon Mobil's output. It would allow Russia to charge customers from India and China higher prices, according to The Wall Street Journal.

While talks have taken place, they do not necessarily guarantee that the deal will happen, the sources said. Speculation is nothing new, but there are obstacles that could prove too large to overcome, including opposition from company executives and finding the cash to pay out

Lukoil shareholders.

A Kremlin spokesperson said the administration had no knowledge of a deal.

A Rosneft spokesman told The Wall Street Journal that their reporting was false, based on the information available to him, and that the story "may be aimed at creating competitive market advantages in the interests of other market participants."

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Spokesmen for Gazprom Neft and Gazprom didn't respond to requests for comment.

Discussions of a merger underscore the administration's desire to use the energy sector as a cash cow for Russia's war in Ukraine, sources told The Wall Street Journal.

An energy giant of that magnitude would be better able to deal with Western sanctions, the sources said.

Oil and gas are the base of Russia's economy, responsible for almost a third of federal revenue.

The leaders of the three companies are immensely powerful in Russia, and a reorganization would carry the risk of vesting too much power in the hands of one person. However, supporters of the plan believe the combined company could make substantially more money, The Wall Street Journal reported.

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