

"TNK-BPRosneft"

TNKists are pressing Bolshoi Petroleum again. But now this is likely in favor of the State

Tags: [Rosneft](#), [TNK-BP](#), [BP](#)



Early last week when the London High Court of Justice sustained a claim of the Russian TNK-BP shareholders and suspended the BP-Rosneft deal pending the commercial arbitration, a wave of

assumptions arose saying that the agreements in question touched TNK-BP much stronger. The parties agreed to hold the arbitration in Stockholm specified in the agreement within the shortest possible time, until February 25. This was requested by BP, since, according to a usual routine, the international arbitration lasts several weeks at least, and AAR agreed for the express examination.

Just now, it is clear that the AAR consortium has serious reasons to suppose that the shareholders' agreement was violated by BP. It is confirmed by the BP CEO Robert Dudley, who said that he was ready to involve TNK-BP in BP-Rosneft deal.

BP is very well informed about his TNK partners' holdfast, having lost the court cases and corporate examinations to them. Why did BP agree to an evident violation of the corporate agreement? It may be connected with a possible

agreement between BP and the Russian government on certain guarantees. For example, it might be an agreement that Rosneft would buy the share of the Russian shareholders and 1% of BP, getting the control package. This is supported by the recent tendency of the Russian oil industry, where the state companies are gradually buying the assets from the private holders. And the TNK-BP's structure has been an annoyance for the strong-state advocates in the Russian government. Creation of a global alliance with BP is a good reason for Rosneft to become a major shareholder of the Russian assets.

BP and Rosneft agreed on creation of the alliance two weeks ago. It will be based on mutual ownership of the shares (9.53% of Rosneft for 5% of BP) and creation of a joint venture for the Russian Arctic shelf operations. This deal was endorsed by Prime Minister Vladimir Putin and supported by President Dmitry Medvedev.

However, this interpretation has one substantial weak link. It seems that the Russian TNK-BP shareholders, who, in spite of the aggressive style of making business, tried to avoid the conflicts with the State, were not restrained from struggling for preservation of their share in the oil business. This can explain the filing of a claim on the shareholders' agreement violation and the request to block the BP-Rosneft deal as a provisional measure. The AAR participants ➤ Page 3

Gas statistics of the month

"NOVATEK brought the capacities into operation, and Kiev was forced to give it back", or "NOVATEK was allowed to increase production, and Kiev agreed to give it back»?

Tags: [production](#), [Novatek](#)

According to the January statistics, Gazprom's production decreased by 3.2%. The main reason of it is

the lowered domestic demand, along with the production growth showed by NOVATEK, which brought the Yurkharovskoye field to the designed production capacity level and purchased 51% of Sibneftegaz in the end of last year. Gazprom's export deliveries grew. First of all, this was supported by growing demand in Ukraine, which will have to return more than 11

bcm of gas to RosUkrEnergo until the end of the heating season. Naftogaz bought 4.65 bcm in January 2011, which is three times as high as the volumes bought in January 2010. Let us remind, that at that time the Ukrainian company was buying Russian gas without a \$100 discount applied beginning with last April.

Gas production in Russia decreased by 0.4%, compared with the same indicator in 2010, amounting to 63.7bcm. Nevertheless, production increased by 1%, compared to December 2010. Gazprom's production amounted to 49.15bcm. In January, other oil and gas producers produced 1.9bcm of gas, vertically integrated oil companies – 5.5bcm of gas.

In January, gas export increased by 24%, to 24.4bcm. Deliveries within the post-Soviet territory increased by 57%, to 10bcm. Deliveries to the non-CIS countries increased by 7%, to 14bcm of gas.

