

PRESS REVIEW
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PERMENERGO PROFITS DOWN.

18 October 2002 20:33 GMT

Interfax: Investment Report
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Net profit at the Permenergo power utility of the Perm region fell almost 100% year-on-year to 111.3 million rubles in the first half of the year. Pre-tax profit slumped 80% to 143 million rubles, the company told Interfax.

Such a sharp drop is attributed to low energy tariffs lagging behind increased production costs. As a result, profitability slid from 16.5% to 12%.

Sales revenue jumped 23.5% year-on-year to 6.845 billion rubles in January-June.

In the first half, accounts receivable decreased by 160 million rubles to 3.896 billion rubles and accounts payable by 132 million rubles to 1.954 billion rubles.

The biggest Permenergo shareholder is Unified Energy Systems with 49%.

Mother of All Reforms

By Therese Raphael
18 October 2002
The Wall Street Journal Europe
(Copyright (c) 2002, Dow Jones & Company, Inc.)

"Corrupt influence . . . loads us more than millions of debt; which takes away vigor from our arms, wisdom from our councils, and every shadow of authority and credit from the most venerable parts of our constitution."

Those words might well have been spoken in an exhortatory state of the nation address by Russian President Vladimir Putin rather than by the 18th century British statesman Edmund Burke. But Burke, ever the realist, also noted that government, like much of human enterprise, is "founded on compromise and barter," a view President Putin would no doubt also share. The question facing Russia as it undertakes the single most important economic reform since price liberalization, is how to keep the compromises from corrupting the reform process and discrediting the state that oversees it. It's a balance President Putin's predecessor, Boris Yeltsin, never quite managed.

Last week the Russian Duma, in the first of three votes, approved a government-backed package for the restructuring and privatization of Russia's power sector, the last major unreformed sector in the Russian economy. Acting as both patient and surgeon in this complex operation is monopoly utility RAO Unified Energy Systems (UES). The reform plan itself has some flaws and more compromises are probably in store as ministers, oligarchs, regional power brokers and others seek to influence the final package. But the biggest question hanging over power sector reform is whether its principal architect, Anatoly Chubais, can be trusted to implement it.

Mr. Chubais, a former first deputy prime minister and chief of Boris Yeltsin's staff, is chairman of the management board of UES, which controls Russia's national grid and has stakes in the regional companies that generate, distribute and supply electricity and heat to local residential and commercial clients. Mr. Chubais has been under attack from the Kremlin's top economic adviser Andrei Illarionov and from minority shareholders. The most serious charge is that UES has been selling off generating assets in daughter companies before a market can be created to value them properly and without giving minority shareholders a pro-rata stake.

The dispute may soon come to a showdown between Mr. Chubais and minority shareholders. The largest Russian investment fund, Hermitage Capital Management led by managing director William Browder has now gathered enough votes, 10%, to call an extraordinary shareholders meeting. Mr. Browder's aim: Oust Mr. Chubais and prevent UES's management board from selling off assets.

While shareholder grievances are common in Russia, this case is seen as a proxy for the government's commitment to transparency and corporate governance as well as to energy sector reform. The government holds just under 53% of UES's shares while foreign investors -- which includes such big names as Fidelity, Barings, Capital International, JP Morgan and Merrill Lynch -- hold between 25% and 30% of the stock. Adding more urgency to the issue, the World Trade Organization has made liberalization one of the conditions for Russian membership.

No one underestimates the scale of the challenge. UES is the largest power company in the world. The power giant serves as Russia's heart, pumping out 71% of the country's electricity. The heart, however, is badly in need of a quintuple bypass. The energy sector in Russia remains the overmanned and hugely inefficient monopoly it was during Soviet times -- in need of some \$30 billion in investment over the next decade by some estimates. There is no competition in retail and wholesale markets and low government-mandated tariffs have driven up electricity consumption. Residential tariffs, which are subsidized by industrial users, are a mere 9.4% of the OECD average.

Under an ambitious 10-year reform plan, the generating, distribution and supply assets of UES would be unbundled from the transmission grid, which will remain state-owned. The tariff structure would be reformed from 2004 and, in the final stage, the generating and other assets would be privatized with the aim of bringing in foreign strategic investors, who have so far done little more than nose around a market that is overregulated and fraught with risks.

This leaves the government easy prey to the industrial oligarchs. Russia's metallurgy, chemicals and oil industries hope to buy up generating assets on the cheap to keep their electricity costs at their current low level. Power accounts for 12% of aluminum production costs in Russia compared to almost double that amount internationally, for example. The overall value of the power subsidy to Russian industry is variously estimated at between \$3 billion and \$6 billion annually. Many regional governors benefit from control over local generating assets and are loath to see tariff increases in their constituencies. Mr. Chubais's job is to manage this massive restructuring which has repercussions for the entire Russian economy.

There was a time when Mr. Chubais's appointment to a position of influence caused Russia's market to rally and when his presence in the room caused IMF officials to write out checks for billions. Even after the controversial loans-for-shares privatizations, in which Russia's major banks gained control of the choicest state assets for a pittance in auctions they organized and won, he retained the trust of Western investors and lending agencies. Indeed, it was foreign shareholders who lobbied hard to get Mr. Chubais his job at UES in April 1998, an appointment that was cheered by the markets.

But as Mr. Chubais acknowledged to investors in a presentation last month, "perception is reality," and the perception these days is that this master survivor and deal-maker is undermining minority shareholder interests. The move to call an extraordinary shareholders meeting came after revelations of a number of deals or planned deals in which UES was disposing of power generating assets before the restructuring could take place and before minority shareholders were given pro rata stakes in those assets.

-- UES agreed to a \$10 million loan to the semi-finished Boguchansk power plant from aluminum giant RusAl. In exchange, UES pledged a stake in the power plant, which is located in the Krasnoyarsk region of Russia. The appearance of a sweetheart loans-for-shares deal created an uproar among minority investors. Andrei Trapeznikov, a close Chubais associate and member of the UES executive responds: "We needed to make some preliminary negotiations with the potential investor. After we made the negotiations we submitted the

results to the board. There were no sales or violation of pro-rata distribution." UES says it put a moratorium on this deal as a result of shareholder concerns.

-- Rostovenergo, a UES subsidiary, sold its 100% stake in the Shakhtinsk power plant to a company called Energoperspectiva a year ago. The Chairman of Rostovenergo, and head of the southern regional district of UES, Yevgeny Sitnikov, turns out also to be the chairman of the board of Energoperspectiva, which acquired the asset, for an amount criticized by minority shareholders as ridiculously low. Mr. Sitnikov's Energoperspectiva additionally acquired from UES its 27% stake in the advanced technology Shakhtinsk thermal plant, again reportedly for a small sum of future earnings as payment.

Minority shareholders say the deal violates Russian laws on interested party transactions as well as a government decree on power reform which calls for pro-rata distribution of daughter company assets. Mr. Trapeznikov says that the conflict was unintentional: "Mr. Sitnikov himself didn't know he had been elected as chairman of Energoperspectiva's board," he says, an explanation minority investors are likely to find hard to swallow. "A special commission created by the board and management of UES is examining all these deals in the Rostov region and this commission will give its results to the board at the end of October," says Mr. Trapeznikov.

-- In another proposed deal, Renaissance Capital (a Moscow investment bank) would run a tender for the generating assets of Kuzbassenergo, in which Renaissance itself has a 30% stake. Under the terms of the tender, a buyer would have the option to pay in shares of Kuzbassenergo and Renaissance would have the option of putting in a higher bid after all the bids had been collected. Minority shareholders again complained of their interests being trampled. Mr. Trapeznikov says Renaissance wanted to acquire a 51% stake in some of Kuzbassenergo's generating assets and negotiations ensued. "The tender terms just were their proposal. No board decision on adopting this proposal has been made."

While the government has been mostly silent on all this, Grigory Yavlinsky, the liberal politician who heads the Yabloko party in the Duma, has been outspoken in his criticism of UES. In a phone interview, he said "Everything is done in a black box; nobody knows who is going to have these pieces and the procedures are absolutely untransparent. It means that we are still in the Yeltsin period."

The salutary side of a story that is far from over is that the outcry of minority shareholders like Mr. Browder has thrown on the lights in UES's boardroom. At an investor conference last month, Mr. Chubais acknowledged that the negative market sentiment had something to do with "insufficient consideration of minority shareholders' views," and the "premature consideration of asset sales." He pledged a moratorium on all asset sales and made a number of other pledges, including not to hand over shares in UES's subsidiaries in exchange for loans and a promise to carry out a pro-rata distribution of UES's assets at each level of re-organization.

The chastened approach has had some effect. UES's stock has risen 17% since September 25 (against a 4.4% rise in the RTS stock index), when Mr. Chubais issued his seven pledges). "It means the market has accepted our proposals," says Mr. Trapeznikov.

Mr. Browder isn't buying that, however. "Chubais scared the markets so much with his asset sales plans that when there was some possibility they might be delayed there was a relief rally. Anyone who believes that asset sales are going to stop is just plain naive." He notes that the wording of the moratorium on asset sales leaves open the possibility they would be resumed as soon as a "valuation methodology" is agreed with advisors Deloitte & Touche. Mr. Trapeznikov says Mr. Chubais doesn't want any "massive asset sales" until after a market is established and only on terms minority shareholders are happy with.

Some have found these promises more reassuring. Says Christopher Granville, an equity strategist at United Financial Group in Moscow: "Putin's ultimate political interest is to make sure that the population is kept warm and lit. Handing out the best generation capacity to oligarchs is not going to do that." Mr. Chubais also wins points in some investment quarters

for what he's accomplished up to now at UES. In 1998, 20% of energy payments were made through barter, leaving \$3.2 billion in losses. Mr. Chubais has fired managers throughout the organization and cracked down on delinquents. Cash payments for energy were over 100% (including debt repayments) last year and UES paid \$1.4 billion in taxes to the government, while increasing its investments. And yet none of this settles concerns over who will end up owning the generating assets.

Mr. Yavlinsky says he believes that President Putin is well aware of the issues threatening to dog the reform that is the centerpiece of his economic policy. "I can quote what the president said [about Mr. Chubais]. He said his credit history is very bad. That is the problem," he says. If Mr. Chubais's credit history is the problem, then the bigger question is whether the government is itself a trustworthy guarantor.

Dating back more than a decade, Mr. Chubais has always claimed that his aim is to make the reform process irreversible; to create the capitalists that make capitalism possible. In that process a lot was, to use Burke's phrase, compromised and bartered away: competition, transparency, minority shareholder rights, fair play. These have been casualties of the privatization process to date. "Its one thing to make privatization in Russia irrevocable. Its another thing to take already privatized assets away from the people who own them and give them to somebody else," says Jim Nail, a long-time Russia analyst and partner at Pharos.

Mr. Chubais has already earned his place in the history of post-Soviet Russia's transformation. The jury is still out whether the reformist credentials that won him accolades in the West and the trust of successive Russian presidents will survive the UES reform.

LES PRINCIPAUX CENTRES NUCLEAIRES RUSSES POURRONT BIENTOT.

16 October 2002 11:48 GMT

ITAR-TASS French Language Service
(c) ITAR-TASS 2002.

NOVOOURALSK, 16 OCTOBRE. ITAR-TASS. LE MINISTERE DE L'ENERGIE ATOMIQUE DE RUSSIE N'EXCLUT PAS QUE LE STATUT DE "VILLE FERMEE" SOIT OTE AUX PRINCIPAUX CENTRES NUCLEAIRES DU PAYS, A LA SUITE DE QUOI ILS DEVIENDRONT DES VILLES "OUVERTES".

"TRES PROCHAINEMENT LES VILLES FERMEES EN RUSSIE, OU SE SITUENT DES ENTREPRISES NUCLEAIRES DU MINISTERE DE L'ENERGIE ATOMIQUE, SERONT OUVERTES", A DECLARE MERCREDI LE MINISTRE DE L'ENERGIE ATOMIQUE ALEXANDRE ROUMIANTSEV, QUI EFFECTUE UN VOYAGE DANS L'OURAL.

