
NEWS FROM RUSSIA

15th to 31st Of December 2007

- RUSSIA GRANTS BELARUS \$1.5 BILLION STABILIZATION LOAN

/DECEMBER 14/RIA Novosti/

Russia and Belarus signed an agreement on Friday granting Belarus a \$1.5 billion stabilization loan for 15 years at an interest rate of $\text{libor} + 0.75\%$ and with a grace period of five years.

Finance Ministers Alexei Kudrin of Russia and Nikolai Korbutof Belarus signed the agreement after talks between the two countries' leaders. Russian President Vladimir Putin and his Belarusian counterpart Alexander Lukashenko also attended a meeting of the Supreme Council of the Russia-Belarus Union State earlier in the day.

"With a view to ensuring a smooth transition of bilateral energy cooperation to universal market principles and taking into account earlier agreements and contracts, Russia has decided to grant [Belarus] a state loan worth \$1.5 billion," Putin said.

Belarus requested Russia to issue a \$1.5 billion loan in February. In late November Kudrin said that the Russian government could grant it to the ex-Soviet republic before the end of the year.

Addressing a news conference after the Union State session, Putin said that the price of Russian natural gas for Belarus would remain unchanged in 2008. The Russian leader added that Russian natural gas monopoly Gazprom would honor all commitments under contracts signed last year.

"Gas prices for Belarus will certainly be raised, but within the levels fixed in last year's agreement. We will stick to previous contracts, despite the fact that Russia will buy gas at a higher price than we will sell to Belarus," said Putin.

Turkmenistan earlier raised the price for its natural gas, which has been instrumental in gas contracts.

The Russian leader also pledged support to Minsk in minimizing the consequences of price hikes.

"We will try to do everything to eliminate the consequences of gas price hikes for the Belarusian economy," Putin said.

The two leaders reiterated that their countries would honor all commitments on Russian natural gas transits to Europe.

"Supplies of natural gas and oil hugely contribute to strengthening stability across the whole of Europe," Lukashenko said. "We are making this contribution to stability and expect appropriate action on security provisions for our countries from Europe."

On January 1, Russia raised the price of its gas supplies to Belarus to \$100 per 1,000 cubic meters from \$46.7 in 2006, which sparked an energy dispute between the two countries and triggered more accusations in Europe that Russia is using oil and gas as a political weapon.

- RUSSIA, EGYPT TO SIGN NUCLEAR ENERGY AGREEMENT SOON - LAVROV

/DECEMBER 14/RIA Novosti/

Russia will sign an agreement with Egypt in the future to develop its nuclear power sector, the Russian foreign minister said Friday.

"As for cooperation with Egypt in developing its civilian nuclear power industry, we confirm that we are interested. The drafting of relevant documents is being completed, and I hope they will be signed soon," Sergei Lavrov told journalists after talks with his Egyptian counterpart.

The minister said the agreement will become a basis for partnership in the civilian nuclear sector under the Nuclear Non-Proliferation Treaty and the International Atomic Energy Agency, the UN nuclear watchdog.

Ahmed Aboul Gheit in turn said Egypt was geared towards developing nuclear energy and planned to build several nuclear power plants. "Therefore we are working on our legislation, which will be submitted soon for parliament's consideration," he said.

He stressed that the work on the document was in full compliance with IAEA norms.

"Egypt is bound by around 15 agreements on nuclear cooperation with Asian and European countries and we want to sign a similar agreement with Russia," the minister said.

He said talks were constantly being held with Russia on the issue and said he hoped the document would be signed in the near future.

Russia earlier announced its intention to take part in a tender to build an atomic power plant in Egypt.

- STEEL GIANT ARCELOR SET TO BUILD METALS PLANT IN RUSSIA BY 2010

/DECEMBER 17/RIA Novosti/

Arcelor Mittal, the world's largest steel producer, intends to build a metals plant near Tver in central Russia, the Tver Region's deputy governor said on Monday.

"A corresponding agreement was signed today between the investor company and the region's administration. The new facility will produce 1 million metric tons of steel per year. The project's first stage will require about \$100 million in investment. A feasibility study for the second stage will be started in the near future," Andrei Loshakov said.

Loshakov said work at the construction site near Tver, located 150 km (93 miles) northwest of Moscow, would begin in the second quarter of 2008 and that the facility would be put into operation in early 2010.

"The metals factory will create 200 new jobs and indirectly employ an additional 400 staff. The factory will be a modern, hi-tech and environmentally friendly enterprise," Loshakov said.

Arcelor Mittal, the world's largest metals holding company, controls 10% of global steel output. The company was formed through the merger of Arcelor and Mittal Steel in 2006.

Indian billionaire industrialist Lakshmi Mittal is president of Arcelor Mittal and holds a controlling interest in the company.

- GAZPROM, WINGAS TO BOOST UNDERGROUND GAS STORAGE TO 8 BLN CU M

/DECEMBER 18/RIA Novosti/

Gazprom [RTS: GAZP] and Germany's Wingas AG intend to boost their joint underground gas storage capacity to 8 billion cubic meters, the Russian energy giant's chief executive said on Tuesday.

