

# Gunvor's Evolution a Work in Progress

By [The Moscow Times](#)

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LONDON — Trading house Gunvor, dubbed by dealers the king of Kremlin oil, has been left with no Russian crude to sell.

That was the surprise outcome of the latest big Russian crude oil sales tender, which Gunvor routinely won.

The result has sparked an intense debate in the industry about whether Gunvor co-owner Gennady Timchenko is out of favor with the Kremlin or whether the firm is merely fine-tuning its strategy before embarking on yet another phase of spectacular growth.

Geneva-based Gunvor, which at one point handled as much as 40 percent of Russia's seaborne exports and was a regular in term deals with companies such as Rosneft, Surgut and TNK-BP, insists that the latest development is consistent with its long-term strategy.

"We now have a balanced portfolio of grades, sourcing oil and products from more than 35 countries," the company said. "Gunvor's overall trading volume of oil and products is increasing year to year, and Gunvor is well-diversified, including being a leading exporter

of many Russian products."

## **Diminishing Role**

Its role in the Urals crude market has diminished over the past two years as it expanded into gas, coal and shipping, but the outcome of the latest tender by Rosneft, the Kremlin-controlled state giant, still came as a shock to many traders.

Rosneft awarded its regular six-month tender to rivals Vitol, Glencore and Royal Dutch Shell, leaving Gunvor or companies perceived as friendly to it empty-handed for the first time.

Because Gunvor also did not feature among 2012 winners of annual tenders by Surgut and TNK-BP, beginning in October it will be left with just two cargoes a month of Urals crude under a term deal with state-controlled Gazprom Neft. That deal expires in December.

"They were so monstrously big in Urals, and it is so bizarre to see them pulling out now," said a veteran trader with a major oil firm. "They might be still big in products, European refining. But in Urals, they have completely deflated."

Gunvor said its decisions to compete for Russian tenders are purely commercial, and it picks up cheaper cargoes on the spot market.

"We also buy crude oil in the Platts windows and on the open market, which could from time to time be cheaper than contract prices," the company said. "Therefore, Gunvor's traded volumes of Russian crude oils are actually higher than you may conclude from watching our activity in the long-term tenders, which are sold at a premium to the market."

Some traders agreed that Rosneft and Surgut have made their crude tenders more transparent and competitive in the past years, partly under pressure from minority shareholders and the government. As a result, tenders became overcrowded and premiums shot up.

"If you don't have access to cheap Urals anymore, you might as well cede your role to Vitol or Glencore and try to earn money elsewhere," one veteran tender participant said.

## **Purge At Rosneft**

Gunvor's spectacular rise in just a decade from an unknown to an \$80 billion annual revenue trading house has long attracted controversy.

Several Russian opposition figures have suggested that its success was due to close ties between Timchenko and President Vladimir Putin.

While acknowledging a long association, the two have denied that they have a business connection. Timchenko denied receiving Kremlin help in an open letter in 2008 titled "Gunvor, Putin and Me: The Truth About a Russian Oil Trader."

There has been media speculation in Russia that Timchenko fell out with Putin's main energy aide, Igor Sechin, the deputy prime minister until May and now chief executive at Rosneft.

"We have neutral, normal working relations," Timchenko said in June in a rare interview. "The newspapers are writing that we are quarreling. That is wrong. We don't have any problems"

Speculation intensified in August when Rosneft, which produces as much oil as OPEC member Nigeria, reshuffled its export department.

"Practically anyone who has ever dealt with Gunvor was kicked out in August. It was a brutal purge," one insider said after the head of the company's export department, Sergei Andronov, left together with a number of other export executives.

Rosneft declined to comment on the reshuffle.

Gunvor said "it remains on good terms with all Russian companies and is, as in the past, invited to participate in tenders issued, which are based solely on competitive criteria".

## **Empire Grows**

In June, Timchenko, who has both Russian and Finnish citizenship, said he wanted to follow top traders like Glencore and diversify Gunvor into new areas. Timchenko co-owns Gunvor with chief executive Torbjorn Tornqvist.

Timchenko has already expanded through Gunvor and other firms into coal, natural gas and oil terminal businesses, becoming Russia's 12th-richest man, with a wealth of more than \$9 billion, according to Forbes magazine.

"They might have lost cheap Urals, but otherwise I see little evidence of Gunvor's or Timchenko's declining fortunes. They expand in Russia, abroad. They are a rare firm still hiring," said a trader with a rival.

The latest high-profile hire was David Fyfe, former head of oil market analysis at the International Energy Agency.

Companies close to Timchenko have also been busy in the construction of Ust-Luga, a new port in the Baltic. Its start was postponed repeatedly after landslides, forcing Putin to delay a visit, before a successful beginning six months ago.

Outside Russia, Gunvor this year bought bankrupt Swiss oil firm Petroplus' refineries in Ingolstadt, Germany, and Antwerp, Belgium.

"We see this more as a strategic diversification of Gunvor's interest away from Russian crude exports," said David Wech, of the Vienna-based JBC Energy consultancy. "The company is following in the footsteps of the likes of Vitol by acquiring its own infrastructure and downstream asset."

Still, Gunvor's shrinking role in Russian oil trading continues to puzzle some traders.

"If you have refineries, your trading position becomes even stronger," a former trader for Petroplus said. "Because if you struggle to sell your oil, you can always place it with your own refiner. So I found it strange when people say Gunvor is diversifying away from Russian oil."

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