TOP NEW

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The London High Court of Justice suspended the **BP-Rosneft** deal pending the commercial express-arbitration in Stockholm. A lot of experts are trying to understand why BP agreed to an evident violation of the corporate agreement. There are two possible explanations. It's either a possible agreement between BP and the Russian government on certain guarantees, for example repurchase of AAR share in **TNK-BP** by Rosneft, or a possible agreement between AAR and the Russian government on future repurchase of BP share in TNK-BP by Rosneft. ➤ Page 1

According to the January statistics **gas production in Russia** decreased by 0.4%, compared with the same indicator in 2010 (Gazprom's gas production decreased by 3.2%), while gas export increased by 24% mostly because of growing demand in Ukraine. Deliveries to the non-CIS countries increased by 7%. Recent development has renewed the discussion on the necessity to exclude the information of crude oil and associated petroleum gas of West Siberia from the state secret category. The formal reason is a number of recent agreements between Rosneft and Western partners, but the real reason may be the fact that this secret ceased to be a secret a long time ago. ➤ Page 1

The Federal Antimonopoly Service (FAS) prepared a bill fixing the formula of internal competitive **price of oil products** (essentially Rotterdam and Singapore net back prices), which is to be introduced into the government. The reason for this initiative was the recent hike of prices for oil products on exchange floors. However, the FAS does not believe that this bill will be passed, calling it a "spook". ➤ Page 4

The Board of Directors of **WGC-3** has decided to terminate its EPC contract with **Energoproject**. WGC-3 for construction of the third block of Kharanorskaya hydropower station (HPS) in the Zabaikalye Territory with capacity 225 MW. The reason is that Energoproject demanded to extend the works completion schedule for 20 months and to rise total price for more than RUR750 mn. WGC-3 plans to complete the construction by itself and to hand the block over to the scheduled data. If it fails the investor will have to pay fines. ➤ Page 5

Moscow still has a chance to negotiate with **Brussels** the principles of interaction under the conditions of liberalized access to the **gas infrastructure**, as the European Council decided that the common gas and electric power market would be created by 2014. The Third Energy Package, approved in September 2009, envisaged the launch of the free market in 2012. Now, the countries have two more years for elaboration and implementation of particular free market operation mechanisms. ➤ Page 5

The Russian Railroads OJSC will take part in the bid for 30% of the company holding the field license for the largest undeveloped coal deposit in Mongolia **Tavan-Tolgoy**. The Russian Railroads established a consortium with the Siberian Coal Energy Company (SUEK), Japanese companies Sumitomo, Marubeni, Itochy, Soshite and the Korean Corus for this purpose. ➤ Page 7

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"TNK-BPRosneft"

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understand quite well they will not be allowed to enter the shelf development joint venture, and the exchange of shares between BP and Rosneft is not very attractive for them, from the financial point of view.

Along with that, the pressure on BP may be aimed to force the British company to give a part of its package to TNK-BP, thus preserving up to 25% of the company's shares.

On purchasing the control package of TNK-BP, Rosneft

will increase its proved reserves in by 25-30% (up to 17-18 bnbbl, by SEC method) and finally fix its positions of the world leader by this indicator. The daily oil production will increase from 2330 to 3100 bbl. This is the best indicator among the listed transnational companies. This indicator for its closest Russian rival – LUKoil is approximately 2000bbl daily, ExxonMobil – 2400bbl, BP – 2300bbl.

ERTA view

Russia sees formation of a new world leader. Under supervision of the Russian government. With evident commercial interests. Each statement is an oxymoron. What an amazing time we live in...

Intense activity of AAR is quite understandable – they wish to gain their dividends from this unique deal. And they are not alone: even WWF started acting in the same direction. By its own means, though.

The only thing we can do is to applaud to a talented play. First of all, it concerns the players of the Russian government. This is a brilliant privatization scheme, Chubais must be jealous. Russia will get one more world-scale giant with the management structure "a-la BP" and controlling abilities "a-la Gazprom".

The whole list without any obligations

Will the section "betrayal of the Motherland" be preserved for the oil companies?

Tags: [APG](#), [reserve](#), [associated petroleum Gas](#)



Agreements between Rosneft and three Western majors (Chevron, Exxon and BP) on offshore geological exploration have renewed the discussion on the necessity to exclude the information of crude oil and associated petroleum gas from the state secret category. The officials are discussing this possibility, but no strong political will for liberalization in this field is seen for now on. However,

it is quite possible that this case can be lobbied by Deputy Prime Minister, the Rosneft Chairman of the Board, Igor Sechin, who is evidently interested in development of the partnership and entering Rosneft the global level.