Alexei Miller said Gazprom was implementing two underground storage facility projects and could launch two more similar projects in Britain and Germany in the near future.

Meanwhile, Alexander Medvedev, deputy chairman of the Gazprom management committee, said the joint underground gas storage capacity could be increased by 2010.

Wingas is a joint venture of Wintershall, Germany's largest crude oil and natural gas producer, and Gazprom. Wingas has been engaged in gas distribution since 1993 and supplies natural gas to public utilities, regional gas suppliers, industrial and power plants in Germany and other European countries via network pipelines extending over 2,000 kilometers (1,242 miles).

- GAZPROM INVESTS \$1.2 BLN IN YUZHNO-RUSSKOYE GIANT GAZ FIELD

RIA Novosti - 18/12/2007

Russian energy giant Gazprom [RTS: GAZP] has invested 0.85 billion euros (\$1.2 billion) in the development of northwest Siberia's Yuzhno-Russkoye oil and gas deposit, a company official said on Tuesday.

Alexander Medvedev, deputy chairman of the Gazprom management committee, said total investment in the deposit, which went into operation on Tuesday, would total 2 billion euros (about \$2.9 billion).

The deposit launch ceremony was attended by First Deputy Chairman of the Russian Government and Chairman of the Gazprom Board of Directors Dmitry Medvedev, Chairman of the Gazprom Management Committee Alexei Miller and German Foreign Minister Frank-Walter Steinmeier.

The deposit, for which Gazprom subsidiary Severneftegazprom holds a license, has 805 billion cubic meters of proven gas reserves, and 5.7 million tons (42 million barrels) of proven oil reserves.

The Yuzhno-Russkoye deposit is expected to produce 1.4 billion cubic meters of gas in the fourth quarter of 2007 and reach its design capacity of 25 billion cubic meters per year in 2009.

Gazprom on Monday closed a deal with BASF AG on the German chemical company's participation in the project, and also drew up a list of assets to be swapped with Germany's E.ON to enable it to join the west Siberian gas field project as well.

Under an asset swap agreement between Gazprom and Germany's BASF AG, signed earlier this year, the German energy concern bought a 25% minus one ordinary share and one privileged share without a voting right in Severneftegazprom.

- AVTOVAZ PLANS TO PRODUCE SOME 1.3 MILLION CARS BY 2012

/DECEMBER 18/RIA Novosti/

AvtoVAZ plans to increase production from the present 771,600 cars a year to almost 1.3 million vehicles annually by 2012, a spokesman for Russia's largest carmaker said on Tuesday.

"The plant's development program envisages increasing the output of Lada cars to 1.275 million vehicles by 2012," the company said.

Last year AvtoVAZ earned 2.512 billion rubles (\$102 million) of net profit, up 79.4% against 2005, with 152.4 billion rubles (\$6.2 billion) worth of revenues.

The company expects to receive 166 billion rubles (\$6.7 billion) in revenues this year.

Russian arms export monopoly Rosoboronexport and the Troika Dialog investment company, which together hold a 75% stake in AvtoVAZ, signed on December 8 a tripartite memorandum of understanding with Renault to sign a contract for the sale of a 25% blocking stake in AvtoVAZ to the French giant.

- ANGOLAN-RUSSIAN CONSORTIUM LICENSED FOR OIL-GAS PROSPECTING

/DECEMBER 19/RIA Novosti/

Angola's Oil Ministry has granted an oil and gas prospecting license to a consortium involving the Russian diamond producer, Alrosa, the company said on Wednesday.

Along with the Angolan National Fuel Society (Sonangol) and Angolan oil firm, Dark Oil, Alrosa is to carry out geological surveys at deposits in the provinces of Lower Congo and Upper Kwanza between the Etosha, Okavango, and Kassanje basins, and also on the republic's shelf, the company's press office added.

The parties to the project signed an agreement on July 9 in Luanda, the capital of Angola, one of the world's leading oil suppliers.

Angola produces around 100 million metric tons of crude annually (2 mln bbl/d), according to Alrosa's estimates.

Alrosa, which accounts for 25% of global and 97% of Russian diamond output, is 37% owned by the Federal Property Fund, with legal entities owning 23%, and local authorities in the diamond-rich Yakutia region, 8%.

- REGULATOR FINES SAKHALIN II OPERATOR \$15.8 MLN FOR DEFORESTATION

/DECEMBER 19/RIA Novosti/

Russia's environmental regulator said on Wednesday it is fining the operator of the Sakhalin II oil and gas project in the Far East more than 390 million rubles (\$15.8 million) for deforestation.

Oleg Mitvol, deputy head of Rosprirodnadzor, said Sakhalin Energy had the option of paying the damages voluntarily. Otherwise, "the damages will be obtained through a procedure prescribed by law," he said.

