

July 2, 2013 10:35 pm

Rosneft gains control of Itera

By Courtney Weaver in Moscow

Rosneft, the state-owned Russian energy group, has acquired 100 per cent control of independent gas producer Itera in a bid to take on domestic rivals Gazprom and Novatek.

Rosneft bought the 49 per cent of Itera it did not own for \$2.9bn from the gas producer's founder, Igor Makarov. Rosneft and Itera teamed up to form a joint-venture last year with Rosneft receiving a 51 per cent stake in the JV in exchange for bringing its Kynsko-Chaselsk gasfield under the Itera umbrella plus \$173.4m in cash.

The acquisition is the second major deal in less than a year for Rosneft, which bought TNK-BP for \$55bn in April, turning it into the world's largest publicly traded oil producer.

Igor Sechin, Rosneft chairman, in a statement on Tuesday called the development of Rosneft's gas business one of the company's top priorities, with analysts suggesting that Rosneft was likely to take advantage of both the declining position of state gas monopoly Gazprom and the liberalisation of Russia's gas export market.

Last month, Russian President Vladimir Putin announced that independent producers should have the right to export liquefied natural gas to Asia, suggesting that Gazprom's monopoly on gas exports would soon be broken for the first time.

Novatek, Russia's biggest independent gas producer, is already at work on a new LNG facility on the Yamal peninsula that is due to begin shipments by 2017.

Rosneft and ExxonMobil, meanwhile, are in the early planning stages of a new LNG facility in the Far East, which would produce 10m tonnes of LNG per year from 2018.

While Novatek has gradually encroached on Gazprom's share of the domestic gas market, there are already signs that it will face a new rival in Rosneft.

Last autumn, the state oil producer beat Novatek on a multibillion-dollar contract to supply gas to state power company Inter RAO – a client Novatek had won over from Gazprom just a few years earlier.

The acquisition is the second major deal in less than a year for Rosneft, which bought TNK-BP for \$55bn in April, turning it into the world's largest publicly traded oil producer

Vladimir Milov, a former deputy energy minister turned opposition leader, said in an interview that Rosneft's foray into the gas sector signalled there would now be "a triangle" of power players competing for deals and influence.

Mr Sechin is an ally of Mr Putin, as is Gennady Timchenko, a shareholder of Novatek. Gazprom, meanwhile, has long been a crux of the economic policy of Mr Putin's Kremlin, with the state monopoly contributing about 20 per cent of the country's budget revenues.

"There will be an intensifying rivalry," Mr Milov said of the three players.

Outside the gas sector, Russian media outlets have reported that Rosneft could be eyeing two other acquisitions: Lukoil, Russia's largest independent oil producer, and billionaire Vladimir Yevtushenkov's Bashneft.

Rosneft has denied being in talks with either company. However, Mr Milov suggested the news reports, attributed to high-ranking sources, at the very least indicated Rosneft's interest in further expansion. "It is a clear declaration of intent," he said.

RELATED TOPICS Mergers & Acquisitions

Printed from: <http://www.ft.com/cms/s/0/2079650c-e314-11e2-bd87-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© **THE FINANCIAL TIMES LTD 2014** FT and 'Financial Times' are trademarks of The Financial Times Ltd.