

Gazprom Eyes UES Foreign Power Assets.

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Gazprom is interested in acquiring the strategically important foreign assets of electricity monopoly Unified Energy Systems as part of its strategy to become a global energy concern, a spokesman for the gas giant said Tuesday.

"We are working to become a global energy company so, of course, we would be interested in the assets," Gazprom spokesman Denis Ignatyev said.

UES controls stakes in electricity companies in a number of CIS countries through its subsidiary Inter RAO, which is widely expected to be spun off from the monopoly as part of ongoing electricity reforms. Given the geopolitical importance of these assets, the government is unlikely to risk losing them, analysts said, raising the possibility they could be snapped up by Gazprom, to keep them under state control.

Gazprom's Ignatyev said, however, that talk about the gas monopoly acquiring power assets in the CIS was premature. "So far, there have been no concrete negotiations on this matter with Inter RAO," he said.

Inter RAO spokesman Boris Zverev confirmed Tuesday that Gazprom had expressed interest in acquiring its assets but also stressed that the two parties had held no concrete talks on the matter.

"UES has acquired a large number of foreign assets without providing an extensive analysis of their economic value," said Alexander Kornilov, a utilities analyst with Alfa Bank. "It was completely clear that in these acquisitions it was fulfilling the geopolitical interests of the government rather than the interests of the shareholders."

Inter RAO, which is 60 percent controlled by UES and 40 percent owned by state nuclear power plant agency Rosenergoatom, controls stakes in power companies in Georgia, Armenia, Moldova, Kazakhstan and Tajikistan.

Inter RAO also has a virtual monopoly on Russia's exports of electricity, an area which currently represents 2 to 3 percent of all electricity production, said Dmitry Bulgakov, a utilities analyst with brokerage UFG.

Inter RAO will definitely be separated from UES as part of the breakup of the monopoly but it is not clear how this will happen, Bulgakov said. The government's options include selling Inter RAO as a single entity or distributing its assets among the current shareholders of UES, he said.

The sale of UES's foreign assets could take place as soon as the next 12 to 18 months, Andrei Rappoport, head of the board of directors of Inter RAO, said in an interview published in Vedomosti on Tuesday. He mentioned Gazprom and oil companies among potential buyers.

Credit Suisse First Boston valued Inter RAO at around \$1 billion, Rappoport said, Vedomosti reported.

Gazprom, which has recently made several moves beyond its core gas business into various energy fields, has been increasingly viewed by analysts as the Kremlin's instrument to tighten the state's grip on the energy sector. In 2004, Gazprombank bought a majority stake in Atomstroiexport, one of the pillars of Russia's nuclear industry, and last year it snapped up Sibneft for \$13 billion.

Gazprom already owns 11.6 percent in UES and a blocking stake in Moscow's power utility, Mosenergo.
