



RENOVA ENTERS INTO THE ALTERNATIVE ENERGY MARKET OF EUROPE

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The Renova group of Victor Vekselberg starts entering the market of alternative energy in Europe, being fundamentally a new enterprise for it. The group already registered the **Avelar Energy** company in Switzerland and closed the deal for the acquisition of Italian energy trader Energetic Source. In five years, Renova is going to invest over \$1 billion in production of wind, solar and bio energy. Industry experts consider the project headed by top manager of Renova, Igor Akhmerov, to be promising because after the gas war between Gazprom and the Ukraine, the European Union has increased support of alternative energy sources.

The Financial Director of Renova was replaced recently. Former Vice President of SUAL for finance, Iosif Bakaleinik, took the place of Igor Akhmerov. Akhmerov became junior partner of shareholders of Renova headed by Victor Vekselberg in a new company for the production and sale of energy from renewable sources in Europe. In December of 2006, they registered **Avelar Energy** Ltd in Zurich (Switzerland). The authorized goals of the company are "acquisitions in production and trade in electricity and in the gas sector."

Italian Energetic Source SPA (ES) became the first asset of **Avelar Energy**. Its acquisition was accomplished in February. According to mass media, 80% of ES shares were purchased from Nazionale Fiduciaria and a 20% stake was purchased from Societa Camuna di Partecipazioni.

ES is one of the ten largest energy traders in Italy. It sells about 300 million cubic meters of methane and 4 billion kilowatt-hours of electric energy a year. The annual revenue of ES amounts to about EUR500 million and gas sales account for 20% of it.

Representatives of Renova confirmed information about the deal. For example, ES owns a 35% in the wind generating company Bento Energia. Andrei Shtorkh, official spokesperson for Renova, explains that in three to five years **Avelar Energy** plans to organize the production of solar, wind and bio energy in Italy. Shtorkh adds, "We are going to invest more than \$1 billion in the creation of alternative kinds of energy sources with capacities of 1,000 MW and the construction of generating stations." For example, for the organization of solar batteries production, Renova is going to use the know-how of the Swiss company Oerlikon (about 13% of its shares belong to Renova). In the future, **Avelar Energy** plans to enter into the markets of Germany and Southern Europe.

Renova is not the first Russian company that has decided to invest in alternative energy. After division of assets, Mikhail Prokhorov, partner of Vladimir Potanin in Interros, will receive a 35% stake in American Plug Power producing equipment for hydrogen energy and acquired in 2006. According to Prokhorov, in 2008 the company will start a hydrogen project and will invest about \$600 million in it. He presumes that in the future hydrogen energy will account for about 20% of the global energy balance.

Experts consider investments of Renova in alternative energy in Europe to be quite justified. In 2001, the European Union adopted a directive which, by 2010, the share of alternative energy in the overall consumption on the territory of the European Union should amount to 21%. After the gas war of Gazprom with the Ukraine in early 2006, the European Union started paying special attention to increase of the share of renewable energy in the overall European energy balance. Anatoly Kopylov, advisor to the CEO of HydroOGK, explains, "The production of energy from renewable sources is one of the most rapidly growing markets in the European Union. In the last 20 years, the growth of wind generation amounts to 25% a year." Analyst Dmitry Tsaregorodtsev of FIM Securities agrees, "The idea is very progressive. If the 20% level is achieved in the European Union, growth will be huge." According to Tsaregorodtsev, "Now there is no pan-European leader on the market of alternative energy and there is a guaranteed demand encouraged by the state." Kopylov remarks that "although there are no enormous profits in this sector it is possible to earn well, receiving 10-20% of net profit." Kopylov also says that in Europe alternative energy producers enjoy state support.

Representatives of Renova say that in the future, they are going to work in wind and solar energy generation in Russia. Experts say that currently this is not justified. According to Kopylov, alternative sources account for about 1% of the overall energy production in Russia without taking into account of large hydro power stations. In the European Union this share amounted to 6.38% in 2005. The reason is the absence of state support. In any case, the situation may change in a few years. According to Kopylov, a bill on renewable energy sources was already submitted to the Duma. The bill makes provisions for the implementation of a premium to the market price and other state support measures.

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