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Russian Federation: Gazprom has bought Kovykta

On 1 March, Gazprom won the tender for the assets of the bankrupt company Rusia Petroleum, including a licence to exploit the Kovykta, one of the largest gas deposits in Russia. This ends the almost four-year struggle by the Russian gas monopolist to remove the TNK-BP group (Rusia Petroleum's major shareholder) from the project and gain control over the deposit. However, Gazprom should not be expected to start extracting gas from the Kovykta before 2018.

Rusia Petroleum (62.9% of whose shares belong to TNK-BP, 24.9% to the power company OKG-5, and 10.7% to the administration of the Irkutsk region) received a concession for the exploitation of the Kovykta deposit in 1997. Over the next few years, the Kovykta's confirmed deposits have risen from around 346 billion m^3 of gas to 2 trillion m^3. This made Gazprom interested in the project, and in June 2007, with the help of the government (which threatened to withdraw the concession under the pretext of a breach of the agreement's terms), Gazprom forced TNK-BP to agree to sell its controlling stake. The parties were unable to agree a price, which (in addition to the global financial crisis) prevented the finalisation of the transaction. Last October, TNK-BP made Rusia Petroleum bankrupt, which opened the way for its assets to be auctioned off. The struggle for the Kovykta deposit engaged the interests of Gazprom, Rosneft and Novatek; in the end this first company won, paying the relatively small sum of US$768 million. The Russian monopolist sees the deposit as the future backbone of its gas exports to China (via the planned Altay pipeline), but the exploitation of the Kovykta will only begin around the year 2018, as in the immediate future Gazprom has to meet its other investment priorities. <WojK>