From Poland to Hungary, Gazprom takes stealth route to domination

By Neil Barnett in Budapest

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Last week's square-off over gas supplies to Ukraine comes against a pattern of moves in which Gazprom and other Russian energy firms have sought to extend their influence by trying, secretly, to secure control of Central European oil and gas companies.

Borsodchem

In 2000, an Irish-registered offshore company called Milford Holdings acquired a 24.7 per cent stake in Borsodchem, the champion of the Hungarian chemical industry, which also owned a stake in TVK, owner of an extensive pipeline network.

An investigation revealed that Gazprom managers were behind Milford.

Fearing that a takeover would reduce the country's energy security by giving Gazprom a foothold in gas transit, the Hungarian government mobilised local companies and banks to fend off the raider. In response, Milford went on a Borsodchem buying spree on the Budapest Stock Exchange. A further set of obscure firms also started buying, raising fears that they too were working with Gazprom. Eventually, in a complex deal between TVK, Borsodchem and the Hungarian oil giant MOL, the Russians were excluded.

The Vienna meeting

The Poles, historically famous for resisting Russia's blandishments, have experienced a similar covert attempt to take over strategic energy assets. According to the findings of a Polish parliamentary investigation, informed by Polish intelligence operations, a former Russian intelligence officer tried to bribe Poland's richest man, Jan Kulczyk, at a meeting in Vienna in 2003. Vladimir Alganov allegedly offered Mr Kulczyk $5m (around £3m) to influence then-President Aleksander Kwasniewski.

Antoni Macierewicz, who sat on the investigation board, told The Independent on Sunday: "Alganov told Kulczyk that six months ago they had paid $1m to Wieslaw Kaczmarek, Minister of Finance, for [the Russian oil group] Lukoil to win the privatisation tender for a refinery in Gdansk. As Lukoil had not yet won the deal, he said there would not be further business with Poland until it happened. We also learned that President Kwasniewski illegally sent Alganov a letter giving Kulczyk authority to negotiate over the refinery."

Mr Alganov's preference for a meeting in Vienna rather than Warsaw is understandable: before becoming an "energy consultant", he had served as a KGB officer in Warsaw in the 1980s, and perhaps regarded the Polish capital as a less-than-discreet place for business. According to the investigation, the two men formed part of the conspiratorial-sounding "Vienna circle", a group comprising influential Russians, Poles, Czechs and Austrians with long-established links to the KGB and its successors.

Influence in Hungary

In 2003, the Hungarian oil group MOL announced its intention to merge with its Polish counterpart, PKN Orlen. A senior source in the Polish centre-right government at that time, whose identity cannot be revealed, says: "The deal was the idea of [then Hungarian Prime Minister] Viktor Orban. He thought that together the two companies would be a regional giant that could fend off Russian advances. Initially, we were keen on the deal, but eventually we learned that a 15 per cent holding in MOL was in fact controlled by Russian energy interests.

"From that point on, we regarded MOL as a Russian company, and backed out of the deal as fast as we could. We spoke to Orban and he conceded it was true, but said he didn't know what to do about it." As 58 per cent of MOL is held by "international institutional investors", this was far from impossible.

Gyorgy Bacsur, a spokesman for MOL, denies that this was the cause of the failed union: "According to the stock exchange rules, each and every private or institutional investor with ownership of more than 5 per cent of the shares has to declare itself or has no legal vote on the MOL shareholder meetings. Second, MOL internal regulations are drawn up in such a fashion that no shareholder can have more than a 10 per cent vote ... As you can see, even if Gazprom or any other company tried to gain control of MOL, it could not do it in a secretive way, and we have repeatedly denied during the talks any knowledge that a Russian company has a significant share in MOL."

He goes on: "To be completely honest, rumours of possible Russian influence of MOL have in the past always started when it became obvious that MOL had the best offer on the market - and it is really easy to then conclude who started the rumours."

However, Mr Bacsur's rebuttal clearly leaves open the possibility that an undeclared investor could legally hold as much as 15 per cent without voting rights, perhaps in hope of a future change in company statutes.

The German connection

If the Hungarians, Poles and others feel intimidated by Gazprom and other Russian energy companies, it seems that Germany's political and business leaders see things rather differently.

The German company E.ON Ruhrgas is Europe's largest gas importer and Gazprom's largest customer in Western Europe. It has joint ventures with Gazprom, which are moving into energy supply and transit in countries such as the Czech Republic, Slovakia and Hungary.

Perhaps the largest such venture is the North European Gas Pipeline (NEGP), which will bring Russian gas into Germany via the Baltic. From 2010 this will cut Poland out of the German supply route, so that Moscow will in future be able to cut off Poland and the Baltic states' gas without affecting Germany, greatly reducing those countries' energy security. The UK is seen as a potential future recipient of gas from the NEGP.

In October, Mr Putin told the Poles that they must not object: "Torpedoing such projects means hampering the consolidation of the energetic security of Europe itself." He added that the NEGP project "is not directed against some other third countries, and we don't squeeze anybody out of joint operation in the energetic sphere in Europe ... to politicise economic relations is counter-productive and harmful. I hope we won't face manifestations of this kind." These words may have been of even less comfort to Poles after Ukraine's gas supply was shut off.

The chief executive of the NEGP will be Mattias Warnig, former head of the Russian division of Dresdner Bank. Under Mr Warnig, the Moscow office enjoyed a lucrative business relationship with Gazprom and the state oil company Rosneft, doing debt issues, loan valuations and loan management. In 2004-05, the bank advised on the Rosneft-Yukos "merger". It also lent Rosneft the money to buy its stake in Yukos's Siberian production arm, Yuganskneftegaz.

Last year, The Wall Street Journal revealed Mr Warnig had been a Stasi officer in Communist East Germany. In the late 1980s, he worked closely against Western targets with Mr Putin, at that time a KGB officer in Dresden. Dresdner maintains the men's connection developed later.

Meanwhile Gerhard Schröder, the former German chancellor, has been considering accepting the chairmanship of the NEGP's shareholders' board. But he is facing intense criticism in the German press and it now seems unlikely he will take up the offer.

Central and Eastern European countries emerging from decades of Soviet domination have felt for some time that Russia's grip on energy supplies threatens their independence. The use of KGB methods to wrest control of their energy companies and infrastructure is a further sign that the Kremlin sees gas as a political weapon.

Yet after the Ukrainian affair, even large countries like Germany may be questioning the wisdom of deepening their energy "partnership" with Russia, rather than developing alternatives such as nuclear power.

George Lim, Russia analyst at Eurasia Group, a political risk consultancy in New York, says: "Since [new Chancellor] Angela Merkel's family were dissidents in East Germany, we will not see such a close relationship with Putin. The Ukraine dispute has been like a bucket of cold water."

http://www.independent.co.uk/news/business/analysis-and-features/from-poland-to-hungary-gazprom-takes-stealth-route-to-domination-522003.html?printService=print