SELON LE MINISTRE, IL S'AGIT DES VILLES TELLES QUE NOVOOURALSK, SNEJINSK, ANGARSK, ARZAMAS, ZELENOGORSK ET PLUSIEURS AUTRES CENTRES SCIENTIFIQUES DE L'OURAL ET DE LA SIBERIE.

CEPENDANT, LE MINISTRE N'A PAS EXCLU QUE "CE PROCESSUS PUISSE NE PAS ETRE INSTANTANE, CAR LA PRODUCTION DES ENTREPRISES NUCLEAIRES ET LA DEFENSE DU PAYS SONT ETROITEMENT LIES".

International Thermonuclear Reactor to Be Built for \$4b.

16 October 2002
Novecon
(c) 2002 Novecon

The International Thermonuclear Reactor (ITR) project has been estimated to cost \$4 billion.

Project negotiations are nearing completion and an international agreement on the joint implementation of this project may well be signed by the end of this year. Russia, the EU and Japan are the current parties to this project. The United States, which abandoned the project a few years ago, has made public its intention to rejoin it. Tokomak thermonuclear reactors devised by Russian scientists will form the groundwork for the ITR project. Canada, Japan and France have by now stated their readiness to host an experimental reactor.

Source: VREMYA NOVOSTEI, October 16, 2002.

BRITAIN PLANS TO FINANCE RUSSIAN NUCLEAR SAFETY PROJECTS.

16 October 2002 13:05 GMT

Interfax Energy News Service
(c) 2002 Interfax Information Services, B.V.

MOSCOW. Oct 16 (Interfax) - Britain's department of Trade and Industry (DTI) plans to allocate \$3 million-\$5 million annually for safety enhancement at nuclear power stations run by Rosenergoatom, Russia's nuclear power concern.

British Nuclear Fuel (BNFL) will disburse the funds.

Rosenergoatom's press service said on Tuesday that the

understanding between the DTI and itself was reached on October 9 during a meeting on nuclear industry liaison between companies from both countries. At the meeting, Rosenergoatom unveiled 50 nuclear safety-related projects and other projects.

Rosenergoatom plans to have the projects appraised by the end of 2002 and to start drafting contracts in January. The first contracts should be signed at the end of the first quarter of 2003.

Data on production of electrical energy released.

15 October 2002
News
(c) 2002 RosBusinessConsulting

In the first nine months of 2002, companies of the Russian electrical energy industry produced 632 billion kilowatt-hours of electrical energy, which was 0.8 percent less than in the corresponding period of 2001, the Russian State Statistics Committee reported. At the same time, 760 million of gigacalories of heat energy was produced in the reported period, which was 1.9 percent less than in January-September 2001. This September, the total amount of produced electrical energy was 2.1 percent more than in September 2001. The amount of heat energy produced in the past month increased by 1.3 percent against the corresponding period of 2001.

TYUMENENERGO UPS OUTPUT 3.6%.

11 October 2002 17:50 GMT

Interfax: Investment Report
(c) 2002 Interfax Information Services, B.V.

The Tyumenenergo power company (Tyumen region) generated 40.043 billion kWh of electricity in the first eight months of 2002, 3.6% more than in the same period of 2001, the company told Interfax. **TYUMENENERGO MAIN PRODUCTION INDICATORS**

| 01.09.2002 | 01.09.2001 | |
|------------------------|------------|----------|
| Installed Capacity, | 10 421 | 10 421 |
| Megawatts | | |
| Operating Capacity, | 7 880.2 | 8 004.5 |
| Megawatts | | |
| Power Output, mln | 40 043 | 38 672 |
| kWt/hrs | | |
| Power Bought, mln | 339 | 340 |
| kWt/hrs | | |
| Commercial Supplies, | 31 468 | 30 598.6 |
| mln kWt/hrs | | |
| Commercial Heat | 7 021.5 | 7 694.1 |
| Supplies,'000 Gcal | | |
| Avg Tariffs For Power, | 566.7 | 491 |
| rubls/MWt-hr | | |
| Avg Tariffs For Heat, | 120,14 | 105.94 |
| rubls/Gcal. | | |

SEVERSTAL TO GENERATE MORE ELECTRICITY.

10 October 2002 18:52 GMT

Interfax: Mining And Metals Report
(c) 2002 by Interfax International, Ltd

Severstal, one of Russia's biggest steel mills, is set to generate up to 42.5% of its own electricity with the introduction of a new gas recovery turbine (GUBT-25), which will recycle gas at the company's biggest (No. 5) blast furnace.

The GUBT-25 is almost running at its full capacity, which will be 17,000 kWh, Severstal said in a news release.

The GUBT-25 project, which cost 130 million rubles, was delivered in conjunction with Germany's Zimmerman & Jansen GmbH, which provided engineering services and systems control, and Russia's Nevsky zavod, which built the turbine, Elektrosila, which supplied the generator, Lengiprometz, which took care of the designs and other Russian and foreign companies.

It is thought the unit's electricity will cost eight times less to generate than electricity from other sources.

The GUBT-25 is Severstal's third blast-furnace gas recycling unit. Severstal is consuming 491.5 million kWh of electricity per month this year.

Severstal produced 5.59 million tonnes of roll in the first eight months of 2002, up 3.4% year-on-year.

Management controls over 80% of Severstal's shares, with 16.63% belonging to Alexei Mordashov, general director of the Severstal Group. Another 5%-8% are on the open market.

Russian power reform bill set to scrape through parliament

09 October 2002

Agence France-Presse
(Copyright 2002)

MOSCOW, Oct 9 (AFP) - Russia's power chief Anatoly Chubais was set to make modest progress towards carrying out a major overhaul of the national grid Wednesday as State Duma lower house deputies voted on controversial reforms to the electricity sector.

Leading centrist deputies said they were likely to approve the reform package rather than join the Communist party and its allies, backed by the Yabloko liberal party, in opposing the five bills' first reading.

The vote on the government package based on proposals by United Energy Systems (UES) was originally scheduled for last June but was postponed because of hesitations among many centrists who form the core of the government's support.

The legislation is necessary to enable the government to break up the heavily regulated power monopoly prior to privatisation, a proposal that has sharply polarised opinion in parliament.

The overhaul would involve breaking up the sprawling UES network into several companies and selling off many of its assets.

The government considers the reforms essential if it is to be able to attract the billions of dollars (euros) needed to modernise the sector.

Opposition to the reforms has been led by small shareholders as well as by several deputies and regional governors.

Some have expressed fears of asset-stripping, possibly by Chubais associates, while others have said the reforms could lead to a sharp rise in electricity prices that would hit the public at large.

The pro-Kremlin United Russia party, along with most right-of- centre groupings, have approved the project.

Observers said that while the balance of opinion favoured a narrow majority in favour of the bills, the reform package would meet considerably stiffer opposition on the second and third readings, when the fine detail was to be discussed.

The reforms are aimed at introducing competition into the electrical power sector, determining new mechanisms for price- setting, and separating the monopoly's various activities (generation, grid and distribution of power and heating).

ROSENERGOATOM INVESTMENT PROGRAM FOR 2003 ESTIMATED AT 30 BLN RUBLES.

08 October 2002 14:35 GMT

WPS: Weekly Business Report
(c) 2002 by Interfax International, Ltd

Rosenergoatom has drawn up an investment program for 2003 worth 30 billion rubles, the company said in a press release.

The program includes the completion and opening of the third block at Kalinin nuclear power plant and work to complete the fifth block at Balakovsky nuclear power plant, the fifth block at Kursk, and the second block at Volgodonsk nuclear power plant. The latter will be opened in late 2005 or early 2006.

Rosenergoatom First Deputy Executive Director Pavel Romanov said that the investment program would increase electricity production at nuclear power plants from 135 billion kilowatt-hours in 2001 to 174 billion kilowatt-hours in 2005.

The Ministry of Economic Development and Federal Energy Commission this year approved a Rosenergoatom investment program worth 19.8 billion rubles.

US-Russian summit spotlights need for Russian oil law

Sam Fletcher

07 October 2002

The Oil and Gas Journal

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Government and industry officials from the US and Russia called for production-sharing agreements (PSAs), a transparent and fair tax regime, and definitive minerals rights laws in Russia during a 2-day US-Russia energy summit in Houston last week.

US representatives reiterated their long-standing request for a dependable legal and financial framework to encourage outside investment in developing Russia's vast resources of oil and natural gas.

Russian representatives repeated their usual reply: The Duma is working on such legislation, which they hope to have in place soon, perhaps by the end of this year.

"This important legislation needs to be passed soon so there can be certainty in Russia's oil and gas investment climate.

"We also need to discuss what additional reforms and policy decisions are required to attract greater investment and to foster new partnerships between our countries' energy companies," said US Commerce Sec. Don Evans, credited as the driving force behind what was described as the first of several proposed energy summits involving government and industry officials from the two countries.

The common interests of Russia and the US in developing and sustaining energy security outweigh any differences over Iraq or other issues, said Daniel Yergin, chairman of Cambridge Energy Research Associates, on the second day of the Houston summit.

A new poll by Deloitte & Touche indicates 60% of the US population favors increased imports of Russian oil as a means of diversifying US supply sources, Yergin said.

Meanwhile, Marathon Oil Co., Houston, and Russian state-owned OAO Rosneft Oil Co. announced last week that they signed a letter of intent to form a joint venture to import and market Urals crude in North America.

Operating in Russia

An "economic case" could be made for investing in oil and gas projects under Russia's existing tax and license regime in relatively mature areas where "the infrastructure already exists, the reserves are accessible, and revenue can be generated relatively quickly," said Peter J. Robertson, vice-chairman of ChevronTexaco Corp., during the summit's plenary session Oct. 1 at the James A. Baker III Institute for Public Policy at Rice University

"For frontier plays, however, such as Sakhalin and the Arctic shelf, everything is different-complex, high-risk, highcost, and with huge investment amounts committed up front before there is any meaningful revenue," Robertson said. "To undertake such an investment requires clear terms and conditions, a commitment that the fiscal regime in place during the investment phase remains in place during the revenue phase, (and) that sunk costs can be recovered with confidence."

PSAs can provide such confidence "in the short term," he said. "Though I expect that their application will be limited over the next few years, PSA legislation will provide the necessary early stimulus to opening up the challenging, frontier areas to exploration."

But over the longer term, Robertson said, "I am encouraged by (Russia's) moves to reform the law on the subsoil (mineral rights). If that legislation can be developed successfully, it will be a natural successor to PSA and will eventually make PSA-type contracts redundant."

Russian officials are trying to "guarantee the rights of honest, upright investors" in oil and gas projects and to keep them "independent of the will and power of local authorities," said German O. Gref, Russian minister of economic development and trade. Speaking through an interpreter, Gref said he expects PSA legislation to be passed by the end of this year. He said Russian legislators also are working to provide tax relief and other incentives to attract foreign investors.

Russian, US energy policies

US Sec. of Energy Spencer Abraham and his Russian counterpart, Minister of Energy Igor K. Yusufov, said the separate energy policy legislation now pending before the US Congress and the Russian Duma are remarkable in their similarities.

"And I believe those similarities will provide many opportunities for increased trade, investment, and cooperation between our two countries," Abraham said. "The American and Russian people separately created two of the largest energy sectors in the world in the last century. Imagine what we will be able to achieve working together in this century."

Yusufov said through an interpreter that Russia is committed to increasing oil supplies to American markets. That's a natural development. Russia-already a major energy exporter, primarily to Europe-wants to increase its oil production and exports, but European oil demand growth is not expected to keep pace with Russian oil production capacity growth.

"When it comes to energy, we have many mutual interests. Both our industries are seeking opportunities. Both see the benefit of doing more business together. We want to create jobs for our citizens and improve their standard of living," Evans said.

Future cooperation

As part of that effort, Evans said, "We're recommending the creation of a US-Russia Commercial Energy Working Group. It will be a forum where US and Russian companies can speak to each other directly to identify barriers and to recommend ways to expand energy trade and investment opportunities."

