



Business FOCUS

The  St. Petersburg Times

Two Russians and American Win Prize

By Sophia Kornienko
STAFF WRITER

Created by Nobel Prize winner Zhores Alfyorov in 2002 and annually sponsored by energy companies Yukos, UES and Gazprom, the Global Energy international prize was awarded for the second time Sunday.

Three nuclear scientists — one American and two Russians — shared the \$900,000 prize presented to them by Prime Minister Mikhail Fradkov at the Konstantine Palace in Strelna. Meanwhile, the scientists expressed concerns about little funding being allocated for nuclear research.

Komerssant Rating rated The Global Energy Prize fourth after the Nobel Prize, Rene de Cart Prize and the international King Feisal Prize. This year two members of the Russian Academy of Science, Fyodor Mitenkov and Alexander Sheindlin, and Professor Leonard Koch from the U.S. were awarded for their fundamental research aimed to save the

sent, fast reactors are no cheaper than water reactors, he said.

Russians built two fast reactors — BN-300 in Kazakhstan and BN-600 in Beloyarsk in the Ural Mountains — both based on Mitenkov's research. A more progressive BN-800 reactor is currently under construction in Beloyarsk as well.

International involvement should be expanded in Beloyarsk to prevent unexpected halts or the possible lack of financing on the Russian part, Koch said, as long-term projects in Russia remain at risk due to the remaining unpredictable character of the country's economy.

"I am concerned whether the construction of BN-800 is going to receive stable financing," said Alfyorov at a news conference Saturday. Considering the funds taken up by water reactors, more attention should be given to fast reactors, which demand only a 15-percent addition in capital investments, he said.

Besides Russian energy giants



ITAR-TASS/REUTERS

Peace Drink

PepsiCo founder Donald M. Kendall was awarded the Order of Friendship on Monday for his contribution to Russian-American relations with Pepsi-Cola's 1972 entrance into the Soviet market.

State Asks \$1.9Bln for Lukoil

energy crisis," expected to arrive in 50 years and to show its first signs in 25 years.

"I don't want to diminish the value of the awards I have been given in the past, but this one will be most appreciated in my family," Sheindlin said, adding that the award had come as a surprise.

Sheindlin had been researching thermodynamic qualities of water and water steam for 65 years. It was thanks to Sheindlin's work that the field reached a virtual breakthrough last year with research results that allowed most heat energy power plants to increase their efficiency by 15 percent and helped to save primary energy resources.

Mitenkov and Koch, who both have some 50 years of nuclear research behind them, specialize in fast reactors — the technology allowing repeated use of nuclear fuel, recycled in the process of work. Fast reactors are unanimously acclaimed as a safer and more efficient technology than water reactors, commonly used today.

EBR-2 operating in the U.S. was created by Koch several decades ago and became the world's first nuclear reactor to work without producing nuclear waste: the waste was immediately recycled and fed into the reactor as part of a continuous cycle.

"Unfortunately, no new reactors of the type have been built in the U.S. since, people's attitude being 'we don't need it yet,'" Koch, now retired, explained in an interview Saturday.

Businessmen in the U.S. don't like thinking long term, and at pre-

'Nuclear power is not in a competition with gas and oil; it is more of a supplement,' Leonard Koch said.

award is supported by such companies as Royal Dutch Shell and Excel, said President Putin's aide Sergey Yastzhembsky. This weekend's award ceremony at Putin's residence in Strelna united quite a powerful group in funding the prize, including the new head of Yukos Semion Kukes, president of Gazprom Alexei Miller and Anatoly Chubais, head of UES.

"Nuclear power is not really in a competition with gas and oil. It is more of a supplemental resource," Koch said, when asked why oil and gas leaders supported fast reactors. It is also the resource of the future, for "nuclear power is a friend of the environment," he added. "Uranium used in fast reactors is cheap already.

The new technology is going to be most rewarding once we learn how to recycle fuel inexpensively," Koch said.

There is enough uranium in the world to last for 200 years, according to conservative calculations, Koch said. Recent studies proved there is even more of that material available than previously estimated, he added. "I hope the Global Energy Prize will attract more attention to fast reactor research," Koch said.