The information on "the subsoil reserve volumes, production, manufacturing and consumption of the strategic mineral resources (according to the list determined by the government) was included into the state secret category for the first time in 2003. According to the list, the data on in-place reserves of crude oil and dissolved gas are included into the register of state secrets. Each company's employee (with Russian citizenship) working with the information containing state secrets should have a relevant permit issued by the Federal Security Service (FSS). He has the right to give this information in the processed non-

secret format to the foreign partners of the company.

Along with that, it should be noted that this prohibition is rather technical, as the foreign partners are submitted the information on the reserves all along. If they participate in exploration, they are the very ones to be the data originating sources.

ERTA view

Crude reserves of the West Siberia have been considered secret since the Soviet times. Oil industry veterans take it as a matter of course. Many new laws were passed and a whole set of Soviet documents and standards cancelled in the course of the reform of the Russian economics. There was a moment when the legislative base became patched-up. After the year of 2000, the Russian economy has been subjected to intense cleanup. The state secret provision was de-jure brought back to the regulatory base. It is typical that crude reserves in other regions, as well as gas reserves, have traditionally not been considered as secret information.

Evidently, secure classification of this information has little objective sense. Practically all interested parties have enough detailed data on reserves of the Russian oil fields. Secret agents, however, have their own reasons.

In general, one can say that guarding and building are different professions. And they require different skills. The state secret tool has been effectively used in the course of the recent history: as a tool of control or, if necessary, a tool to persecute those who are undesirable.

Liberal dirigisme

A switch from pseudo-exchange floors to netbacks is a typical regulation policy method of the Russian antimonopoly service

Tags: [FAS](#), [Rosneft](#), [LUKOIL](#), [TNK-BP](#), [Gasprom oil](#), [Bashneft](#), [Artemev](#)

The Federal Antimonopoly Service (FAS) prepared a bill fixing the formula of internal competitive price of oil products for the meeting held last week by Deputy Prime Minister Igor Sechin. This document should be introduced into the government early this week.

FAS offers the following formula: world prices (Rotterdam and Singapore quotations) minus transportation costs and export duty. Deviation from the resulting netback more than 1.5% will be considered by FAS as an attempt to set monopoly prices, with all relevant consequences.

The reason for this initiative was provided by growth of market prices for oil products, which, until recently, have been considered by FAS the market price indicator.

Though, the Service officials themselves do not believe that this bill will be passed, calling it a “spook”. Moreover, it is rather difficult to calculate the netback for all Russian

companies and regions. Supposedly, this radical alternative will accelerate the passing of the third antimonopoly package in the Parliament. Now, the government is preparing to introduce this package into the State Duma.

In particular, it includes a section with the requirements to organization of exchange auctions. Under these conditions, FAS will be ready to accept the exchange quotations as market price indicators. According to the published version of the bill, the volume of products sold on the exchange auction should be not less than 10% of the production volume of an entity holding the dominant market position. FAS, however, suggests to increase this level to 15%. The mandatory requirement stated by FAS is anonymity of the deals. The participants are not disclosed until the end of auctions, and the number of participants should not be less than three.

ERTA view

This move will not bring adequate results. The next idea will anticipate control of «real production costs». Then, organization of a “fair market” again. And a new round again. Why so?

First, we have seen this many times before, including the framework of the state “antimonopoly regulation” of Gazprom.

Second, currently the Russian government’s care about the consumers means, first and foremost, the provision of guarantees that the goods will be available on the market. It means that someone will have motivation to produce them. And further, the state regulation turns into guarantees to cover cost for the existing producers, irrespective of efficiency and forms of ownership.

Naulskoye tender: administration or infrastructure

Lukoil and Rosneft will compete for the oil in the Nenets autonomous district.