The ambitious Sakhalin II project, formerly led by Anglo-Dutch oil major Shell, was subjected to months of intense pressure last year from Russian authorities, who accused it of inflicting major environmental damage on Sakhalin Island, including deforestation, toxic waste dumping and soil erosion.

The dispute was largely resolved after Russian natural gas monopoly Gazprom acquired a controlling stake (50% plus one share) in the project last December, and authorities coordinated in March 2007 a plan to fix the damage. The minority partners in the project, Royal Dutch Shell, Mitsui and Mitsubishi, currently hold 27.5%, 12.5% and 10% stakes in Sakhalin II.

- RUSSIA, KAZAKHSTAN, TURKMENISTAN SIGN CASPIAN GAS PIPELINE DEAL

/DECEMBER 20/RIA Novosti/

Russia and the Central Asian republics of Kazakhstan and Turkmenistan signed on Thursday an agreement to build a natural gas pipeline along the Caspian Sea coast.

Russian President Vladimir Putin and the leaders of Turkmenistan and Kazakhstan, the region's major gas producers, agreed on May 12 to build a pipeline along the Caspian coast to pump 10-20 billion cubic meters of gas to Europe via Russia's pipeline network.

The pipeline deal is seen as a major blow to U.S. and European Union efforts to build an alternative pipeline under the Caspian Sea, bypassing Russia, to pump Central Asian gas to Europe via Azerbaijan and Turkey.

Putin, who attended the signing ceremony, said the project would boost Europe's energy security.

"The creation of this new energy artery will allow large-volume gas supplies in the long-term to our partners and will become a new major contribution by our countries to improved energy security in the Eurasian space, and in a larger context, for our consumers in Western Europe," Putin said.

Russian Industry and Energy Minister Viktor Khristenko, who signed the deal on behalf of Moscow, said the Caspian pipeline would be launched before the end of 2010.

"All project and investment decisions will have been taken by the end of 2008 and we expect the pipeline to go into operation no later than the end of 2010," Khristenko said.

- RUSSIAN, KAZAKH LEADERS PLEDGE TO CONTINUE NUCLEAR COOPERATION

/DECEMBER 20/RIA Novosti/

President Vladimir Putin said on Thursday that Russia and Kazakhstan had pledged to carry on cooperating in the peaceful use of nuclear power.

Speaking after the signing of a crucial Caspian gas pipeline deal by Russia, Turkmenistan and Kazakhstan, Putin said: "The fuel and energy sector remains a priority area of our cooperation. Serious efforts have been made to deepen cooperation in the peaceful use of nuclear power in line with existing agreements."

Russia and Kazakhstan, which holds 15% of the world's uranium reserves, signed an agreement in May to set up the world's first international uranium-enrichment center in east Siberia. The center is designed to be made available for countries seeking to process nuclear fuel for energy generation and should eliminate the need for them to build own enrichment facilities.

Putin said the two countries also plan to set up a series of joint ventures in the sphere, to promote innovation projects and join efforts on the world market.

The ex-Soviet Central Asian state is set to boost uranium production to 15,000 metric tons a year by 2010. Under the Soviet-era system, Russia and Kazakhstan shared a nuclear power infrastructure.

- GAZPROM NEFT REPORTS NET PROFIT AT \$2.8 BILLION IN JAN-SEP

/DECEMBER 21/RIA Novosti/

Gazprom Neft, the oil arm of Russian energy giant Gazprom, said on Friday its US GAAP net profit had already reached last year's level of \$2.8 billion in the first nine months of 2007.

The company published its first US GAAP net profit report for the third quarter, as well as for January-September, while its revenues dropped 5.5% in the reporting period to \$15 billion, year on year.

"The drop in revenues followed changes in the company's sales structure. Owing to the high refining margin, Gazprom Neft increased its oil refining volumes and petrochemicals sales on the domestic market and simultaneously reduced the export of oil and petrochemicals," the company said in a press release.

The company's EBITDA (earnings before interest, taxes, depreciation and amortization) grew 4.6% to \$4 billion in January-September 2007, year on year. Gazprom Neft's revenues in the third quarter of 2007 increased 0.5% year on year to \$5.4 billion.

Gazprom and Italy's Eni hold 75% and 20%, respectively, in the oil company.

- NORD STREAM SUBMITS GAS PIPELINE APPLICATION TO SWEDISH GOVERNMENT

RIA Novosti - 21/ 12/ 2007

The operator of the Nord Stream gas pipeline has submitted an application to the Swedish government for permission to lay its offshore pipeline system within the Swedish Exclusive Economic Zone.

The ambitious project to build a pipeline under the Baltic Sea to pump Russian gas to Germany is being developed by Russia's state-controlled gas giant Gazprom and Germany's E.ON and BASF at an estimated cost of \$12 billion.

"The company has handed in an application for the construction of the pipelines, including a technical description in accordance with the Swedish Continental Shelf Act," Nord Stream AG said in a statement.

It said it had also filed an application for the service platform and an Environmental Impact Assessment (EIA) report as well as a study outlining the potential impact of the pipelines on the environment.

