

Hungary will buy Russian shares in MOL

On 24 May Prime Minister Viktor Orban announced that Hungary reached agreement with the Russian oil company Surgutneftegas over buying 21.2% of shares in MOL. This is the culmination of the centre-right Fidesz government's efforts that took many months as one of the government's objectives in the economic policy was to extend the state's control of the largest Hungarian energy company. This transaction will strengthen MOL as it ends over two-year conflict between the company's management and the Russian shareholder.

Surgutneftegas became a shareholder in the Hungarian company in March 2009 by buying a package of shares in MOL from the Austrian company OMV for EUR 1.4 billion. The MOL management regarded it then as an attempt at a hostile takeover. Referring to the non-transparent ownership structure of Surgutneftegas it consistently refused to register the Russian company as a shareholder having full rights. As a result, Surgutneftegas did not have its representatives in the board and the right to vote at general assemblies of shareholders. Since it came into power in April 2010 Fidesz has been holding negotiations in order to buy the Russian package of shares in MOL. The deal's value – EUR 1.88 billion – is slightly higher than the market estimated value of MOL shares.

The transaction must be seen as a success of the Hungarian strategy of maintaining the state's control over MOL, considered of strategic importance, and a fiasco for Russian efforts to increase capital engagement in the fuel sector in Central Europe. It is however not clear whether Budapest will now not display a more conciliatory position towards the remaining Russian energy plans in Central Europe such as South Stream or the involvement of Russian companies in the extension of the nuclear power plant in Paks. <dab>