Tags: [Naulskoe field](#), [Lukoil](#), [Rosneft](#), [tender](#), [Rosnedra](#)

The license for the Naulskoye field in the Nenets autonomous district became a target of contest, when the Federal Agency for Subsoil Usage (Rosnedra) lowered the initial payment. The bid applications were submitted by LUKoil and Rosneft. They paid the submission fee in the sum of RUR242,000. The bid will be held on April 4, and the advance deposit should be paid until March 4. The one-time initial payment for the Naulskoye field is determined in the sum of RUR3.6 bn. This is almost twice as low as the sum stated by Rosnedra in 2010. At that time, the bid was called off due to the absence of bidders. Gazprom neft was the last one to withhold its bid.

The Naulskoye oil field is located in the Nenets autonomous district. According to the data of Rosnedra, its recoverable reserves amount to more than 50 mnt by category C1+C2. The Naulskoye crude oil can be transported through the pipeline located at a distance of 33 km. Until now, 16 wells have been drilled on the site, five of them abandoned, and the rest suspended.

LUKoil and Rosneft are the major subsoil users in the Nenets autonomous district. LUKoil owns the regional crude transportation infrastructure (the pipeline from the Yuzhnoye Khyrchuju field to the Varandey terminal, which is owned by the company also). But Rosneft, with its administrative resources, has more chances.

ERTA view

Well, it is a lucky moment that Russia also tries to form market prices for the reserves. Tries, but fails. In fact, “fair reserve-estimate formulas”, which have cost so many efforts made by the departments, were considered inadequate, and “the bureaucratic bids” have replaced “liberal auctions” again.

Only 15% of oil fields and blocks set to the auctions got their owners in 2010, this result is even worse than in 2009 crisis year.

Documents lost the contractor

The Board of Directors of WGC-3 has decided to terminate a contract with Energoprojekt

Tags: [WGC-3](#)



in the Zabaikalye Territory with capacity 225 MW in March 2008. The works were started in May 2008, the block should have been commissioned in August 2011.

However, Energoprojekt demanded to extend the works completion schedule for 20 months and to increase total price for more than RUR750 mn. WGC believes that it has “rigorously” met all its obligations before the contractor. It financed 82% of the works, while Energoprojekt completed 75% of them. So, WGC decided to waive the services rendered by Energoprojekt. Now, the generating company is going to complete the construction by itself and to hand the block over to the scheduled data, this December. If it fails, the investor will have to pay fines, as this is an obligatory project, being realized within the Capacity Supply Agreement (CSA).

The position of Energoprojekt is different. As early as in December 2010, it won the claim to WGC-3 in the Moscow Arbitration Court, where he demanded to extend the contract's term by 20 months, and the total price up to RUR7.95bn (VAT excluded). When the contract was signed, WGC-3 gave the part of previously prepared

technical documentation to Energoprojekt. According to the materials of the court, the customer was responsible for it, and it constituted “the direct guidance” for the contractor. After the beginning of the construction works, in December 2008, the design engineering company, which had been engaged two years before the beginning of the construction, annulled some of drawings, and the contractor communicated with the energy companion that fact. However, the documentation handover was delayed, and Energoprojekt received the new documents (replacing the annulled ones) in August 2010 only, as it was mentioned in the court decision. The contractor suggested introducing amendments into the contract, WGC-3 rejected that, but the court supported Energoprojekt.

Along with that, Energoprojekt states that it is ready to commission the block within the term specified by the CSA – until the end of 2011.

Energoprojekt CJSC works for several projects (combined heat and power station (CHP) Moscow City, heat and energy station (HES)-22 Yuzhnaya in Saint Petersburg, Livenskaya HES in Orel Oblast, Ivanovskaya HPS, mobile gas turbine power plants (GTPP) in the Far East). Its only shareholder is Zarubezhenergoprojekt. 85.9% of Zarubezhenergoprojekt's shares belong to Binum Securities registered on the British Virgin Islands (according to the register of affiliates of the design company). Binum's beneficiaries are not known. The majority of posts in the Board of Zarubezhenergoprojekt are held by persons who came from Tekhnopromexport and RAO IES structures.