The company said it views the submission of the applications as "a starting point for an intensive dialogue with the Swedish government regarding the permission procedure, as well as the scope and method of the environmental studies."

Based on the application, Nord Stream will discuss all relevant issues with authorities, organizations and the general public "in an open and transparent

manner, while fulfilling all the requirements of Swedish legislation to obtain the required permits to construct the important infrastructure project." It said the project timetable foresees pipe-laying works on the first line commencing during the summer of 2009 with completion scheduled for 2010. The first gas deliveries are expected to start in the spring of 2011, after completion of the test phase.

- PUTINE ATTENDS OPENING OF TOYOTA'S NEW ST. PETERSBURG PLANT

/DECEMBER 21/RIA Novosti/

Russian President Vladimir Putin attended the launch ceremony of a new Toyota plant, which opened on Friday near his home town of St. Petersburg in northwest Russia.

Putin was given a tour of the factory and watched as the first vehicle rolled off the assembly line at the plant, which plans to produce 20,000 Toyota Camry cars a year and will employ around 600 workers. Investment in the project was over 5 billion rubles (\$202 million).

He congratulated the Japanese partners on the plant and the first-ever Toyota car to be produced in Russia, saying the opening was an example of successful cooperation between the government, regional authorities and company management.

"I want to congratulate all of you on this event... Two years ago we...laid a stone for the foundation of the future plant. Frankly speaking, it was hard to believe that the plant would be up and running in two years," Putin said. Putin also said closer bilateral ties would help resolve issues between the two countries.

"Expanding trade and economic ties will of course create conditions for the strengthening of Russian-Japanese cooperation in general and will create the necessary base to solve other problems," he said.

Putin said trade turnover between the countries this year grew over 40% to \$18.5 billion on last year's figures.

The Russian president said about 1,000,000 cars annually would roll off production lines with foreign involvement in Russia over the next three-four years.

- FOREIGN COMPANIES COULD GAIN ACCESS TO RUSSIA'S NATURAL DEPOSITS

/DECEMBER 24/RIA Novosti/

Companies in which foreign investors hold a controlling stake could gain access to Russian deposits of national importance, Natural Resources Minister Yury Trutnev said on Monday.

"If before foreigners were not allowed to participate in strategic field auctions, now the mechanism of access has substantially eased," Trutnev told reporters. "They will now have a chance to access strategic fields by applying for permission from a government commission."

Trutnev said such a mechanism was envisioned by amendments pending to the law On Subsoil Resources. He said he could not provide a timeline for the amendments.

Russia has already named 'strategic fields' in several areas. These can only be distributed to Russian majority-owned companies, and include 31 gas fields.

- RUSSIA ARMS EXPORTS COULD EXCEED \$7 BLN IN 2007 - IVANOV

/DECEMBER 24/RIA Novosti/

Russia's arms and military equipment exports in 2007 could exceed \$7 billion, Sergei Ivanov, a first deputy prime minister, said on Monday.

Russia has almost doubled annual weaponry exports since 2000, and some experts estimate this year's sales could far exceed the projected figures.

Sergei Ivanov, Russia's former defense minister, attended on Monday the Golden Idea annual awards ceremony. Eighty people received awards in a total of 16 nominations for their contribution to the development of the Russian military complex.

Mikhail Dmitriyev, the head of the federal service for military and technical cooperation, said the arms exports figure could exceed \$7.2 billion.

"We have already crossed the \$7 billion mark in exports of weapons and military hardware," he said. "The figure may reach \$7.2-7.3 billion, or much more."

Russia exports weapons to about 80 countries. Among Rosoboronexport's key buyers are China, India, Algeria, Venezuela, Iran, Malaysia and Serbia.

- RUSSIA POWER GIANT COMPLETES THERMAL POWER SECTOR RESTRUCTURING

/DECEMBER 24/RIA Novosti/

Russia's Unified Energy System (UES) [RTS: EESR] has completed the restructuring of the thermal power sector as part of a broader electric power system reform, the electricity monopoly said on Monday.

UES said in a statement that a total of six wholesale generating companies (OGKs) and 14 territorial generating companies (TGKs) were currently operating, and their shares, except for TGK-11's, had already been put on the market.

TGK-10 was the latest generating company to conclude the consolidation of assets in several Urals regions. The financial regulator registered an additional share issue on December 20, UES said.

Russia's power sector is undergoing radical changes aimed at increasing the efficiency of power plants and developing the industry by attracting investment.

The potentially competitive sectors of the industry - generation, sales and repair companies - are to become mainly private and will compete with one another. The natural monopolies - power transmission and dispatching - will remain state-controlled.

Once the reform is complete by July 2008, the parent company UES will be divided, and its shareholders will receive the shares of core electricity entities (OGKs, TGKs and federal grid companies), proportionate to their holdings in the monopoly's charter capital.

