

UkrGazEnergo Seeks Loan, Looks to Buy Power Assets in Ukraine and Beyond

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UkrGazEnergo, the gas distribution company borne of the January 2006 Russia-Ukraine gas deal, is looking to raise US\$1.3 billion in loans in an effort to expand its business, according to the company's chairman. In an interview with Dow Jones, UkrGazEnergo's Igor Voronin said that the company, a joint venture of state-owned Naftogaz Ukrainy and RosUkrEnergo, is talking to Western banks for the loans, which would be used to finance the acquisition of power generation infrastructure both in Ukraine and abroad. Voronin also said that the loans would help fund the acquisition of 10 Bcm of gas for storage to face a peak in consumption during the year. UkrGazEnergo was established last year to distribute gas to the Ukrainian domestic market that is supplied by RosUkrEnergo as agreed in the deal between Russia and Ukraine that ended their brief "gas war" that disrupted gas supplies to Europe (see Ukraine: 1 February 2006:).

RosUkrEnergo itself is a joint venture between Gazprom and two Ukrainian businessmen. Significance: UkrGazEnergo's existence at this point is contingent on the continuation of the murky Russia-Ukraine gas deal using intermediary RosUkrEnergo, perhaps leading UkrGazEnergo to seek to use its current position to diversify its business, should Russia and Ukraine finally move to resume direct gas supplies and eliminate the need for RosUkrEnergo (see CIS: 2 March 2007:). However, Voronin noted that any direct deal would entail Ukraine paying more for Russian gas supplies or Gazprom selling gas more cheaply to Ukraine, neither of which appears to be a palatable option for either side at present.