ERTA view

Many branches of the Russian industry see «the engineering and construction degradation». This is true not only for the design and construction companies, but customers as well. Money available is not enough to become a successful investor. And in cases when degradation is overcome, this is done at a huge cost. Titanic efforts are made and gigantic money spent. And sometimes, the results are not adequate at all.

So, it may sound rude, but these controversies may be even desirable. Such contests harden the customers as well as contractors, and the system of relations is formed. If it were not for one “but”. There is a high possibility that the Russian contractors will not simply survive the moment when the combat operations are over.

The EU – Russia talks: to be continued

Russia still has a chance to participate in elaboration of the new rules of operation on the EU energy market

The European Council decided that the common gas and electric power market would be created by 2014. So, Moscow has some time to negotiate with Brussels on the principles of interaction under the conditions of liberalized access to the grid infrastructure (first of all, the gas transportation system). Last year, the EU energy commissioner Guenther Oettinger promised to Igor Sechin and Alexei Miller, that the Russian side would be invited to work on implementation of the Third Energy Package. Now, the only thing to do is to make this promise to be fulfilled. Anyway, the European

Council gave a special order to the European Committee to accelerate and improve interaction with Russia in the energy field. This acceleration includes negotiations on the new partnership and cooperation agreement, in view of preparation of the partnership for modernization and energy dialogue.

On February 4, the EU Summit of Heads of State and Government in its final statement supported the efforts made by Brussels to create the common gas and electric power market, to develop infrastructure and

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The EU – Russia talks: to be continued

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to enhance power efficiency. In particular, it states that Europe needs the common full-scale operating energy market, and “it should be built until 2014, so that gas and electricity could move freely”. And in five years, there should be no states within the European Union with energy systems not connected with the others. After the meeting, the EU energy commissioner Guenther Oettinger firmly spoke on the “breakthrough in the energy policy”, meaning the success of Brussels, because the precise deadline had been stated.

The majority of countries with the continental (not English) model of the gas market held off introduction of provisions of the Third Package, waiting for the additional explanations from the European Committee. As for the “precise deadline”, it is, in point of fact, a veiled delay. The Third Energy Package accepted as early as in September 2009, which, according to the European officials, represents itself a tool for creation of the common gas and power market, will come to force on March 3. And within a year after that, the EU states must assure operation of the gas transportation and electric power grid infrastructure, according to the provisions of this package. That means that Brussels has planned to launch the free market in early 2012. Now, the states and the Committee itself have got two years for elaboration and implementation of particular free market operation mechanisms. It is true that the deadlines stated in the Third Package have not been cancelled officially (the procedure is too complex, and it would not be desirable for the EC from the political point of view).

According to the Third Package, the EU members should withdraw their grid economies from under the influence of the suppliers. They should either withdraw their membership as shareholders and hand the grids over to a system operator, or provide full independence of decision-making in the affiliate company operating the infrastructure. As for Gazprom, which makes extensive investments into construction of gas pipelines towards Europe and on its territory and has purchased the relevant assets in the Baltic states, this may bring the risks to lose their property along with the secured access to transport capacities.

The European Committee has failed to develop and agree with the national agencies on the general principles and grid codes (not a single document has been approved since the moment of approval of the Third Package, though

twelve of them were planned). It is understandable why the European Committee in the content of its final statement on the last Summit tried to shun the responsibility for elaboration of these mechanisms. Now, the European Council commissioned the national regulators and transport grid operators, together with the recently established Agency for the Cooperation of Energy Regulators (ACER) to work on the grid codes and principles of the infrastructure's operation harmonization under the new conditions.

It should be noted that all this case has not followed the Brussels's plans from the very start. The European Council didn't even consider the new Energy Strategy until 2020 and the Infrastructure's Development Plan for the nearest 10 years at a cost of EUR1 tn, submitted by the Committee in November. Heads of state and government did not as well promised any money from the EU budget for infrastructural projects, which are not very attractive in terms of investments, though very important to secure power supplies. Such possibility is not rejected in the communiqué. The European Committee was commissioned to prepare, until June, its proposals on such projects, to calculate the investments required and to think over organization of partial investments. The importance of diversification of the supply routes and sources is underlined in principle. The Southern Gas Corridor project was mentioned as an example.

