

Gazprom Split Mulled as a Response to Shale Gas Revolution

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The  **Moscow Times**

The Kremlin may respond to the "shale gas revolution" by splitting Gazprom into two companies in charge of gas production and transportation, a news report said Monday.

As Gazprom's clout on global markets is decreasing as a result of growing shale gas production and falling prices, the company might have to make concessions to the European Union by accepting its Third Energy Package, under which production and transportation must be controlled by separate companies.

Six months after President Vladimir Putin spoke out against the idea at the "Russia Calling" business conference, consultations are being held suggesting that the Kremlin may change its stance concerning the future of the gas monopoly, the Kommersant-Vlast magazine reported.

The consultations involve several key government officials and executives, including the president's economic aide Elvira Nabiullina, Rosneft CEO Igor Sechin and Gazprom CEO

Alexei Miller, several government officials familiar with the situation said.

Representatives of independent gas producer Novatek, including Gennady Timchenko and Leonid Mikhelson, are also involved in the discussions.

Putin's spokesman Dmitry Peskov said the president was considering Russia's strategy on the European gas market.

"We have expressed our arguments against the Third Energy Package adopted by the EU on several occasions, but it is law and we will abide by it. Several options are being considered," Peskov said, declining to comment further.

Sources told Kommersant-Vlast that the idea to divide Gazprom into two separate businesses focused on production and transportation was currently the most actively discussed option.

"There is no decision yet, all those are just alternative options with the prospect for implementation in two to five years," a source said.

The Cabinet is not involved in the discussions at this time but is preparing documents on a possible transfer of some of Gazprom's functions to other companies.

On April 9, Finmarket reported that the Energy Ministry had prepared a statement for a meeting with First Deputy Prime Minister Arkady Dvorkovich on transferring Gazprom's pipeline network in Europe to an independent company.

Neither Dvorkovich nor the Energy Ministry have commented on Gazprom's possible restructuring. The gas monopoly's spokesman, Sergei Kupriyanov, was not available for comment.

In October 2012, Putin said Gazprom would not yield to the pressure from the European Union to divide the company into several businesses specializing in specific types of operations — production, transportation and distribution.

Since Putin came to power in 2000, he and his supporters have been adamant about not allowing a division of Gazprom. They argued that the company's integrity was necessary to represent Russia's interests on global energy markets.

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