Russian officials suggested that future summits be expanded to include other forms of energy such as electric power generation and nuclear power. And the next one, they said, should be in Russia next year.

Sessions at the 2-day summit encompassed a variety of subjects, including government and commercial financing, investment frameworks, partnering, training, and new technology.

Participants were enthusiastic about the meeting's potential. "Today's dialogue is tomorrow's deal. And the relationships we form at summits like this one are the foundation of successful partnerships for the decades ahead," Robertson said.

Russian 'miracle'

in the opening address at the Oct. 2 sessions, Yergin cited the "miracle" of Russia's accomplishment in increasing its oil production by 25% in 3 years.

Some Russian oil companies have increased their production as much as 50%, he said, while slashing production costs to \$2/bbl from \$3-5/bbl previously. ChevronTexaco Corp. Vice-Chairman Peter J. Robertson. "For frontier plays... such as Sakhalin and the Arctic shelf... to undertake such an investment requires clear terms and conditions, a commitment that the fiscal regime in place during the investment phase remains in place during the revenue phase, (and) that sunk costs can be recovered with confidence."

However, a few skeptics at the second day of sessions privately questioned some of the production figures quoted by both US and Russian representatives.

The 2-day meeting came, Yergin said, at "a crucial moment" in the development of new geopolitical and energy relationships among countries, "to which the US and Russia are central."

Participants appeared optimistic about joining efforts to develop Russia's vast oil and natural gas resources to supply US and world markets. "They've got some of the top government leaders and the industry decision-makers at this meeting. They (industry representatives) are getting the signs from on high as to what (government) energy policies will be," Red Cavaney, president and CEO of the American Petroleum Institute, told OGJ.

Realism

However, Yergin warned, government and industry officials must be realistic and focus on goals that are practical and achievable. Too often, he said, good intentions can be frustrated by the daily details of projects. He also pointed out that the oil and gas industry is governed by the "law of long lead times" necessary to bring projects to fruition.

ConocoPhillips Chairman Archie Dunham "hit one right down our alley" with his call Oct. 1 for stable Russian regulation of foreign-funded projects, an executive of the US Agency for International Development told OGJ.

In recounting the early entry of ConocoPhillips's forerunners into the former Soviet market at the summit's plenary session Oct. 1, Dunham said, "Experience has taught us the necessity of (reliable) production-sharing agreements." Because of post-production changes in the original agreement for its Polar Lights Co. joint venture, he said, that project remains "only marginally profitable and still has outstanding debt."

Polar Lights, a joint venture involving the former Conoco Inc. and Russian partners Arkhangelskgeoldobycha and Rosneft, was the first RussianAmerican joint venture to develop a new oil field in Russia. Production began in 1994 in Ardalin field, located in the harsh arctic tundra of the Nenets Autonomous Okrug in the Timan Pechora basin, about 1,000 miles northeast of Moscow.

Last year, Ardalin field passed the 75 million bbl production milestone. In the ensuing period, Polar Lights paid \$241 million to Russian federal and local governments. Tax payments from Polar Lights provide more than half of the Nenets Autonomous Okrug's budget, which as a result was deficit-free in 2000 for the first time. In addition, Polar Lights is the second largest taxpayer in the city of Arkangelsk (OGJ Online, Feb. 7, 2001).

However, Mikhail Khodorkovsky, OAO Yukos CEO, earlier claimed Polar Lights "may have been in far better shape today" if "Conoco (had) agreed to work within the national tax regime instead of seeking preferential treatment (OGJ, Mar. 26, 2001, p. 20)." He claimed that project also was adversely affected by "the ratcheting up of taxes in the oil industry.. partly brought on by the insistence of the IMF (International Monetary Fund)."

Marathon-Rosneft JV

The Urals North American Marketing JV is expected to begin operations in the third quarter of 2003, subject to signing of definitive agreements and pending approval of US and Russian government agencies.

The new venture is "intended to help establish the US as a significant long-term marketplace for Urals crude, while providing the US with added diversity of crude oil supply," said officials of the two companies in the joint announcement. Its goal is to "provide an efficient and cost-effective means of moving crude oil from this increasingly important supply region to US markets, utilizing existing Russian and US transportation and market infrastructure."

In early July, Yukos, the largest private Russian oil company, delivered the first direct oil shipment from Russia to the US through Houston's port to ExxonMobil Corp. refineries in Baytown and Beaumont, Tex., in a pilot program aimed at developing new markets for its rapidly increasing oil production (OGJ Online, July 8, 2002). By mid-October, that program will have imported 8 million bbl of Russian oil into the US through the US Gulf Coast. Cambridge Energy Research Associates Chairman Daniel Yergin .The 2-day Russia-US energy summit came at "a crucial moment" in the development of new geopolitical and energy relationships among countries, "to which the US and Russia are central."

Warren Buffet Helps Russian Nuclear Engineers.

07 October 2002
Novecon
(c) 2002 Novecon

American billionaire Warren Buffet has released \$2.5 million in funding for a private program aiming to help Russia ensure the safety of nuclear fuel storage and destroying nuclear weapons.

The billionaire stated that even though it is impossible to completely root out terrorism, the risks involved can be significantly lowered. One goal, he went on to say, is to bring the possibility of terrorists gaining access to weapons of mass destruction down to a minimum.

Source: VREMYA NOVOSTEI, October 7, 2002.

Russia expects EBRD loan for expansion of geothermal power plant.

04 October 2002

SKRIN

(c) 2002

Russia will obtain an additional loan from the European Bank for Reconstruction and Development to fund the expansion of the Mutnovsk Geothermal Power Plant in Kamchatka from today's capacity of 50 MW to 300 MW, Valentin Kuzmin, chairman of the Tekhnopromeksport federal state-run unitary enterprise, told Interfax on Wednesday. He said that the loan could total \$300-400 million. The EBRD granted \$150,000-200,000 for the project's preparations, Kuzmin said, adding that "the feasibility study has not yet been completed." The EBRD lent Russia \$65 million for the construction of the first two 25 MW units in Russia's largest ecologically safe power plant, Kuzmin said. The construction costs are estimated at \$80 million. Tekhnopromeksport is the general contractor for the plant's construction, which will begin officially on October 9, 2002.

Tekhnopromeksport currently manages the construction of 16 power plants, two of which, the Mutnovsk Plant and the Northwestern Heating Power Plant in the Leningrad region, are in Russia. The company's annual turnover totals nearly \$500 million. IA Rosbalt informs about it.

RUSSIA - KEY INDICATORS.

03 October 2002

Europe Review World of Information

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KEY INDICATORS

| | Unit | 1996 | 1997 | 1998 | 1999 | 2000 |
|------------------------------|----------|--------|--------|--------|--------|--------|
| Population | m | 147.74 | 147.10 | 146.54 | 147.20 | 145.56 |
| Gross domestic product (GDP) | US\$bn | 429.62 | 449.80 | 277.80 | 184.60 | 247.00 |
| GDP per capita | US\$ | 2,900 | 3,050 | 2,245 | 1,260 | 1,697 |
| GDP real growth | % | -3.5 | 0.8 | -4.9 | 5.4 | 8.3 |
| Inflation | % | 21.8 | 14.7 | 27.7 | 85.7 | 20.8 |
| Unemployment | % | 9.3 | 10.8 | 11.9 | 12.4 | 11.0 |
| Industrial | | | | | | |
| output | % change | -4.0 | 1.9 | -5.2 | 8.1 | 9.0 |
| Agricultural | | | | | | |
| output | % change | -5.1 | 0.1 | -12.3 | 2.4 | 4.0 |

| | | | | | |
|-----------------------|----------|----------|-----------|----------|-----------|
| Oil output '000 bpd | 6,115.0 | 6,225.0 | 6,170.0 | 6,180.0 | 6,535.0 |
| Natural gas | | | | | |
| output bn cu m | 561.1 | 532.6 | 551.3 | 551.0 | 545.0 |
| Coal output mtoe | 114.4 | 109.0 | 103.8 | 112.6 | 115.8 |
| Exports (fob) | | | | | |
| (goods) US\$m | 90,560.0 | 89,010.0 | 74,880.0 | 75,840.0 | 105,565.0 |
| Imports (fob) | | | | | |
| (goods) US\$m | 68,090.0 | 71,980.0 | 58,010.0 | 39,630.0 | 44,862.0 |
| Balance of | | | | | |
| trade US\$m | 22,470.0 | 17,030.0 | 16,870.0 | 36,220.0 | 60,703.0 |
| Current account US\$m | 11,760.0 | 2,050.0 | 696,000.0 | 25,300.0 | 46,317.0 |
| Foreign debt US\$bn | 135.1 | 134.1 | 157.7 | 175.1 | 162.0 |
| Total reserves | | | | | |
| minus gold US\$m | 11,280.0 | 12,890.0 | 7,800.0 | 8,460.0 | 24,264.3 |
| Foreign | | | | | |
| exchange US\$m | 11,270.0 | 12,770.0 | 7,800.0 | 8,460.0 | 24,262.6 |
| Foreign direct | | | | | |
| investment | | | | | |
| (FDI) US\$bn | 1.7 | 4.0 | 1.7 | 1.3 | -0.3 |
| Exchange | | | | | |
| rate per US\$ | 5.12 | 5.79 | 9.71 | 24.62 | 28.13 |

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RUSSIA - KEY INDICATORS.

03 October 2002

Europe Review World of Information

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| Total reserves | | | | | | |

minus gold US\$m 11,280.0 12,890.0 7,800.0 8,460.0 24,264.3

Foreign

exchange US\$m 11,270.0 12,770.0 7,800.0 8,460.0 24,262.6

Foreign direct

investment

(FDI) US\$bn 1.7 4.0 1.7 1.3 -0.3

Exchange

rate per US\$ 5.12 5.79 9.71 24.62 28.13

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SILOVYE MASHINY TO UPGRADE SWEDISH HYDRO-POWER STATION.

03 October 2002 12:44 GMT

Interfax: Russian Company News
(c) 2002 by Interfax International, Ltd

Fortum Engineering of Finland, a subdivision of the Scandinavian energy concern Fortum, and Russian machine-building concern Silovye Mashiny September 16 signed a contract on upgrading the hydro-power station in Krangede, Sweden. The cost of the work will total 1 million euros. Fortum Generation is ordering the project.

The Russian company will begin to supply equipment in August, 2003. The work should be completed in the fourth quarter of 2003. FIA

Energoatom Appoints Tishchenko Director General Of Rivne Nuclear Power Plant.

02 October 2002

Ukrainian News

(c) 2002 Ukrainian News Agency. All Rights Reserved

(Ukrainian News, Dmytro Horshkov, 10/02/2002) The state nuclear power-generating company, Energoatom has appointed Viacheslav Tishchenko as director general of the Rivne nuclear power plant.

Head of the PR department at the Rivne NPP Aleksei Kisly told Ukrainian News.

"Today Tulub has presented Tishchenko to the staff of the plant," Kisly said.

Prior to this appointment, 53-year-old Tishchenko worked as the first deputy director general of the Zaporozhie NPP.

Previously, Vladimir Bondarenko hold the post of director general of Rivne NPP.

Bondarenko is occupied as deputy director general on economic matters at present.

The Energoatom company is a very large producer of electricity, whose total volume of production share of electricity in Ukraine amounts to nearly 50%.

Energoatom manages 4 nuclear power plants with 13 operational reactors.

RUSSIA - Anatoly Chubais.
30 September 2002

APS Review Gas Market Trends

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Head of UES, Russia's power utility and the second biggest company in the country next to Gazprom, Chubais is prominent among the St Petersburg figures in Moscow. On Sep. 25, 2002, he pledged to freeze UES asset sales for at least six months as part of measures designed to allay the fears of minority investors over the monopoly's planned restructuring.