Brussels may consider it a feather in its cap that the Council has confirmed the necessity of better coordination of the external energy policy. Even here, though, the European Committee has got no promises on the additional authorities. It has to prepare its proposals on this matter until this summer, and then it will be considered in detail. Evidently, the member states hold off on leaving the right to hold independent negotiations on gas supplies. But they agreed, beginning from January 1 of 2012, to inform the EC on all their bilateral agreements with the third countries (existing and new ones), and Brussels will make these information available for other members of the European Union (the commercially sensible information will be protected). In addition, the authority to determine the energy balance (sources) within a particular country remains in the hands of national governments, though the logics of Brussels anticipates maximal versatility in development of the power supply scenarios for the United Europe.

ERTA view

Each country has a most legal right to form the energy market rules for itself. Market is always a system of at least two large groups. They are sellers and buyers. And there are also suppliers and transmitters. It is strategically dangerous to ignore or to understate the interests and roles of one of these groups, since it may lead to destruction of the market. If Russia, headed by Gazprom, negotiates in the style of it did it on Energy Charter Treaty, it will bring no use... For none. The only result will be harm. For all. And at the current stage, both sides are worth each other.

International

LUKoil increases its share on Sicily



The Italian ERG has informed LUKoil that its Board decided to sell 11% in the joint venture for management of the refining facility ISAB on Sicily. ERG, which owns 51%, had an initial call for selling its share to LUKoil (the agreement on

creation of the joint venture was signed in 2008). Finally, the Italians decided to use it partially, giving the control over it for EUR205 mn, but preserving 40% for themselves. The option is valid through 2014.

On buying the shares offered, LUKoil will increase its share from 49% to 60%, and the total refinery's capacity will increase by more than 11%, to 79.5 mnt annually. It is supposed that this deal will be paid in the end of the first quarter of 2011.

LUKoil received 49% in the joint venture created to operate the refining facility ISAB with capacity 7.8 mnt annually for EUR1.45 bn. That means that the company will get 11% with a material discount.

One of the reasons of such a decision made by the Italian company may be represented by growth of oil prices and, consequently, remaining problems with the refining margin.

Russian Railways bid for Mongolian coal

Tags: [Mongolia](#), [RZD](#), [SUEK](#), [Tavan-Tolgoy](#)



The Russian Railroads OJSC established a consortium with the Siberian Coal Energy Company (SUEK), Japanese companies Sumitomo, Marubeni, Itochy,

Soshite and the Korean Corus to take part in the competition for the largest coal field in Mongolia – Tavan-Tolgoy. Shares in the consortium have not yet been divided, as it is not required at the prequalification selection stage. In total, 15 companies have made applications for the tender. They include the world-largest steel corporation Arcelor Mittal, the Brazilian Vale and British-Swiss Xstrata, the consortium of the Japanese Mitsui and Chinese Shenhua, the American Peabody, the Australian Fortescue Metals, the Indian Mesco Steel and the Chinese Erdos. En+ of Oleg Deripaska made a separate application.

Tavan-Tolgoy is one of the last undeveloped coal deposits in the world with reserves of 6.5 bnt of coal, 40% of which are coking grades. For reference: reserves of the Russian largest Elginskoye deposit amount to 2 bnt.

In June 2010, the Great Khural of Mongolia approved a program, which anticipates that 30% of the shares of the state company owning the field license will be sold to the investor, 10% will be distributed among the Mongolian citizens free of charge, more 10% will be sold on the internal auctions, and 50% will be preserved by the state. The bid is announced for 30%.