- TESTS OF SUPERJET 100 ENGINE END IN SUCCESS IN RUSSIA

/DECEMBER 24/RIA Novosti/

Russian aircraft manufacturer Sukhoi successfully completed the Russian phase of in-flight tests of a new engine for its SuperJet 100 regional aircraft, a co-designer said on Monday.

The SaM146 engine has been developed by PowerJet, a joint venture of the French firm Snecma and the Russian scientific and production association Saturn.

"The tests of the SaM146 engine have been a success in Russia. In 2008, in the second half of the year, I believe, the tests on board a 'flying research laboratory' will continue in France," Yury Lastochkin, the Saturn general director, told a news conference.

The test started on board an Il-76LL in early December, and Lastochkin said a batch of new engines had been sent to Komsomolsk-on-Amur, a city in the Far East where the SuperJet 100 is being assembled.

A Sukhoi official said earlier in the month that successful tests of the engine would allow Sukhoi to start mass production of the plane simultaneously with its certification in 2008.

The family of medium-haul passenger aircraft was designed by the Sukhoi Design Bureau in cooperation with major American and European aviation corporations,

including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace, and Honeywell.

Sukhoi plans to produce at least 700 SuperJet 100s, and intends to sell 35% of them to North America, 25% to Europe, 10% to Latin America, and 7% to Russia and China.

The overall market for the SuperJet 100 is estimated at about 5,500 planes, worth \$100 billion, up to 2023.

So far, Sukhoi has secured over 70 orders for its regional aircraft. Aeroflot, Russia's leading air carrier, is one of its largest clients, with contracts for the delivery of at least 45 planes.

- RUSSIAN GAS EXPORTS TO ASIA-PACIFIC REGION COULD TOP 50 BLN CU M

/DECEMBER 24/RIA Novosti/

Gas exports from Russia's Siberian and Far Eastern regions to Asia and Pacific countries could eventually top 50 billion cubic meters, a Gazprom official said on Monday.

"The issue is being discussed of the supply of natural gas along an eastern route to China. Gas in this direction will go from the Chayanda gas field in Yakutia. An inter-governmental agreement with South Korea has been signed and gas has been contracted for supplies to Japan from the Sakhalin-II project," Deputy Chairman of the Gazprom Management Committee Alexander Ananenko said. Ananenko, who spoke at a meeting devoted to the development of the gas industry in the Russian Far East, said that Japan would start receiving liquefied natural gas (LNG) in late 2008 and natural gas supplies to South Korea would begin in around 2012.

The Gazprom official said natural gas supplies to North Korea were also possible, if a gas pipeline was to be built across the territory of the reclusive Communist state.

The Chayanda gas field in Russia's northeast, with proven reserves of 1.24 trillion cubic meters of gas and 50 million metric tons (about 370 million barrels), was included in the list of the country's strategic deposits in early December.

The Sakhalin II project, led by energy giant Gazprom, has estimated reserves of 150 million metric tons (1.1 billion barrels) of oil and 500 billion cubic meters of natural gas. The project also comprises an LNG plant, with a capacity of 9.6 million metric tons a year, which is due to be launched in 2008, and an LNG export terminal. Most of the LNG from the project will be exported to Japan.

- RUSSIA MAY BECOME WORLD'S FIFTH LARGEST ECONOMY BY 2020 - MINISTER

/DECEMBER 24/RIA Novosti/

Russia will become the world's fifth largest economy by 2020, if its GDP continues to grow 6-7% per year, the Russian economics minister said on Monday.

"If we maintain GDP growth at 6-7% per year, we'll join the group of the world's five largest economies. We are setting ourselves this goal," Elvira Nabiullina said.

Russia's Ministry of Economic Development and Trade drew up in November a forecast for national economic development until 2020.

Under the forecast, GDP is expected to exceed \$5 trillion in 2020, given an exchange rate of 30 rubles to the dollar. In 2007, Russia's GDP is predicted to top \$1.3 trillion.

"This figure will be clarified. We will evidently have to revise our oil price forecast upwards," said Andrei Klepach, director of the ministry's department for macroeconomic forecasts.

According to the forecast, Russia will join the world's five largest economies measured by GDP by 2020, overtaking all other European countries. China is expected to top the list, to be followed by the United States, India, and Japan.

According to the ministry's report, Russia's GDP will rise by more than 7% in 2007 compared with 6.7% in 2006, driven by growing household consumption and an increase in business activity.

The World Bank said in a report published in November that Russia's economy is now growing at maximum capacity, boosted by high global energy prices and a strong inflow of foreign capital.

- RUSSIA COULD BUILD MORE NPPs IN IRAN - IRANIAN LAWMAKER

/DECEMBER 24/RIA Novosti/

Russia will have a good chance of participation in the construction of new nuclear power plants in Iran if it completes the Bushehr nuclear power plant on time, a top Iranian official said on Monday.

Tehran is expected to announce soon a tender for the construction of 19 new 1,000-mWt nuclear power plants in the Islamic Republic.