Chubais apologised for past failures by UES management in adequately explaining the restructuring, which has led to a sharp loss of confidence and substantial under-performance of its share price in recent months. He said: "There are been insufficient communication with shareholders. Perception is reality. I would not blame the market. I should blame (UES) management".

Under plans approved by the government in 2001, electricity tariffs should be liberalised and UAS, 51% owned by the state, will be split between a federal grid operator, 10 wholesale companies, and a series of regional power generating businesses. The proposals have sparked strong criticism from regional governors and politicians ahead of a vote for parliamentary approval in Oct. 2002. President Putin's top economic adviser Andrei Illarionov (his profile in DT) has been among the most outspoken critics of the plan, calling UES' recent performance "a national disgrace" and demanding Chubais' resignation.

Investors have also had growing concerns that UES had approved a series of deals which would lead to asset stripping at regional energy subsidiaries. But Chubais stressed that only two small transactions had in fact taken place, though one would be re-examined. He said any schemes involving the swapping of energy company shares for loans from potential investors would not take place, following criticism of such a proposed deal by RusAl, the aluminium conglomerate.

Chubais said there were no plans for widespread assets sales in future, and that none would take place until a new committee including investors and advised by external consultants had established mechanisms for making fair valuations. He promised a substantially increased dividend in future, and regular conference calls, workshops and roadshows to explain the restructuring. (See Chubais' detailed profile in Vol. 51, No. 9).

PubPage: 0

PubVol: Volume 59; Issue 14

Notes: FULL TEXT Pam Stein/Input Solutions THIS IS THE FULL TEXT: COPYRIGHT 2002 Input Solutions Subscription: \$600.00 per year. Published weekly. PO Box 3896, Nicosia, Cyprus

PRESIDENT DE LA "VNECHEKONOMBANK" DE RUSSIE S'EST.

30 September 2002 06:32 GMT

ITAR-TASS French Language Service
(c) ITAR-TASS 2002.

WASHINGTON, 30 SEPTEMBRE, ITAR-TASS. LE PRESIDENT DE LA "VNECHEKONOMBANK" DE RUSSIE VLADIMIR TCHERNOUKHINE S'EST ENTRETENU A WASHINGTON AVEC SES COLLEGUES CHINOIS ET INDIENS DES PERSPECTIVES DE COOPERATION, Y COMPRIS D'EVENTUELS INVESTISSEMENTS DES DETTES INDIENNES DANS DES ENTREPRISES MIXTES CREEES DANS LE TERRITOIRE INDIEN. SES RENCONTRES BILATERALES AVEC LES RESPONSABLES DE LA BANQUE DE CHINE ET DES BANQUES INDIENNES D'ETAT ET DE RESERVES SE SONT TENUES DANS LE CADRE DE LA REUNION D'AUTOMNE DU FONDS MONETAIRE INTERNATIONAL (FMI) ET DE LA BANQUE MONDIALE (BM).

LES CHEFS DES GOUVERNEMENTS RUSSE ET CHINOIS AVAIENT CONVENU A LEUR RECENTE RENCONTRE DE SHANGHAI D'EFECTUER LES REGLEMENTS BILATERAUX, BASES JUSQUE LA SUR LE CLEARING, EN MONNAIE CONVERTIBLE, A RAPPELE VLADIMIR TCHERNOUKHINE. IL A ANNONCE AVOIR EXAMINE AVEC SES INTERLOCUTEURS CHINOIS LES GRANDES LIGNES DE COOPERATION DANS UN NOUVEAU CONTEXTE ET D'ELABORER D'ICI A LA FIN DE L'ANNEE UN ACCORD INTERBANCAIRE SUR LES REGLEMENTS EN MONNAIE CONVERTIBLE.

CE THEME A EGALEMENT FIGURE DANS SON ENTRETIEN AVEC LES PARTENAIRES INDIENS. TOUTEFOIS, LES REGLEMENTS AVEC L'INDE "SE BASERONT ENCORE LONGTEMPS SUR LE SYSTEME DE CLEARING" ET ATTEINDRONT ANNUELLEMENT PLUSIEURS CENTAINES DE MILLIONS DE DOLLARS DANS LES TROIS PROCHAINES ANNEES, A INDIQUE LA PRESIDENT DE LA "VNECHEKONOMBANK", AVANT D'AJOUTER: "C'EST BIEN CETTE PERSPECTIVE QUI A PERMIS D'EXAMINER UN EVENTUEL INVESTISSEMENT DE CES FONDS".

"CERTAINES COMPAGNIES RUSSES", DONT LA COMPAGNIE ENERGETIQUE "SYSTEMES ELECTRIQUES UNIFIES" (SEU) ET "ROUSSKI ALIUMINI" S'INTERESSENT A INVESTIR LES DETTES INDIENNES EN DOLLARS DANS PROJETS CONJOINTS MIS EN OEUVRE SUR LE TERRITOIRE INDIEN". NOTAMMENT, SEU SOUHAITE INVESTIR CES MOYENS DANS LA CONSTRUCTION D'UNE CENTRALE HYDROELECTRIQUE".

PAR AILLEURS, VLADIMIR TCHERNOUKHINE A EU UNE RENCONTRE SEPARÉE AVEC LES REPRESENTANTS DE "CITYBANK" AMERICAINE, QUI AVAIT RECEMMENT REMPORTE UN CONCOURS DU MINISTERE RUSSE DES FINANCES, A LA RECHERCHE D'UN AGENT POUR CONVERTIR LES DETTES PRIVEES DE L'EX-URSS. "ETANT DONNE QUE LA +VNECHEKONOMBANK+ PARTICIPE AU PROJET ET NOUS AGIRONS ENSEMBLE EN RUSSIE, NOUS AVONS EXAMINE LES MOYENS D'ORGANISER CE PROCESSUS AYANT EN VUE LE FAIT QUE LE MINISTERE RUSSE DES FINANCES ENVISAGE DE FAIRE DES PREMIERES OFFRES DANS LE PLUS PROCHE AVENIR", A AJOUTE VLADIMIR TCHERNOUKHINE

Russia to take part in Finnish tender for building nuclear reactor.

27 September 2002 19:08 GMT

ITAR Tass
(c) 2002 ITAR-TASS

- Moscow will take part in a tender for building the fifth nuclear reactor in Finland, Russian Prime Minister Mikhail Kasyanov said after Friday negotiations with his Finnish counterpart.

Russia will get corresponding documents soon, and experts will start drafting proposals, he said.

"The reliability of Russian technologies has been tested through decades," and this is an advantage, he said. "Russia is building nuclear power plants in many countries, and if we compare prices offered by our rivals, one will see the benefits at once - reliability, low costs, and long service life. Russia is ready to provide for the full cycle of the nuclear power plant operation, including the processing and storing of fuel," Kasyanov said.

He said he hopes that specialists "who will assess our proposals will see these advantages to other countries and companies that also offer high-tech and reliable methods."

Investment in Russia's atomic energy to grow 5 times by 2010.

25 September 2002 14:55 GMT

ITAR Tass
(c) 2002 ITAR-TASS

By Nikolai Krupenik and 2010, the power from nuclear plants will be 40 percent less expensive than the power produced at hydro plants, Koryakov said.

Investment in Russia's atomic energy industry is expected to grow to 2.3 billion U.S. dollars in 2010 from 0.5 billion U.S. dollars in 2001, chief of a department at the Atomic Energy Ministry, Gennady Koryakov, said Wednesday.

The subscriber rate of 1.1 U.S. cents per KWH enables nuclear power plants to do current maintenance of generating facilities and build up the capacity of power units, Koryakov told a conference on safe handling of irradiated nuclear fuel.

He indicated that the nuclear power industry would remain competitive despite the forecasted growth of subscriber rates for the electricity produced at nuclear plants by 2.4 times in the next eight years.

The conference, organized by the International Atomic Energy Agency and the Russian Atomic Energy Ministry, has gathered 300 important nuclear experts from Russia, the U.S., Germany, Norway, Belarus, Latvia, and Kazakhstan.

RUSSIAN ELECTRIC ENERGY EXPORT DOWN.

25 September 2002

Russian Business Monitor

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Despite the optimistic forecasts of CEO of RAO EES Anatoly Chubais, exports of Russian electric energy are decreasing. In the first half of 2002, they fell by 20%. Falcon Capital, well known due to the "Czech deal" (it sharply reduced its contracts with the energy holding), as well as consumers of Kazakhstan and Belarus, which preferred competitors of RAO EES, are to blame for this decline.

The State Customs Committee released information about Russia's energy exports in the first half of 2002 according to which the exports fell by 22.7%. Sources in RAO EES confirm that the exports are decreasing, although according to the company they fell only by 18%. According to RAO EES, over the first six months of 2001, the company exported 8.7 billion kilowatt-hours of energy, and during the same period of 2002 only 7.1 billion kilowatt-hours. The value of exported energy fell not so much, from \$123 million to \$118 million.

The Prague-based company Falcon Capital, with assistance of which the debt of Russia was paid to the Czech Republic in 2001, was the main reason for such decline. Falcon acts as an intermediary in export of Russian electric energy to Europe via Belarus. In the first six months of 2001, Russia supplied electric energy worth \$32.16 million under the contracts with Falcon via Belarus, and in the same period of 2002 Russia exported energy worth \$13.8 million.

Reference: Vedomosti, September 23, 2002.

ATOMIC MINISTRY MAY ALLOW PRIVATIZATION OF RUSSIAN POWER PLANTS IN THE FUTURE.

24 September 2002 14:51 GMT

Interfax: Daily Petroleum Report

(c) 2002 by Interfax International, Ltd

MOSCOW. Sept 24 (Interfax) - Russian Atomic Minister Alexander Rumyantsev considers it possible that in the future there will be privately owned companies in the Russian atomic energy industry.

He told journalists "with the proper controls atomic energy could well be privatized." According to Rumyantsev, at the first stage, atomic energy companies may remain 100% state-owned.

The minister noted that there are currently no laws as such governing the privatization of atomic energy installations. "We are only starting to think about this," he said.

Rumyantsev expressed the opinion that "the situation with property in the atomic energy sector may begin to change over the coming 10 years."

"For a couple of years we will discuss this problem, for a couple of years we will pass legislative documents, and only then will we begin to actually do something in this area," he noted.

The Minister also considers it possible that there will be changes in ownership "in the nuclear-fuel cycle." He stressed that everything needs to be done very carefully in this area.

The most realistic step in this direction would be to set up an atomic equipment and technology company, with 100% state ownership.

According to Rumyantsev, "investors might be interested in atomic energy and invest money, if the sector was privatized."

Russian Property Ministry to Take Away Assets from State-Run Unitary Enterprises' Subsidiaries.

23 September 2002

Novecon

(c) 2002 Novecon

According to Alexander Braverman, head of the Russian Property Ministry, the ministry intends to initiate the transfer to the government of state-run unitary enterprises' subsidiaries bank assets.

The draft of the relevant resolution is to be handed over to the Russian government for discussion soon. The decision was caused by the situation involving the ENERGOATOM concern, which controls a 25% package in the NEFTYANOI bank via its three subsidiaries. Currently, this allows the bank not to transfer to the government the bank's assets, as required by the Property Ministry.

VLADIMIR POUTINE - LA RUSSIE A INTERET A PARTICIPER AUX.

21 September 2002 13:48 GMT

ITAR-TASS French Language Service

(c) ITAR-TASS 2002.

MOSCOU, 21 SEPTEMBRE. ITAR-TASS. LA RUSSIE A INTERET A PARTICIPER AUX PRIVATISATIONS D'OUVRAGES ENERGETIQUES BULGARES, A LA MODERNISATION DES REACTEURS DESUETS DES CENTRALES NUCLEAIRES ET A LA CONSTRUCTION DE NOUVEAUX REACTEURS, A DECLARE LE PRESIDENT DE RUSSIE VLADIMIR POUTINE AU TERME DES NEGOCIATIONS AVEC LE PRESIDENT BULGARE GUEORGUI PYRVANOV.

