

Gazprom seeks HK listing, may use yuan in China gas deal
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Russia's Gazprom has held talks about a Hong Kong listing and may use the yuan currency in a recently agreed gas deal with China as it looks to strengthen its foothold in energy-hungry Asia.

Moscow has looked east for new business and energy deals as relations with the West deteriorate. China and Russia signed a US\$400 billion (RM1.28 billion) gas supply deal in May, linking Russia's huge gas fields to Asia's booming market for the first time.

Gazprom listed its American Depositary Receipts (ADRs) on the Singapore stock exchange last week, giving it greater access to Asian investors. Its American Depositary Receipts (ADRs) are already listed in London.

"We are in talks to add a listing on the Hong Kong stock exchange. The next step is upgrading the level of our listing in Singapore," Gazprom chief financial officer Andrei Kruglov said at a briefing for reporters today. He said Gazprom was preparing to receive payments in Chinese yuan for supplying gas to China. The Kremlin-controlled company plans to sell 38 billion cubic metres of gas a year to the world's most populous country from 2018.

Gazprom would be the third Russian company to list in Hong Kong, joining aluminium producer United Company Rusal Plc and mining company IRC.

Rusal raised US\$2.2 billion when it floated 11% of its shares in Hong Kong in January 2010 at HK\$10.80 each.

The IPO received heavy scrutiny from Hong Kong's financial regulators partly due to the company's debt load and retail investors were eventually barred from taking part in the IPO.

Gazprom has said it will invest US\$55 billion in pipeline infrastructure and gas field developments to secure gas shipments to China, and Russian President Vladimir Putin has floated the idea of a Gazprom recapitalisation to finance it.

But Kruglov said the company wanted to increase gas tariffs, which have been capped by the state to cool inflation, and may do without a recapitalisation to fund its Chinese ambitions.

Another Gazprom official said on Thursday that Gazprom expected back payments to European customers as a result of contract revisions to total around US\$1 billion in 2014.

Gazprom has been in a dispute with some European buyers over prices, as its long-term contracts are traditionally linked to the oil price, while buyers have been pressing for a greater emphasis on spot gas prices to cut bills.

It has agreed to amend some contracts, lower the price and make what it calls "retroactive payments" to European companies.

The latest such deal was with Italy's Eni.

Kruglov said Gazprom's core earnings this year were likely to be "at least" US\$55 billion, down from US\$63 billion in 2014. "It is a conservative scenario," he said.

"It could be that they expect a decrease in gas exports to Europe," said analyst Alexander Fak at Moscow-based Sberbank CIB. He said the brokerage had forecast Gazprom's core earnings at US\$58-US\$59 billion.

Gazprom said this month it expected gas exports to Europe of 158.4 billion cubic metres (bcm), down from 162 bcm in 2013. – Reuters, June 26, 2014.

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