

# Deripaska Said to Bid \$2Bln for Norilsk's OGK-3

By [The Moscow Times](#)

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A technician conducting turbine repairs at a power station in Kostroma.

EuroSibEnergо, the utility owned by billionaire Oleg Deripaska, offered \$2 billion in cash to Norilsk Nickel for its controlling stake in Russian power generator OGK-3, according to a document.

EuroSibEnergо is ready to buy Norilsk's 79 percent in Moscow-based OGK-3, Andrei Likhachev, chairman of the utility's Cyprus-based parent company EuroSibEnergо Plc., said in a letter to Norilsk chairman Vasily Titov and chief executive Vladimir Strzhalkovsky dated Tuesday.

A deal would scupper Norilsk's plan to swap OGK-3 shares for those of Inter RAO, a state-run utility chaired by Russia's energy policy chief and Deputy Prime Minister Igor Sechin. Instead, EuroSibEnergо, with OGK-3 capacity, would become Russia's biggest power utility in advance of a Hong Kong initial public offering in 2011.

“EuroSibEnergо’s offer naturally looks superior to the deal with Inter RAO, as it is willing to pay all cash,” Troika Dialog analyst Mikhail Stiskin said in a note to investors Wednesday.

The main risk to the bid is Deripaska’s battle for control of Norilsk with rival shareholder Vladimir Potanin and the miner’s management, Stiskin said.

Andrei Petrushinin, a spokesman for EN+ Group, the holding company for EuroSibEnergо and Deripaska’s 48 percent stake in United Company RusAl, declined to comment as did Norilsk spokeswoman Maria Uvarova.

The bid, which didn’t specify a stock price, equates to 1.673 rubles a share compared with OGK-3’s close Tuesday of 1.675 rubles. It’s priced in line with OGK-3’s average weighted price of 1.671 rubles over the past six months.

Both Deripaska and Potanin have called for Norilsk to sell its stake in OGK-3 and other electricity assets. Russian state-run utility Inter RAO said Oct. 18 that it sought to offer its shares for Norilsk’s stake in OGK-3. OGK-3 fell as much as 2 percent after the statement by Inter RAO.

Norilsk was offered 15 percent of Inter RAO in exchange for an 83 percent stake in OGK-3, two people familiar with the matter said Oct. 20. RusAl and Potanin each own 25 percent of Norilsk, with the latter last month making an offer to buy out the aluminum maker’s stock for \$9 billion. Deripaska called the bid “a joke” in a Nov. 13 interview.

OGK-3, which buys 1 million metric tons of coal a year from EuroSibEnergо, has two power stations located in east Siberia, near the Chinese border. That would fit with EuroSibEnergо’s aim to export power to China, a trade that would first require five years preparation to set up electricity transit infrastructure, according to estimates made by EN+ head of strategy Dmitry Yudin at a September briefing.

The two companies would have combined revenue of 111.5 billion rubles (\$3.5 billion) and net income of 23.6 billion rubles. The combined power capacity would be 27,800 megawatts.

“The acquisition could have a rather significant synergy effect given the fact that OGK-3 operates 1,500 megawatts of coal-fired capacity in Siberia, which could potentially be supplied with coal from EuroSibEnergо’s coal mining assets,” UralSib analysts led by Matvey Taits said Wednesday in a note to investors. “It could result in a substantial increase in OGK-3’s profitability through an improvement in fixed cost efficiency.”

EuroSibEnergо has already tied up with China Yangtze Power Company, the nation’s biggest hydro dam operator, to build 10,000 megawatts of hydro and thermal power capacity, with a plan to sell some of the electricity to China. The Chinese utility will also likely buy shares in a planned initial public offering of EuroSibEnergо next year, people familiar with the matter said Tuesday.

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