"NOUS NE SOUHAITONS PAS OBTENIR DES CONDITIONS EXCLUSIVES NI DES PRIVILEGES QUELCONQUES. NOUS VOULONS QUE DES SOCIETES RUSSES PARTICIPENT AUX APPELS D'OFFRES SUR UN PIED D'EGALITE", A SOULIGNE LE LEADER RUSSE.

IL A ANNONCE QUE LES ENTREPRISES RUSSES SONT PRETES A NON SEULEMENT PARTICIPER A LA PRIVATISATION DES SYSTEMES BULGARES DE DISTRIBUTION DE GAZ, MAIS A Y INVESTIR EGALEMENT. VLADIMIR POUTINE A AJOUTE QUE LES NEGOCIATIONS AVEC SON HOMOLOGUE BULGARE ONT PERMIS DE RAPPROCHER LES POSITIONS QUANT A LA POSE D'UN OLEODUC TRANSITANT PAR LA GRECE.

LE CHEF DE L'ETAT RUSSE A RAPPELE QUE 90 POUR CENT DES EXPORTATIONS RUSSES EN BULGARIE SONT REPRESENTEES PAR DES PRODUITS ENERGETIQUES, CE QUI EXPLIQUE LE FAIT QUE LES INTERETS DE LA RUSSIE LORS DE LA COOPERATION AVEC LA BULGARIE TOUCHENT EN PREMIER LIEU LE GAZ ET LA PRODUCTION DE L'ENERGIE ELECTRIQUE ET DE L'ENERGIE NUCLEAIRE

UES GENERATES LESS ELECTRICITY IN FIRST HALF.

19 September 2002 09:10 GMT

Interfax: Russian Company News
(c) 2002 by Interfax International, Ltd

The board of directors at Unified Energy Systems of Russia August 30 discussed the production and supply of power energy in the first half of the year.

Power consumption in Russia slid 1.3% year-on-year, or 5.7 billion kWh, to 430 billion kWh in the half, down 3.3%, or 14.6 billion kWh from the target. Power production fell 4%, or 18.1 billion kWh, to 435.5 billion kWh in January-June, down 2%, or 8.9 billion kWh, from the same period of the last year.

UES of Russia generated 306.6 billion kWh of electricity in the first half, down 4.1% year-on-year, and 5.3% below target. Nuclear power plants increased production by 2.3% year-on-year to 68.1 billion kWh, 1%, or 700 million kWh, over the target. Irkutskenergo raised power production by 7.7% year-on-year to 29.2 billion kWh in the first half, which was 1.3 billion kWh, or 4.3%, below the target. Tatenergo generated 11.3 billion kWh of electricity, down 1.7% year-on-year, and 11.7%, or 1.5 billion kWh, below the target.

Hydroelectric Power Plants produced 87.3 billion kWh of electricity in the half, down 1.1% from the same period of the last year. That was 3.6 billion kWh, or 4.3%, over the target. Thermal power plants generated 259.8 billion kWh of electricity in the first half, up 3.7% year-on-year, but 8.3%, or 23.4 billion kWh, below target. Power production at federal power stations fell 3.4% year-on-year, or 2.8 billion kWh, to 78.9 billion kWh in the half, down 5.3%, or 4.4 billion kWh, from the same period of the last year. FIA.

Hydroelectric generation needs at least 80bn rubles on year.

17 September 2002
AK&M (Russia)
© [2002] AK&M Information Agency

At least 80bn rubles are to be invested in hydroelectric generation annual. Such figure was voiced by the UES head Anatoly Chubais at the meeting of OVR (Motherland-All Russia) group.

UES investments in hydroelectric generation total 16bn rubles each year, according to A. Chubais.

UES plans to unite hydro power plants in 3 hydro power cos.

17 September 2002
TASS Energy Service
(c) 2002 Prime TASS. Not available for re-dissemination

MOSCOW, Sept 17 /Prime-TASS/ - Russian power-grid monopoly RAO UES plans to turn its most profitable hydroelectric energy plants into three companies, fully owned by UES, company President Anatoly Chubais said Tuesday. He did not specify the timeframe.

Following the creation of the three hydroelectric power companies, UES's shares in remaining hydroelectric plants would be transferred to those companies, Chubais added.

Chubais was speaking at a meeting of the Fatherland-All Russia parliamentary group devoted to energy-sector reform bills.

UES invests 16 billion rubles annually in hydroelectric power plants, while Russia's 2003 draft budget does not provide for any investment in the sector, Chubais noted. /31.6297 rubles - U.S. 1\$/ End.

E.ON to help Russia's UES build gas power plant.

12 September 2002 11:48 GMT

Reuters News
(c) 2002 Reuters Limited

MOSCOW, Sept 12 (Reuters) - German utility E.ON will invest up to \$500 million over three years to build a combined cycle gas turbine plant at a site in the Tula region south of Moscow, Russian utility Unified Energy System said on Thursday.

"Preliminary estimates show the cost of the project to be up to \$500 million," a UES spokesman told Reuters by telephone.

The Tula regional utility Tulenergo, a subsidiary of UES, said in a statement that E.ON confirmed it would invest in the project after conducting a study.

"It has been confirmed that E.ON will invest in a combined cycle gas turbine plant made up of two blocks of 450 megawatts each at a selected site in the city of Sovietsk in Tula region," Tulenergo said.

E.ON officials in Russia were not available for comment.

RUSSIA - LUKoil Structure.

09 September 2002
APS Review Oil Market Trends
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LUKoil was first structured in 1992 and its name derived from three production associations in west Siberia that were merged: LangepasNefteGaz (then with the capacity of 275,000 b/d); UraiNefteGaz (87,000 b/d); and KogalymNefteGaz (475,000 b/d). In Sept. 1995 LUKoil took from Rosneft four producers which had agreed to merge with it: PermNefte (170,000 b/d); NizhnevolzhskNefte (52,000 b/d); KaliningradmornefteGaz in the north-west (12,000 b/d); and AstrakhanNefte, the Caucasus (2,000 b/d).

LUKoil began its vertical integration in 1993 by taking in one oil refining firm, VolgogradNeftePererabotka (with a 188,000 b/d refinery at Volgograd whose usable capacity is about 100,000 b/d). Also in 1995 LUKoil took from Rosneft three refining firms: PermNefteOrgsintez (278,000 b/d refinery in Perm being partly used); a smaller plant at Novoufimsk, the Urals; and the large Ufa refining complex in Bashkortostan (whose capacity once was over 900,000 b/d but now is about 100,000 b/d). In late 1999 it got the 150,000 b/d Ukhta refinery as part of the KomiTek deal.

LUKoil is modernising these refineries so that, together with other plants being acquired fully or partly elsewhere, its refining capacity should reach 1m b/d by 2005. This would include a new 180,000 b/d plant, being built in an area 30 km from Novorossiysk, called Southern Oil Refinery. The refineries generate cash but produce too much fuel oil. The group has built an oil products pipeline linking its Perm refinery, on the Volga River, to Moscow and other markets including Tatarstan. This has joined an existing line for products exports from Omsk

refinery in Siberia to Europe, which enables LUKoil's marketing units to expand in premium European regions. The group is building up a fleet for its shipping units, with one at Astrakhan where barge traffic along the Volga River links Russia's refining centres to the Caspian Sea.

Other companies in the group include construction firms and units providing various services, such as LUKoilNefteAvtomatika, RostovNeftekh-improekt, Uraiskoe, and VolgogradNefteProduktAvtomatika. LUKoil was registered on the Russian stock exchange on April 5, 1993. It was not fully consolidated until 1995. It was the first to convert "daughter shares" into shares of the holding company and the exchange ended on Jan. 1, 1996. It was the first to enter foreign capital markets.

Among foreign partners in its system is Agip of Italy. LukAgip is their JV which is investing in Central Asia and North Africa (see Part 4). In the Conoco-operated Polar Lights in Russia's far north, LUKoil's AGD holds 30% and RosNeft has 20%. The US company holds 50%.

LUKoil is branching into the power business. In late 2001 it set up a JV with the power utility UES for electricity to be generated and sold where LUKoil has refineries.

PubPage: 0

PubVol: Volume 59; Issue 11

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TOMSKENERGO POSTS LOSSES.

06 September 2002 17:09 GMT

Interfax: Investment Report
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The Tomskenergo power company closed the first half of 2002 with net losses of 146.5 million rubles, compared with net profits of 90.4 million rubles in the same period of 2001.

Revenues grew 20% to 1.776 billion rubles, of which 1.339 billion rubles from the sale of electricity and 403 million rubles from the sale of heat, Alla Bakulina, secretary to the board of directors, told Interfax.

The cost of sold goods increased 35% to 1.764 billion rubles, of which 1.237 billion rubles for electricity and 502 million rubles from the sale of heat.

Sales earnings fell from 170 million rubles to 12.4 million rubles year-on-year. Pre-tax losses were 129.9 million rubles, compared with pre-tax earnings of 128.9 million rubles.

BELGORODENERGO NET PROFITS PLUMMET.

06 September 2002 17:09 GMT

Interfax: Investment Report
(c) 2002 by Interfax International, Ltd

Belgorodenergo closed the first half of 2002 with net profits of 13.894 million rubles, compared with 143.309 million rubles in the same period of 2001.

The company said in its financial report that during the half, receivables decreased from 560.682 million rubles to 532.697 million rubles. Accounts payable also fell, from 377.885 million rubles to 283.498 million rubles. BELGORODENERGO MAIN FINANCIAL INDICATORS, MLN RUBLES

| 01.07.2002 | 01.07.2001 | |
|------------|------------|-----------|
| Sales | 3 157.051 | 2 526.015 |
| Cost of | 2 891.875 | 2 136.293 |
| Sales | | |
| Sale | 256.176 | 389.722 |
| Profits | | |
| Pretax | 29.884 | 239.871 |
| Profits | | |
| Profits | 15.990 | 143.309 |
| Tax | | |
| Net | 13.894 | 143.309 |
| Profits. | | |

ROSENERGOATOM Plans More Investment Next Year.

06 September 2002
 Novecon
 (c) 2002 Novecon

ROSENERGOATOM plans to boost investment in 2003 to R30.7 billion from R19.8b this year, the company announced. Proceeds from electricity sales are forecast at R28b this year and at around R50b next year.

ROSENERGOATOM's investment plan for 2002-06 includes the completion of the third reactor of the Kalinin NPP, the fifth reactor of the Kursk NPP, the second reactor of the Rostov NPP and the fifth reactor of the Balakavo NPP.

Source: VREMYA NOVOSTEI, September 6, 2002.

Russia plans building four new nuclear reactors

By VLADIMIR ISACHENKOV
 Associated Press Writer
 06 September 2002 01:30 GMT

Associated Press Newswires
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MOSCOW (AP) - With fears of nuclear energy giving way to concerns about power shortages, Russia is carrying out an ambitious plan of putting four new nuclear reactors on line in the next several years, officials said Thursday.

Rosenergoatom, a state consortium in charge of the nation's nuclear power plants, plans to launch reactor No. 3 at the Kalinin power plant in western Russia next year and intends to complete another three reactors at the Kursk, Rostov and Balakovo plants by 2006, said its president Oleg Sarayev.

"Atomic energy has a very big potential of growth," Sarayev said at a news conference.

The April 1986 explosion at a nuclear reactor in Chernobyl in then Soviet Ukraine - the world's worst nuclear catastrophe - caused strong public distrust of atomic power and thwarted plans to build new reactors.

But increasingly acute power shortages in post-Soviet Russia have raised a renewed interest in nuclear power among regional officials and the population.

"We had Chernobyl, and its burden will stay with us," Sarayev said. But, he added, "Rosenergoatom has started a new life, linked to the revival of nuclear energy."

In March 2001, Russia launched its first new nuclear reactor since the Chernobyl catastrophe, at a plant in the southern Rostov region.

Rostov's 1,000-megawatt reactor is of the VVER-1000 type that uses pressurized water to cool its fuel rods instead of the less-stable graphite used in RBMK reactors, like the one that exploded at Chernobyl.

