

A crack in Gazprom's tax privileges

On 1 June, the Russian government approved the draft tax policy for the period 2012-2014, which includes provisions for tax increases for Gazprom. The government has also decided to lift the tax on extraction for Novatek's Yamal-LNG project from the beginning of 2012. Both of these decisions can be seen as a sign of changes on the Russian gas market. The privileges of the state monopoly Gazprom are coming in for ever more frequent questioning, which in turn has been accompanied by the visibly strengthening position on this market of Novatek, the largest independent player on the scene apart from Gazprom itself.

The government has decided to double the tax on extraction for Gazprom in 2012-2014, from the current 237 roubles to 536 roubles per 1000 m³. This will bring a total of about US\$18 billion for the budget within this period. These funds are intended to finance the budget deficit. Other gas producers have had their standard indexing of this tax maintained at the rate of inflation. At the same time, the government has awarded tax benefits (the total abolition of extraction tax for 12 years, or until 250 billion m³ of cumulative output has been reached) to the Yamal project run by Novatek, a rapidly growing private company owned by individuals who are close to Prime Minister Putin.

The stated immediate goal of increasing taxation on Gazprom is to raise additional funds for financing the budget deficit in 2012-2014. The government's decision, which was taken despite the monopoly's resistance, represents the first time in many years that Gazprom has failed to lobby successfully in its own interests. In the longer term, it may signal a change in the trend in the gas sector; the state may be more likely to stimulate growth in extraction (especially by gas producers who are independent of Gazprom), and to weaken Gazprom's monopoly control over the gas transmission system. <epa>