"Russia may have a better chance of participation in the construction of new nuclear power plants in Iran if it fulfills its obligations on time," said Alaeddin Boroujerdi, chairman of Iran's parliamentary committee on national security and foreign policy.

The completion of the Bushehr plant, currently being built by Russia's Atomstroyexport under a 1995 contract, came under threat in February 2007 when Russia complained of payment delays. Iran denied any funding problems and accused Russia of deliberately stalling the project in response to pressure from Western powers.

Russia and Iran subsequently held several rounds of negotiations to settle disagreements relating to the Bushehr nuclear power plant and recently announced that the plant could be commissioned by March 2009.

The \$1 billion project has also been at the center of an international dispute, with Western countries who suspect Iran of developing nuclear weapons protesting against Russia's nuclear cooperation with the Islamic Republic. The project has been implemented under the supervision of the United Nations nuclear watchdog, the International Atomic Energy Agency.

On December 16, Russia announced the start of nuclear fuel deliveries to Bushehr. Deliveries are set to continue into February 2008.

Meanwhile, Alaeddin Boroujerdi said Iran had no intentions of abandoning its own uranium enrichment program and planned to build its first nuclear power plant without foreign participation by March 2017.

The project stipulates the construction of a 360-mWt plant in southwestern Iran.

"The [first domestic] nuclear power plant will certainly be built in Iran," the lawmaker said, adding that a nuclear fuel reprocessing facility in Isfahan and a nuclear enrichment center in Natanz could provide enough fuel for any future nuclear power plants.

- RUSSIA MAY RAISE OIL EXPORT DUTIES TO \$332-333 PER TON

/DECEMBER 25/RIA Novosti/

Russia may raise oil export duties to \$332-333 per metric ton from February 1, in line with world market trends, a senior Finance Ministry official said on Tuesday.

The Russian government adjusts export duty on crude and petroleum products every two months, depending on changes in the Urals blend price on world markets.

"The average oil price monitored in November through December 26 was \$88.99 per barrel. Therefore, oil export duty could be set at \$332-333 per metric ton," said Alexander Sakovich, deputy head of the ministry's customs department. Crude export duty was set at \$275.4 per ton from December 1. The official said export duties on light petroleum products will be around \$236 per ton, against the current \$197.8 per ton. Duty on heavy petroleum products will rise to \$127 per ton from the current \$106.6 per ton.

-MORE BILLIONS TO BE ALLOCATED TO NATIONAL PROJECTS - MEDVEDEV

/DECEMBER 25/Itar-Tass/

About 300 billion roubles will be allocated from the federal budget to national projects, and these priority programmes should be integrated in the country's programme of development for the years to 2020, First Deputy Prime Minister Dmitry Medvedev said at a meeting of the Council on Priority National Projects on Tuesday.

'The additional amount of the financing of the national projects has been about 400 billion roubles. It is planned to send about 300 billion roubles to the national projects in 2008, and this is without the co-financing by regions,' he said.

Medvedev said experience with the priority projects had shown that 'investment in human capital has proved one of the most effective'.

'A free, educated and healthy person is the main thing that determines the country's development and its prospects. The national projects have benefited not only development of these sectors, but the economy and society as a whole,' Medvedev added.

He said the national projects 'should remain long-term priorities'.

- RENAULT HOLDS AvtoVAZ DUE DILIGENCE BEFORE BUYING 25% STAKE

/DECEMBER 25/RIA Novosti/

French giant Renault is conducting a due diligence review before signing a final deal to buy a 25% blocking stake in Russia's largest carmaker AvtoVAZ, a respected business daily said Tuesday.

Renault plans to buy a 25% plus one share in the plant based in the southern city of Togliatti, and could sign a final deal on February 25, when the auto giant will pick up a 12.8% stake in AvtoVAZ. The remaining shares could be acquired in July, Vedomosti said.

The value of the deal has not been disclosed so far. But Sergei Chemezov, head of the Russian Technology state-run corporation, which comprises AvtoVAZ, said the stake would be sold at a price close to its market value, the paper said.

Sources close to Troika Capital Partners, a subsidiary of the Troika Dialog brokerage, and AvtoVAZ said the plant is estimated at \$5.3 billion, and a blocking stake could be worth around \$1.3 billion, Vedomosti reported.

If the contract is signed in February, Troika, which acts for a group of investors including Rosoboronexport, would receive half of the sale price, according to sources in the state-run arms exporter, the brokerage and the car plant quoted by the daily.

Renault will pay another 20% of the deal price after acquiring the stake in full in July, according to the paper. The sellers will receive the other 30% installment by 2010, and the amount will depend on AvtoVAZ's performance.

A Troika source said the final installment sum will depend on the plant's average EBITDA in 2008-2009, Vedomosti said.

In 2006, the carmaker received 2.5 billion rubles (\$100 million) in net profit, almost 80% up on 2005. Revenue in 2006 gained 15% on 2005 to reach 152.4 billion rubles (\$6.1 billion). In 2007, the company expects to earn a total of 166 billion rubles (\$6.6 billion).