Sarayev said Rosenergoatom is working to modernize some of the oldest of Russia's 30 existing nuclear reactors to extend their lifetime. Rosenergoatom now accounts for 15.4 percent of Russia's energy production.

He said the consortium produces energy nearly twice as cheaply as conventional plants fire by coal or natural gas.

Notes: r

PLUS DE 200 PROJETS INTERNATIONAUX ONT ETE PRESENTES A LA.

04 September 2002 08:39 GMT

ITAR-TASS French Language Service
(c) ITAR-TASS 2002.

VLADIVOSTOK, 4 SEPTEMBRE, ITAR-TASS. PLUS DE 200 PROJETS ONT ETE PRESENTES PAR DES COMPAGNIES, DES CENTRES D'ETUDES ET DES ETABLISSEMENTS D'ENSEIGNEMENT DES PAYS DE LA REGION D'ASIE-PACIFIQUE A LA FOIRE ORGANISEE DANS LE CADRE DU 7-EME SYMPOSIUM DU FORUM DE COOPERATION ECONOMIQUE DE L'ASIE-PACIFIQUE (APEC) QUI S'EST OUVERT MERCREDI A VLADIVOSTOK. IL S'AGIT NOTAMMENT DE LA CONSTRUCTION D'UNE LIGNE DE COURANT ELECTRIQUE RELIANT VLADIVOSTOK A LA COREE DU NORD ET D'UNE CENTRALE NUCLEAIRE DANS LE TERRITOIRE DU PRIMORIE, DE L'INSTALLATION D'UNE PLATE-FORME POUR LE FORAGE DE Puits SOUS-MARINS DANS LE CADRE DU PROJET "SAKHALINE", DU DEVELOPPEMENT DE CENTRES INDUSTRIELS ET SCIENTIFIQUES ET DES ZONES TOURISTIQUES EN COREE DU NORD, DE L'APPLICATION DES INNOVATIONS DES SCIENTIFIQUES RUSSES, ETC.

LA POLITIQUE D'OUVERTURE ET DE COOPERATION AVEC LES PARTENAIRES ET DE REACTION RAPIDE AUX CHANGEMENTS EN COURS DANS L'ECONOMIE MONDIALE PERMETTENT AUX PAYS DE LA REGION DE DIVERSIFIER LEURS ACTIVITES INTERNATIONALES, A INDIQUE A ITAR-TASS UN RESPONSABLE DU MINISTERE JAPONAIS DE L'ECONOMIE ET DE L'INDUSTRIE, YOSHIHIKO SOUMI. C'EST LA RAISON POUR LAQUELLE, A-T-IL DIT, 41 POUR CENT DES INVESTISSEMENTS INTERNATIONAUX DANS L'ECONOMIE ONT ETE EFFECTUES PAR LES PAYS DE L'APEC.

LES DELEGUES DES PAYS DE CETTE ORGANISATION REGIONALE SE PROPOSENT DE TROUVER A VLADIVOSTOK DE NOUVEAUX TERRAINS DE COOPERATION

ECONOMIQUE ET TECHNOLOGIQUE ET D'ETUDIER LES MOYENS D'ACCORDER DE PLUS LARGES CONDITIONS POUR LE COMMERCE ET LES INVESTISSEMENTS.

RUSSIA GENERATES LESS 2% LESS ELECTRICITY IN H1.

03 September 2002 15:11 GMT

WPS: Weekly Business Report

(c) 2002 by Interfax International, Ltd

Russia generated 441.429 billion kWh of electricity in the first half of 2002, down 1.78% from 449.411 billion kWh in the same period of 2001, the State Statistics Committee has said.

Hydro plants generated 87.627 billion kWh, down 0.73% from 88.268 billion kWh. Electricity generated by federal hydro power plants, mln kWh

H1, 2002 H1, 2001 % change

| | | | |
|---|-------|-------|--------|
| Volgograd | 7219 | 7192 | 100,38 |
| Volzhskaya (Samara region) | 5538 | 5366 | 103,21 |
| Votkinskaya(Perm region) | 1348 | 1001 | 134,67 |
| Zeya (Amur region) | 2059 | 2879 | 71,52 |
| Zelenchugskaya (Karachayevo-Cherkessia) | 60 | 44 | 136,36 |
| Kamskaya (Perm region) | 1348 | 1001 | 134,67 |
| Kaskad Verkhnevolzhkykh GES (Upper Volga Cascade, Yaroslavl region) | 559 | 732 | 76,37 |
| Krasnoyarsk | 9183 | 9702 | 94,65 |
| Nizhny Novogorod | 783 | 984 | 79,57 |
| Saratov | 3366 | 3235 | 104,05 |
| Sayano-Shushenskaya (Khakasia) | 10850 | 12561 | 86,38 |

Source: State Statistics Committee

Coal- and gas- fired heat and power plants reduced output more significantly, by 4% from 277.426 billion to 266.422 billion kWh. Power generation by federal heat and power plants, mln kWh

H1 2002 H1, 2001 % change

| | | | |
|---|------|------|--------|
| Beryozovskaya State Power Plant-1 (Krasnoyarsk Territory) | 2311 | 3431 | 67,36 |
| Gusinozerskaya State Power Plant (GRES) (Buryatia) | 1880 | 1439 | 130,65 |
| Konakovo State Power Plant (GRES) (Tver Region) | 3562 | 3390 | 105,07 |
| Kostroma State Power Plant (GRES) | 5273 | 5774 | 91,32 |
| Krasnoyarsk State Power Plant -2 (GRES) | 1031 | 1776 | 58,05 |
| Nevinnomyskaya State Power Plant (GRES) | 3066 | 3293 | 93,11 |
| Novocherkassk State Power Plant (GRES) (Rostov Region) | 3590 | 4161 | 86,28 |
| Perm State Power Plant (GRES) | 5576 | 4493 | 124,10 |
| Pechora State Power Plant (GRES) (Komi Republic) | 1689 | 1464 | 115,37 |
| Primorye State Power Plant (GRES) (ZAO LuTEK) | 2756 | 2393 | 115,17 |
| Pskov State Power Plant (GRES) | 1192 | 1083 | 110,07 |
| Ryazan State Power Plant (GRES) | 3375 | 3809 | 88,61 |
| Northwest Heat and Power Plant (TETs) (Leningrad region) | 1213 | 360 | 335 |
| Stavropol State Power Plant(GRES) | 4968 | 5574 | 89,13 |
| Troitskaya State Power Plant (GRES) (Chelyabinsk Region) | 1738 | 2856 | 60,85 |
| Kharanorskaya State Power Plant (GRES) (Chita Region) | 624 | 574 | 108,71 |
| Chepetskaya State Power Plant (GRES) (Tula Region) | 1326 | 1528 | 86,78 |

Source: State Statistics Committee *Source: Northwestern TETs

Nuclear plants (NPP) generated 69.119 billion kWh, down 3.05% year-on-year, overall. Industrial reactors generated 68.067 billion kWh, down 3.75%. Electricity generated by nuclear power stations, mln kWh

| | H1, 2002 | H1, 2001 | % change |
|---------------------------------|----------|----------|----------|
| Kola NPP | 4904 | 4918 | 99,7 |
| Leningrad NPP | 12455 | 12920 | 96,4 |
| Smolensk NPP | 9349 | 9331 | 100,2 |
| Kalinin NPP (Tver Region) | 6952 | 6894 | 100,8 |
| Voronezh NPP | 7249 | 6667 | 108,7 |
| Kursk NPP | 9456 | 10500 | 90,1 |
| Volgodonsk NPP (Rostov region) | 3103 | - | - |
| Balakovsky NPP (Saratov Region) | 12720 | 12471 | 102,0 |
| Beloyarsk NPP | 1788 | 1794 | 99,7 |
| Bilibino NPP (Chukotka) | 92 | 115 | 80,0 |

Source: State Statistics Committee

Russia's ten NPPs currently operate 30 power generating units with an installed capacity of 22,242 megawatts, of which: 14 vessel-type pressurized water (light-water, used as a moderator and coolant) VVER reactors (eight VVER-1000 and six VVER-440), 15 large-size pressure tube boiling-water graphite-moderated RBMK reactors and loop-type graphite-moderated boiling water power EGP reactors (11 RBMK-1000 and four EGP-6) and one fast-neutron (BN) reactor. Electricity and heat generation by Russia's biggest power grids

| | Electricity, mln kWh | | Heat, '000 Gcal | |
|-----------------------------|----------------------|----------|-----------------|----------|
| | H1, 2002 | H1, 2001 | H1, 2002 | H1, 2001 |
| Altaienergo | 1627,0 | 1618,0 | 3233,0 | 3589,0 |
| Amurenergo | 570,0 | 667,0 | 1079,0 | 1193,0 |
| Arkhenergo | 1565,0 | 1626,0 | 3328,0 | 3309,0 |
| Astrakhanenergo | 1502,0 | 1545,0 | 1159,0 | 1166,0 |
| Bashkirenergo | 11964,0 | 11931,0 | 16747,2 | 17545,0 |
| Belgorodenergo | 113,0 | 116,0 | 1298,0 | 1247,0 |
| Bryanskenergo | 104,0 | 114,0 | 251,0 | 216,0 |
| Buryatenergo | 182,0 | 244,0 | 1503,4 | 1596,0 |
| Vladimirenergo | 1027,0 | 1048,0 | 1091,5 | 105,0 |
| Volgogradenergo | 1865,0 | 1977,0 | 4241,3 | 4372,9 |
| Vologdaenergo | 1246,0 | 1196,0 | 634,4 | 698,0 |
| Voronezhenergo | 500,0 | 517,0 | 2236,2 | 2252 |
| Grozenskergo | 0 | 0 | 0 | 0 |
| Dalenergo | 1842,0 | 2067,0 | 2910,0 | 2999,0 |
| Ivenergo | 757,0 | 639,0 | 0 | 0 |
| Ingushenergo | 0 | 0 | 0 | 0 |
| Kabbalkenergo | 43,0 | 40,0 | 0 | 0 |
| Kalugaenergo | 0 | 0 | 29,3 | 42,2 |
| Kamchatskenergo | 761,0 | 836,0 | 651,3 | 657,0 |
| Karachayevo-Cherkesskenergo | 0 | 0 | 0 | 0 |
| Karelenegergo | 508,0 | 533,0 | 844,2 | 847,0 |
| Kirovenergo | 1837,0 | 1877,0 | 3283 | 3389,0 |
| Kolymaenergo | 1308,0 | 1319,0 | 0,0 | 0,0 |
| Kolenergo | 319,0 | 318,0 | 2211,0 | 2273,0 |
| Komienergo | 1568,0 | 1638,0 | 4356,4 | 4007,0 |
| Kostromaenergo | 555,0 | 584,0 | 1123,1 | 1185,2 |
| Krasnoyarskenergo | 4581,0 | 5222,0 | 7060,3 | 8679,0 |
| Kubanenergo | 2740,0 | 3012,0 | 765,0 | 603,0 |
| Kurganenergo | 637,0 | 551,0 | 1514,0 | 1523,0 |
| Kurskenergo | 468,0 | 463,0 | 1406,0 | 1385,0 |
| Lenenergo | 4080,0 | 4118,0 | 14916,1 | 12835,8 |
| Lipetskenergo | 1093,0 | 966,0 | 2172,0 | 2201,0 |
| Marienergo | 464,0 | 401,0 | 368,9 | 423,0 |