"Fast reactors are liquid metal cooled. This makes them very different from water reactors that operate at very high pressure," Koch said. "In water reactors, if there is a leak anywhere, the water is pushed out with great force. Fast reactors have smaller probability of leaks for there is no pressure," Koch explained.

Chernobyl was a water reactor, Koch said.

REUTERS

MOSCOW — Russia is likely to sell its remaining 7.6 percent stake in oil major Lukoil this fall and might postpone other sell-offs if the sale of Lukoil is successful, a government official said Monday.

Deputy Economic Development and Trade Minister Andrei Sharonov said in an interview that if the state were able to raise \$1.9 billion from Lukoil, it might not want to sell steel major Magnitogorsk or telecoms giant Svyazinvest as soon as this year.

"If Lukoil is sold successfully, all other companies are likely to be sold next year or very late this year so the revenues are included in next year's budget," he said.

Lukoil is one of Russia's most liquid stocks, and analysts believe up to 50 percent of the shares are traded freely in Russia and abroad. Lukoil management is believed to control more than 30 percent of the firm.

"I think Lukoil will be sold out this year because the market situation is cur-

view of the firm's market capitalization," said Sharonov.

"I think it won't happen earlier than this autumn because investors' and funds' activity dries up during the summer holidays," he said.

Market players speculate that management may propose combining the sale of state shares with that of a management-owned package to offer an international oil major, possibly U.S. ConocoPhillips, a bigger stake.

In 2002, Russia sold 5.9 percent of Lukoil through an issue of depositary receipts in London, raising \$775 million or \$15.50 a share.

Russian stocks have since rallied, driven by high oil prices. Lukoil traded at \$28.80 on the RTS exchange on Monday, up roughly a quarter so far this year.

The government had slated for sale this year a package of around 18 percent in steel giant Magnitogorsk Iron and Steel Works and a 25 percent stake out of its 75 percent ownership of telecoms group Svyazinvest.

tween \$250 million and \$500 million for Magnitogorsk, whose remaining shares are controlled by its management, which is seen as the most likely buyer.

Holding company Sistema, which controls Russia's largest mobile operator MTS, has said it was interested in Svyazinvest, which controls seven regional fixed-line carriers and long-distance monopoly Rostelekom.

The state sold 25 percent in Svyazinvest in 1997 to a consortium led by financier George Soros for \$1.9 billion, which agreed to pay the huge price in hopes that more shares would be privatized soon.

Soros sold out to Russian businessman Len Blavatnik for \$625 million earlier this year after calling Svyazinvest his worst ever investment.

Blavatnik, who with his partners sold 50 percent in Russia's third-largest oil company, TNK, to British giant BP last year for over \$7 billion, is expected to bid aggressively at a privatization auction.

High Risks Stop German Company

REUTERS

MOSCOW — German utility E.ON, previously keen to invest in Russia, decided against participating in a key project in the country due to high risks and inefficient markets, a senior Russian official said on Monday.

Last year, E.ON and power monopoly UES signed an agreement that, among other things, paved the way for joint development of the Shchekinskaya power plant in central Russia.

But Deputy Economic Development and Trade Minister Andrei Sharonov said in an interview that E.ON had lost all enthusiasm.

"Many investors tell us the situation here is unclear, that reforms haven't been finished, that pricing policies are ambiguous," he said.

"This all generates high risks, and that leads to a situation whereby investors cool down and back off.

"E.ON is an example. They were previously interested in the Shchekinskaya power plant. They came to see it several times, to check things out. But they've finally decided against it."

E.ON was not immediately available for comment.

The investment climate in Russia has also been damaged after Mikhail Khodorkovsky, top shareholder of oil company Yukos, was arrested last October and put on trial for fraud and tax evasion. He could go to jail for 10 years if convicted.

Yukos also faces a \$3.4 billion tax claim which it says could force it into bankruptcy.

E.ON had said it was examining growth opportunities in gas production and power generation in Russia to reduce dependence on other producers and secure supply for downstream customers. The 450 million euro (\$544 million) Shchekinskaya project included construction of two 400-megawatt turbines by 2008.

E.ON also holds a 6.43 percent stake in gas monopoly Gazprom.

Sharonov said much more needed to be done in the Russian energy sector to attract, or at least not to scare off, investors.

"There are many mechanisms, but the best mechanism is a mechanism that is based on attractive energy prices, which can only happen in a free market," he said.