Renault already owns 25% in AvtoVAZ, and will control the stake de facto after February 25. Russian Technology will have a 50% blocking stake in the Russian

carmaker regardless, Chemezov said earlier.

Renault launched production of the inexpensive Renault Logan model in Russia in late 2005 at the Moscow-based Avtoframos plant, in which the Moscow city government has a stake. The French carmaker invested \$250 million in the project.

-FOREIGN DIRECT INVESTMENTS IN RUSSIA TO RISE TO \$51 BLN IN 2010

/DECEMBER 25/RIA Novosti/

Foreign direct investment in the Russian economy is expected to rise from \$41 billion in 2007 to \$51 billion in 2010, a deputy economics minister said on Tuesday.

Andrei Belousov said this figure was forecast in a consolidated report on the results and the guidelines for the Russian government's activities in 2008-2010 to be presented at a government session on Thursday by Deputy Prime Minister Alexander Zhukov.

Belousov also said the figure was important for Russia to ensure sustainable economic growth in the country.

In comparison, China had 140% more foreign direct investment than Russia in 2006 (\$69.5 billion against \$28.7 billion).

The deputy economics minister said Russia needed to develop a competitive market for sustainable economic growth.

"It is necessary to reduce the share of natural monopolies' products in GDP from the current 11% to 8.5% by late 2010."

The consolidated report also stipulates the boosting of labor productivity by more than 20%. This will help reduce unemployment from 6% to 4% by the end of 2010, Belousov said.

The deputy economics minister also said it was important for Russia to develop hi-tech sectors, particularly civil aviation, ship-building, the space industry and nuclear technologies.

"These sectors could eventually capture around 10% of the world market," he concluded.

- GAZPROM AGAINST FOREIGN COMPANIES DEVELOPING RUSSIA'S MINERAL DEPOSITS

/DECEMBER 26/RIA Novosti:

Russian energy giant Gazprom is against foreign companies developing Russia's mineral deposits, a Gazprom official said on Wednesday.

Russia's Natural Resources Minister Yury Trutnev said on Monday that companies in which foreign investors hold a controlling stake could gain access to Russian strategic deposits.

"I want to emphasize that we don't want our state-owned mineral resources to be developed with the participation of foreign companies," the deputy chairman of the Gazprom management committee, Alexander Ananekov, said.

According to Ananekov, an inauspicious situation for the Russian state has emerged under the Sakhalin-I and Sakhalin-II oil and gas projects off Russia's Pacific Coast and the Kharyaga oil field in northern Russia, all of which are being developed under production sharing agreements.

"Mineral resources companies using our subsoils do not intend to organize supplies to the Russian Far East. They seem to be motivated by some economically more advantageous possibilities for deliveries of this gas," Ananekov said.

- RUSSIA'S EASTERN DEPOSITS TO SUPPLY 207 BLN CU M OF GAZ BY 2030

/DECEMBER 26/RIA Novosti/

Russia's deposits in east Siberia and the Far East are expected to produce and supply 207 billion cubic meters of gas by 2030, a Gazprom official said on Wednesday.

Alexander Ananekov, deputy chairman of the Gazprom management committee, said

Russia planned to achieve this figure via a program of creating a single system of gas production, transportation and supply in east Siberia and the Far East, taking into account possible gas exports to China and other Asia and Pacific countries.

"Today we are at the initial stage of implementing the Eastern gas program, [due to run] until 2030. Gazprom has started to perform in full its functions of coordinator for the implementation of the program. The volume of investment under the program will total 2,500 billion rubles [\$101 billion] up to 2030," Ananenko said.

The Eastern program was endorsed by the Russian Industry and Energy Ministry in September 2007. Energy giant Gazprom is acting as the program's coordinator.

- INVESTMENTS IN RUSSIA EXCEEDS FORECASTS BY 20% IN 2007

/DECEMBER 26/RIA Novosti/

Investment in the Russian economy has exceeded forecasts by 20% this year, Economic Development and Trade Minister Elvira Nabiullina told the Vesti TV channel on Wednesday.

"Investment in the Russian economy has exceeded forecasts by 20% in 2007," the channel quoted Nabiullina as saying.

The official said inflation in Russia should be kept within 7.5%-8.5% in 2008, also boasting that "inflation growth was halved in December."

The government's initial inflation target for the year was 8%.

Commenting on the country's GDP growth, which was forecast at 7.3% for 2007 against last year's 6.6%, the minister said it would be 1.5% higher.

The economics ministry reviewed its GDP growth forecast up to 7.6% earlier this month.

Nabiullina also said that it would be necessary to develop an effective system to support exports and announced that her department was currently drafting a plan for Russian economic development up to 2020.

"We will be developing corporate laws in 2008," Nabiullina said.

- IKEA TO BUILD \$145 MLN FURNITURE FACTORY IN NORTHWEST RUSSIA

/DECEMBER 27/RIA Novosti/

Sweden's IKEA is to build a 100 million euro (\$145 million) furniture factory in the Komi Territory in northwest Russia, the regional industry and energy minister said on Thursday.