| | | | | |
|-------------------|---------|---------|---------|----------|
| Mordovenergo | 640,0 | 554,0 | 1191,7 | 1197,1 |
| Mosenergo | 23821,0 | 24208,0 | 30426,0 | 323408,0 |
| Nizhnovenergo | 2299,0 | 2964,0 | 4166,0 | 4613,0 |
| Novgorodenergo | 409,0 | 428,0 | 470,0 | 483,0 |
| Novosibirskenergo | 4489,0 | 5085,0 | 6128,5 | 6834,0 |
| Omskenergo | 3250,0 | 3245,0 | 7306,5 | 6980,6 |
| Oryolenergo | 629,0 | 683,0 | 754,0 | 804,0 |
| Orenburgenergo | 6219,0 | 7484,0 | 5270,2 | 5573,0 |
| Penzaenergo | 881,0 | 696,0 | 1862,0 | 1773,0 |
| Permenergo | 4734,0 | 5020,0 | 9133,0 | 9839,0 |
| Pskovskenergo | 11,0 | 9,0 | 0 | 49,0 |
| Rostovenergo | 1729,0 | 1936,0 | 2409,3 | 2606,5 |
| Ryazanenergo | 244,0 | 224,0 | 332,0 | 347,0 |
| Samaraenergo | 6740,0 | 7043,0 | 13447,3 | 13801,0 |
| Saratovenergo | 2707,0 | 2514,0 | 4477,0 | 4409,0 |
| Sakhalinenergo | 1029,0 | 1071,0 | 1128,0 | 1152,0 |
| Sverdlovenergo | 17431,0 | 18888,0 | 12857,0 | 13766,0 |
| Sevkavkazenergo | 120,0 | 134,0 | 0,0 | 0,0 |
| Smolenskenergo | 1755,0 | 1749,0 | 1519,5 | 1733,0 |
| Stavropolenergo | 681,0 | 626,0 | 191,8 | 198,0 |
| Sulakenergo | 174,0 | - | 0,0 | 0,0 |
| Taimyrenenergo | 2072,0 | 2111,0 | 5,3 | 22,0 |
| Tambovenergo | 673,0 | 762,0 | 945,8 | 920,0 |
| Tverenergo | 681,0 | 629,0 | 1889,0 | 2037,0 |
| Tomskenergo | 837,0 | 1031,0 | 1902,8 | 2244,3 |
| Tulenergo | 1494,0 | 1787,0 | 3178,8 | 3222,0 |
| Tyumennenergo | 30199,0 | 29373,0 | 6620,2 | 7114,0 |
| Udmurtenergo | 1242,0 | 1236,0 | 2328,0 | 2305,0 |
| Ulyanovskenergo | 901,0 | 784,0 | 1899,0 | 2124,0 |
| Khabarovskenergo | 4204,0 | 4318,0 | 7314,6 | 7697,0 |
| Khakassenergo | 384,0 | 535,0 | 651,0 | 8087,0 |
| Chelyabenergo | 4466,0 | 4090,0 | 6345,7 | 6509,0 |
| Chitaenergo | 1082,0 | 1434,0 | 1519,0 | 1704,0 |
| Chuvashenergo | 2487,0 | 2599,0 | 2256,0 | 2338,0 |
| Chukotenergo | 95,0 | 90,0 | 319,2 | 297,7 |
| Yakutskenergo | 3896,0 | 4005,0 | 2633,0 | 2997,0 |
| Yantarenergo | 36,0 | 36,0 | 520,0 | 490,0 |
| Yarenergo | 1365,0 | 1399,0 | 3408,0 | 3547,0 |

Source: State Statistics Committee

Unified Energy Systems of Russia produced 297.474 billion kilowatt-hours of electricity in the first half of the year, down 4.02% from 309.921 billion kilowatt-hours in the same period last year.

UES thermal power plants cut electricity production by 3.6% from 254.895 billion kilowatt-hours in the first half of 2001 to 245.764 billion kilowatt-hours in the first half of this year, hydroelectric plants produced 6% less (51.711 billion kilowatt-hours, compared with 55.027 billion kilowatt-hours in the same period last year.

UES enterprises cut the supply of heat to consumers by 5.1% from 263.823 million Gcal in the first half of 2001 to 250.371 million Gcal in the first half of this year.

The State Statistics Committee said that heat supplies to consumers in Russia in general dropped 2.46% in the first half of the year to 624.469 million Gcal from 641.246 million Gcal in the same period last year.

Electricity production and heat supplies dropped mainly due to the warm winter, which was 5 degrees warmer than last year and an increase in electricity production at nuclear power plants.

UES Chairman Anatoly Chubais said this points to new trends on the electricity market. Warm weather resulted in a slight drop in electricity consumption, while UES enterprises did not produce as much electricity.

Chubais attributed this to competition that UES enterprises were not ready for and thus lost some customers.

Irkutskenergo and Tatenergo are not part of Unified Energy Systems.

Irkutskenergo increased electricity production in the first half of the year by 7.7% year-on-year to 29.22 billion kilowatt-hours. Hydroelectric plants produced 11.4% more electricity year-on-year in the period, generating 25.29 billion kilowatt-hours, and thermal power plants produced 3.93 billion kilowatt-hours, 11.2% less.

Commercial electricity supplies increased by 12% to 23.4 billion kilowatt-hours and commercial supplies to the company's own consumers dropped by 3.6% to 20.08 billion kilowatt-hours.

Irkutskenergo produced 14.75 million Gcal of heat power, down 15% year-on-year, and commercial heat supplies dropped 15% to 14.19 million Gcal.

Irkutskenergo power plants have capacity for 12,880 megawatts, including hydroelectric capacity of 9,000 megawatts and thermal power plant capacity of 3,880 megawatts. Heat capacity totals 14,170 Gcal/hour.

Tatenergo produced 11.527 billion kilowatt-hours of electricity in the first half of the year, up 3%, from 11.296 billion kilowatt-hours.

Commercial heat supplies dropped to 15.604 million Gcal from 17.368 million Gcal.

RUSSIA: Joint venture construction plans for proposed long-stalled \$8,500,000,000 liquefied natural gas (LNG) project move ahead, ROYAL DUTCH/SHELL GROUP [Netherlands - UK], MITSUI & MITUSBISHI [Japan] - Order #: 097602.

01 September 2002

WWP-Report on Engineering Construction & Operations in the Developing World

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PROJECT OVERVIEW:

A consortium led by the ROYAL DUTCH/SHELL GROUP of the Netherlands-UK recently secured, after a 1-year negotiation process, approval for the development of the Sakhalin-2 liquefied natural gas (LNG) project. Construction plans under consideration call for building an LNG plant with an installed production capacity of 9.6 million tons per year.

The new facility, to be sited on southern Sakhalin Island, is expected to cost \$8,500,000,000 to build. As things currently stand, a final investment decision by the project partners is tentatively scheduled to be made by the end of 2002. As a result, the second phase of development is scheduled to begin some time in the year 2003.

The partners in the undertaking and their respective shareholdings include SHELL (55%) in conjunction with Japan-based MITSUI (25%) and MITUSBISHI (20%).

SHELL employs a total workforce of about 90,000 active in oil and natural gas exploration and production as well as the manufacture of chemicals, polymers and crop protection products. It also operates in the coal and metals industries. The group recently reorganized into 5 core businesses consisting of exploration and production, oil products, chemicals, gas and coal including power generation (made-up of the October 1997 merger of SHELL INTERNATIONAL GAS LTD. (SIG) and SHELL COAL PTY LTD.) and renewables.

MITSUI employs a total staff of about 10,300 and acts as general trading company that operates on a worldwide scale. The group is active in cement manufacturing, mining and nonferrous metals, steel, construction and engineering as well as machinery, energy and chemicals, finance and insurance, food, real estate, transportation and warehousing.

The company's construction subsidiary, MITSUI CONSTRUCTION CO. LTD., has a total employment of about 4,700 and is active as a general contractor, in architectural and civil engineering including industrial plant installations.

As they say "If you can eat it, watch it, listen to it or drive it MITSUBISHI CORP. makes it and, gathers the raw materials and produces the machines that get it made". The group employs a total labour force of approximately 11,000.

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RUSSIE-ENERGIE-REFORME - LES BANQUES RUSSE "ALFA-BANK" ET.

30 August 2002 12:34 GMT

ITAR-TASS French Language Service

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MOSCOU, 30 AOUT. ITAR-TASS. LES BANQUES RUSSE "ALFA-BANK" ET AMERICAINE "MERRILL LYNCH" ONT REMPORTE L'APPEL D'OFFRES, LANCE PAR LA SOCIETE NATIONALE D'ELECTRICITE "SYSTEMES ENERGETIQUES UNIFIES" (SEU) POUR DEVENIR LE CONSULTANT EN MATIERE D'INVESTISSEMENT AU COURS DE LA REFORME DE CETTE SOCIETE RUSSE.

14 IMPORTANTES BANQUES D'INVESTISSEMENT ET COMPAGNIES DE RUSSIE ET D'AUTRES PAYS, Y COMPRIS LA BANQUE ALLEMANDE "DEUTSCHE BANK" ET LES BANQUES RUSSES "RENAISSANCE CAPITAL" ET "TROIKA-DIALOGUE" AVAIENT REPONDU A CET APPEL D'OFFRES. PLUSIEURS GROUPES COMPRENANT DES BANQUES RUSSES ET ETRANGERES ONT PRIS PART EGALEMENT AU CONCOURS.

"NOTRE TACHE EST DE SERVIR DE PONT ENTRE LES MANAGERS DE SEU ET LES INVESTISSEURS", A DECLARE PETR AVEN, PRESIDENT D'"ALFA-BANK". "AUJOURD'HUI, LA SOCIETE SEU EST ENTOUREE D'UNE MULTITUDE DE PHOBIES, ON LA SOUPCONNE DE SORTIES D'ACTIFS, DE DUPER LES MINORITAIRES ETC. NOUS VOUDRIONS AIDER LES PARTIES A TROUVER UN LANGAGE COMMUN ET A FAIRE ATTEINDRE A CETTE SOCIETE DES INDICES EN MATIERE DE CAPITALISATION QU'ELLE MERITE".

"ALFA-BANK" A DEJA UNE EXPERIENCE DE COOPERATION AVEC SEU. ELLE A FAIT OFFICE DE CONSULTANT FINANCIER LORS DE LA VENTE PAR CETTE DERNIERE DE SON PREMIER ACTIF, A SAVOIR DE LA CENTRALE THERMIQUE DE SOLIKAMSK, EN AOUT DERNIER.

LA RUSSIE VEUT ENTRER SUR LE MARCHÉ MONDIAL DES TECHNOLOGIES.

29 August 2002 14:23 GMT

ITAR-TASS French Language Service
(c) ITAR-TASS 2002.

MOSCOU, 29 AOUT. ITAR-TASS. LES ATOMISTES ET LES PRODUCTEURS DE MATÉRIELS NUCLEAIRES RUSSES SONT PRÊTS À ENTRER SUR LE MARCHÉ MONDIAL DES TECHNOLOGIES NUCLEAIRES, A DÉCLARÉ, DANS UN ENTRETIEN AVEC UN CORRESPONDANT D'ITAR-TASS, LE DIRECTEUR GÉNÉRAL DE LA SOCIÉTÉ "ATOMSTROIEXPORT", VIKTOR KOZLOV. EN PREMIER LIEU, IL S'AGIT DE L'ORIENT, "CAR PERSONNE NE VEUT POUR LE MOMENT NOUS DONNER ACCÈS AUX MARCHÉS D'EUROPE OCCIDENTALE ET DES ÉTATS-UNIS", A-T-IL DIT. AUJOURD'HUI, "LE MONDE ENTIER SUIT DE PRES" CE QUE LA RUSSIE FAIT EN IRAN, EN CHINE ET EN INDE, ET "LA FUTURE PLACE DE LA RUSSIE SUR LE MARCHÉ DES TECHNOLOGIES NUCLEAIRES DÉPEND DE NOTRE CAPACITÉ DE CONSTRUIRE ET DE METTRE EN SERVICE DES CENTRALES NUCLEAIRES DANS CES TROIS PAYS", A INDIQUÉ M. KOZLOV.