The Russian Railroads, which has an advantage in terms of feedstock transportation capacities, has already tried to get Tavan-Tolgoy. In 2009, the monopoly, together with the Mongolian state structures, established a joint venture called “Development of Infrastructure” for the purpose of road construction in the Republic. Russia promised to invest \$1.5 bn, Mongolia – the licenses for Tavan-Tolgoy and the gold and copper deposit Oyu-Tolgoy. Ulan-Bator, however, didn't fulfill the agreements. Oyu-Tolgoy was given to the alliance of Australian-Brazilian Rio Tinto and Canadian Ivanhoe Mines, and 49% of Tavan-Tolgoy was set for the tender (which was finally cancelled).

Estimated expenditures for construction of the railroad branch for transportation of coal are \$1.8 bn, and modernization of the infrastructure and acquisition of wagonage will cost more \$2.3 bn.

ERTA view

Participation of the Russian Railroads in this project is just a political measure. To make such a conclusion, one should just look at the map of Mongolia and see that Tavan-Tolgoy is located in close vicinity of China, with its gigantic coal market, and China is already building two railroads to the field.

Formally independent

Last week, Gazprom practically determined the composition of its next Board of Directors

Last week, Gazprom practically determined the composition of its next Board of Directors. This happened when the Board of the Directors of the corporation approved the list of 11 candidates nominated by the owners of 2% and more of the shares to be elected by the general shareholders' meeting to be held on June 24. The Board includes 11 seats.

Candidates were nominated by the government and Gazprom's affiliate – Gerosgaz CJSC. Other shareholders, in particular Vneshtorgbank, which bought in December 2010 2.7% of the gas monopoly's shares from the German energy holding company E.ON, didn't use their right to nominate any candidates.

Ten persons among the nominees are existing Board members. And the Gazprom's Chairman of the Board Andrei Akimov will replace Burckhardt Bergmann, representative of the German energy corporation E.ON Ruhrgas, who withdrew his membership as Gazprom's shareholder in December 2010.

The state owns 49.12% of the corporation's shares (through Rosimushchestvo and 100% affiliate of Rosneftegaz), more 0.89% is controlled through Rosgazifikatsia. Gerosgaz owns 2.93% bought on behalf of Ruhrgas before liberalization of Gazprom's stock market. In 2009, the Germans gave the control over Gerosgaz to the Russian corporation in exchange of the share in the Yuzhno-Russkoe field development project.

Andrei Akimov was a permanent nominee in the list of candidates for membership in the Board of Directors, but he has never been elected. Moreover, in 2009 Gazprombank left the Gazprom Group, and now it is controlled by Bank Rossiya of Yury Kovalchuk through the management company Lider. Along with that, Gazprombank is a nominal holder of more than 40% of Gazprom's shares, including foreign participants of the ADR program.

The former teacher of Vladimir Putin and Dmitry Medvedev, department chair of the Law Faculty of the State University of Saint Petersburg Valery Musin remains the only formally independent director.

Two Vice minuses

LUKoil continues its management structure optimization

LUKoil continues the management structure optimization. Two Vice Presidents, Jevan Cheloyants and Alexei Smirnov, have left the company. Actually, both of them have been put aside from the real management for several years. However, nothing indicates a direct conflict with Vagit Alekperov. J. Cheloyants was a rather influential member of the LUKoil management team, one of junior partners. He headed the Main Technical Department. However, his behavior has been inadequate for several years, according to the company's sources. A year ago he was withdrawn from the Board, while still holding the posts of Vice President and Head of the Main Technical Department. It was only a formality, though, as J. Cheloyants was not practically seen in the office. Finally, reorganization was performed, and the Main Technical Department was replaced by the Department for Industrial Safety, Ecology and R&D.

Since 2005, A. Smirnov has been supervising the petrochemical block in LUKoil (prior to that, he had been CEO of LUKoil Neftekhim). Several years ago the LUKoil petrochemical structure was reformed, but Alexei Smirnov preserved his post.

Before that, his namesake Alexander Smirnov had been retired off the post of the Head of Main Energy Department. Also, Tomas Muller, Vice President acting on behalf of the American ConocoPhillips, left the company (which was predictable). Last year, this company sold the most part of its 20% package of LUKoil, refusing from the status of a strategic partner.

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