Nikolai Gerasimov said the factory, which will be the largest in Russia's northwest and the company's third factory in Russia, will be built by Swedwood, a structural unit of IKEA, in two stages.

In the first stage, the company will open a wood-sawing facility, which will require 500 cubic meters of timber per year. Swedwood intends to purchase half from local entrepreneurs and grow and produce the rest itself locally, Gerasimov said.

In the second stage, Swedwood will organize the production of furniture from 200 cubic meters of saw log and sell the remaining timber in the Komi Territory and other regions of Russia.

- GGAZPROM INVESTMENT PROGRAM IN 2008 APPROVED AT \$28.7 BLN

/DECEMBER 27/RIA Novosti/

Gazprom's board of directors approved Thursday an investment program of 710.13 billion rubles (\$28.75 billion), a budget and an optimization program for 2008, the Russian energy giant said.

The project envisions capital investment of 479.42 billion rubles (\$19.4 billion), and long-term financial contributions of 230.71 billion rubles (\$9.34 billion).

The optimization program suggests measures aimed at reducing spending by 10.1

billion rubles (\$409 million).

- HIGHLIGHTS OF 2007 - ENVIRONMENTAL DISASTER AFTER BLACK SEA SPILL

/DECEMBER 27/Moscow News, Russia/

An unusually heavy storm sank five ships in the Kerch Strait, which connects the Black Sea and the Sea of Azov. Three of the sunken ships were freighters carrying sulfur and one was a river tanker carrying fuel oil. The tanker, which was reportedly unfit for sea navigation, split in half in the storm, spilling over 2,000 tons of oil into the sea.

Russian Emergencies Ministry launched an operation to clear up the polluted coast. Russian Prime Minister Viktor Zubkov and Emergencies Minister Sergei Shoigu personally flew to the Black Sea coast to oversee the effort.

"What has happened in the Kerch Strait has already been called the most massive shipwreck in modern Russian history," Zubkov said. "The consequences for the environment are the most depressing and what is important - people have died and five people are still missing."

Experts said that the oil spill had inflicted heavy damage to the region's environment, most of all to the fish and the bird population. Up to 30,000 birds were killed and the damage to the fish population could be even higher. In mid-December, First Deputy Prime Minister Sergei Ivanov announced at a government session that the contamination from the oil spill had been eliminated.

- RUSSIA'S IT AND COMMUNICATIONS MARKET WORTH \$73 BLN IN 2008

/DECEMBER 29/RIA Novosti/

Russia's IT and communications market will be worth over 1.8 trillion rubles (\$73 billion) in 2008, Russia's communications minister said on Saturday.

In a statement posted on the government's official website Leonid Reiman said there will be over 46 million Internet users in 2008 compared to 35 this year while PC numbers would reach around 40 million compared to 31 million this year.

He said: "Next year a number of projects are planned for completion or for further development. Under a universal service program telephone installation in all residential areas will be completed, three new civilian satellites will go into orbit, and 3G communication will be available in the largest cities in the country."

Reiman said the IT market was very dynamic in Russia adding the software market would be worth 123 billion rubles (\$5 billion) with IT servicing reaching 157.8 billion rubles (\$6.4 billion) next year.

The minister also said the mobile market would develop further in the country and by the first half of 2008 customers using their cell phones would be able to pay for services, including parking fees, household maintenance and utilities payment as well as make consumer purchases.

- FOREIGN CARMAKERS INVEST \$1.8 BLN IN RUSSIA IN 2007

/DECEMBER 29/RIA Novosti/

Foreign investment in car production in Russia will exceed \$1.8 billion this year, the economics ministry said in an end-of-year report on Saturday.

"In 2007, the ministry signed 13 investment agreements under production contracts with foreign companies, leading global carmakers, and Russian producers of cars and auto components, such as Peugeot, Citroen, Suzuki, Hyundai, Severstal-Avto and Toyota," the report reads.

Germany's Volkswagen opened a car assembly plant in the Kaluga Region, located some 180 km (84 miles) southwest of Moscow, in November 2007, and Japan's Toyota launched a plant near St. Petersburg earlier this month.

Japan's Mitsubishi Motors signed a contract on Friday with Russia's

economics ministry to invest \$200 million in building a car factory in the Kaluga Region.

- RUSSIA REDUCING MIGRANT WORKERS

/JANUARY 2/BBC NEWS/

The Russian government says it intends to cut the number of foreign migrant workers by two thirds in 2008. In 2007, six million workers were allowed into Russia from the other former Soviet republics without visas.

The Federal Migration Service has told the news agency, Interfax, that the number will be cut to two million.

Russia's economic growth has prompted a need for foreign labour, but nationalists have protested that native Russians are being outnumbered.

Many of the migrants have come from the Central Asian republics or the Caucasus and have become a regular feature of street markets.

But regulations have been put in place barring foreigners from working in some retail sectors because of ethnic tensions.