LA CONSTRUCTION DE LA PREMIÈRE UNITÉ DE LA CENTRALE NUCLEAIRE DE KUDANKULAM EN INDE A COMMENCÉ LE 31 MARS 2002. SELON LE CALENDRIER DES TRAVAUX DE CONSTRUCTION, LE DEUXIÈME REACTEUR DE LA CENTRALE DOIT COMMENCER À FONCTIONNER "DOUZE MOIS APRÈS L'ENTRÉE EN SERVICE DE LA PREMIÈRE TRANCHE", APPREND-ON AUPRÈS DU SERVICE DE PRESSE DU MINISTÈRE RUSSE DE L'ÉNERGIE ATOMIQUE.

POUR L'INSTANT, TOUS LES DÉLAIS SONT STRICTEMENT RESPECTÉS, NOTAMMENT GRÂCE AU TRAVAIL CONCERTÉ DU COMITÉ DE COORDINATION DES DEUX PARTIES, QUI A RESOLU PLUSIEURS QUESTIONS DE PRINCIPE CONCERNANT LES GARANTIES DE BANQUE RUSSES, LES AVANCES SUR CONTRAT ET L'ACHÈVEMENT DES TRAVAUX D'ÉLABORATION DU PROJET TECHNIQUE", A ANNONCÉ LE DIRECTEUR GÉNÉRAL D' "ATOMSTROIEXPORT".

LA PARTIE INDIENNE S'EST RÉCEMMENT DÉCLARÉE PRÊTE À ÉTENDRE FORTEMENT LA COOPÉRATION EN MATIÈRE DE CONSTRUCTION DE LA CENTRALE NUCLEAIRE DE KUDANKULAM, DE FAÇON QUE QUATRE OU SIX REACTEURS (ET NON DEUX) "SOIENT CONSTRUITS AVEC LA PARTICIPATION D'ORGANISATIONS RUSSES ET EN ACCORDANT DES FACILITES À LA PARTIE RUSSE", A-T-ON COMMUNIQUÉ AUPRÈS DE LA SOCIÉTÉ.

LA VENTE D'UNE CENTRALE NUCLEAIRE PROCURE PLUSIEURS MILLIARDS DE DOLLARS ET CES FONDS SONT IMMÉDIATEMENT INVESTIS DANS DES USINES RUSSES DE MATÉRIELS ÉNERGETIQUES, QUI PASSENT DES COMMANDES À DES FABRIQUES DE MÉTAUX FERREUX ET NON FERREUX, À DES ENTREPRISES DE CONSTRUCTIONS ÉLECTRIQUES ET À DES BUREAUX D'ÉTUDES, CRÉANT AINSI DES CENTAINES D'EMPLOIS DANS DE NOMBREUSES RÉGIONS RUSSES. LA CONSTRUCTION PAR LA RUSSIE DE TROIS CENTRALES NUCLEAIRES À L'ÉTRANGER GARANTIRA LA RENAISSANCE DE LA PRODUCTION DE MATÉRIELS NUCLEAIRES EN RUSSIE ET PROUVERA QUE MOSCOU DEVIENT UN ACTEUR SÉRIeux SUR LE MARCHÉ MONDIAL DES TECHNOLOGIES NUCLEAIRES.

RUSSIAN ALUMINUM MAY TAKE PART IN COMPLETION OF CONSTRUCTION OF BUREYSKAYA HYDRO POWER STATION.

28 August 2002

Russian Business Monitor

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Russian Aluminum is actively interested in large energy objects in Siberia and Far East. Last week, CEO of RAO EES Rossii Anatoly Chubais announced that Russian Aluminum might take part in construction of the Bureyskaya hydro power station (Amur Region). In July 2002, Russian Aluminum and RAO EES signed an agreement on participation of the aluminum company in completion of construction of another large station, the Boguchanskaya hydro power station. Reference: Vedomosti, August 26, 2002.

U.S. EXPERTS EXPRESS INTEREST IN RUSSIAN NUCLEAR ENERGY TECHNOLOGIES.

21 August 2002 14:49 GMT

Daily News Bulletin

(c) 2002 by Interfax International, Ltd

MOSCOW. Aug 21 (Interfax) - Russia's latest nuclear energy technologies are drawing U.S. specialists' attention, Atomic Energy Minister Alexander Rumyantsev has said.

Both the United States and Russia "realize that the main uranium deposits will have been exhausted in the second half of this century. Fuel for nuclear power plants will last for a maximum of a hundred years. To meet mankind's needs, regenerated uranium, as well as weapons-grade and energy plutonium, should be applied in global power [generation]. Reactors based on depleted materials should be used," Rumyantsev said in an interview with Krasnaya Zvezda newspaper.

Fast-neutron and high-temperature nuclear reactors with cooling facilities are the technologies of the future, he said.

Rosenergoatom reports investment plans.

20 August 2002

News

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An optimistic variant of the Rosenergoatom concern's investment program envisages investments totaling more than 30bn rubles (\$952m) in 2003. Currently the Russian government is considering the company's budget, the press service of the concern reported. The implementation of the optimistic variant will enable the company to put into operation the third power generating unit of the Kalinin nuclear power station in 2003, the fifth unit of the Kursk nuclear power station in 2004, the fifth unit of the Balakovo nuclear power station in 2005 and the second power unit of the Volgodonsk nuclear power station in 2005 to 2006.

According to Rosenergoatom's budget, some 19.8bn rubles (\$629m) in investments are planned for this year. The implementation of current investment projects is in line with the schedule. However, there is a minor gap in financing the construction of the third power generating unit of the Kalinin nuclear power station due a conflict between Rosenergoatom and the Neftyanoy bank about control over the Sevzapatomenergostroy company. This gap is to be eliminated by the end of August. Some 200m rubles (\$6.35m) are planned to be allocated for the construction of the station's third unit in the third quarter of 2002.

Moreover, on September 4, 2002 Rosenergoatom plans to announce the main parameters of its budget and investment program for 2003, the company reported.

RUSSIAN-LED CONSORTIUM WINS TENDER TO RENOVATE SERBIA HYDRO PLANT.

20 August 2002 14:23 GMT

Weekly Business Report
(c) 2002 by Interfax International, Ltd

A consortium led by Russia's Energomashexport - Silovye mashiny, the head company of the Silovye mashiny or Power Machines concern, has won a tender for the right to renovate the Djerdap-1 hydroelectric power plant in Serbia.

Silovye mashiny said in a news release that in addition to renovating the hydro plant, the consortium would increase the plant's capacity from 171 megawatts to 190 megawatts over a period of 88 months at a cost of roughly \$100 million.

Yugoslavia's government called the tender more than 18 months ago. Originally, six companies planned to bid: Russia's Energomashexport and Tekhnopromexport, plus Alstom Power, VA Tech Hydro, Voith Siemens Hydro and Litostroj. In the end, Energomashexport, leader of a consortium which besides Silovye mashiny includes some Yugoslav firms; Tekhnopromexport and Alstom Power bid.

The Energomashexport consortium was selected because it possessed the necessary expertise and can have equipment manufactured at the Elektrosila plant and Leningrad Metals Plant in St. Petersburg and at specialized factories in Yugoslavia.

Up to a fifth of the work will be subcontracted to local firms.

Energomashexport and the head company of Silovye mashiny

amalgamated at the start of this year. Silovye mashiny itself comprises the Leningrad Metal Works, Elektrosila, Turbine Blade Works, Kaluga Turbine Plant and Energomash - Silovye mashiny.

The Djerdap-1 hydro plant was built in 1970-1972 and fitted with equipment made by the factories that currently make up Silovye mashiny

Statistics Committee reports data on energy output.

15 August 2002
News
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In January-July 2002 504bn kW/hour in electric energy were generated in Russia, a decrease of 1.4 percent from the figure posted in the similar period of 2001, the State Statistics Committee reported. The volume of heating energy generated in Russia in January-July 2002 was 669m GCal, a decrease of 2.5 percent from the figure reported in the similar period of last year. The total volume of generated electric energy was 1.4 percent lower, while the volume of generated heating energy - 2.4 percent lower than the figure of July 2001.

Investment biddings on TETSs building to be held in IVQ.

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AK&M (Russia)
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The investment biddings to sell under-building North Western TETS and fourth stage of Saranskaya TETS-2 are set to be held in IV quarter 2002, UES informed.

The building of the second stage demands \$133m of investments; the forth - 600m rub.

ROSENERGOATOM Investment Program.

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Novecon
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According to ROSENERGOATOM concern president Oleg Sarayev, the investment component accounts for 40% of their energy supply rate.

The concern's investment program provides for raising the safety of existing power units, extending service life of first generation power units and finishing building power units with a high degree of project readiness.

Extending service life of first generation power units until 2005 will be equivalent to building new nuclear power units with an aggregate capacity of 3,200 Mw. Service life is to be extended for power unit No. 4 of the Novovoronezh Nuclear Power Plant, power unit No. 1 of the Leningrad Nuclear Power Plant, power unit No. 1 of the Kursk Nuclear Power Plant and power units No. 1 and 2 of the Kola Nuclear Power Plant. Service life extension costs will not exceed \$170 per Kw of available capacity. For the sake of comparison, new power unit construction costs stand at about \$850 per Kw of available capacity.

ROSENERGOATOM intends to boost available capacity use coefficient to 80% at the existing nuclear power plants by 2005-2006. This year's target is 73%.

Source: ROSENERGOATOM CONCERN PRESS SERVICE, August 13, 2002.

ASSET SALE OF RAO EES BEGAN.

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Russian Business Monitor
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RAO EES Rossii started selling out assets. Results of the first auction for sale of the Solikamsk thermal power station (Perm Region) belonging to RAO EES were announced on August 8. Like it had been expected, Solikamskbumprom, the main consumer of the station's energy, bought the station for \$14 million.

The Solikamsk thermal power station was estimated at \$11.95 million. Capacity of the station is 110 MW. It was put into operation in 1940. The main consumers of thermal and electric energy generated by the station are local Solikamskbumprom and Solikamsk-based Ural plant. Solikamskbumprom is one of Russia's largest producers of paper for newspapers and Ural produces chemicals for plants of the military industrial complex. These companies took part in the auction.

David Hern, Managing Director of Brunswick Capital Management and member of the Board of Directors of RAO EES, noted that the buyer purchased the station at a price of \$130 per 1 kilowatt of capacity. In RAO EES as a whole 1 kilowatt of capacity costs about \$50 according to the current capitalization of the company.

The Solikamsk station is the first in the line of stations to be sold. Assets of RAO EES should be sold more actively, because the plan of the energy reform says that the state will cease being a co-owner of energy generating facilities. The Solikamsk station is the first station sold at an auction with the terms specifically approved by the Board of Directors of RAO EES. The Board of Directors also approved terms of investment tenders for the unfinished Northwestern thermal power station (Leningrad Region) and the fourth unit of the Saransk TETS-2 (Mordovia). To complete construction of the second part of the Northwestern thermal power station with capacity of 450 MW the company needs to find \$133 million (\$617 million is already invested in the station). RAO EES offers that a strategic investor can buy out the blocking stake in the station (the starting price is set at \$49.2 million). The investor will also receive an option for buying out of another 25% stake. The cost of the fourth part of the Saransk TETS-2 is estimated at 1.5 billion rubles. To finish its construction RAO EES needs 500-600 million rubles. The unfinished unit will be reorganized into a separate legal entity and offered for sale. The starting price of 100% of shares will be 539 million rubles. Not a single one of these tenders was announced officially yet.

Reference: Vedomosti, August 09, 2002.

TYUMENENERGO CONTINUES POWER PLANT UPGRADE.

08 August 2002 14:06 GMT

Russian Company News
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Tyumenenergo has invested over 639 million rubles in the reconstruction of Tyumen heat and power plant No. 1 (TETS-1) since the start of the year. Total investments should reach 4.069 billion rubles over the next few years.

The steam-gas installation under construction with 220 megawatt capacity is Russia's second biggest after the Northwestern TETs in St Petersburg. The station's first generator should be launched at the end of 2003.

Following reconstruction of the thermal energy station the company hopes to cut costs and up the profit margin to 14%.

Tyumen TETS-1 was built in 1960. In 1996 the company decided to reconstruct the station using advanced technology, modern steam-gas equipment and automated process management systems. FIA.