

Pregled ruskega trga 6. april 2022

I. Russia's sovereign debt

Prospects for external debt payments

According to the Central Bank of Russia, at the beginning of 2022, the total external debt of Russian government did not exceed US\$ 63 billion, excluding bonds of state companies. Russia planned to service its sovereign debt from foreign exchange reserves frozen on the US accounts. In mid-March, the Central Bank of Russia successfully carried out the same operation, despite the sanctions. On April 4, 2022, Russia was supposed to make regular payments on two Eurobonds totalling more than US\$ 600 million. However, the US Treasury banned JP Morgan's correspondent bank from processing payments. Now Russia has 30 days to make a payment, after which a default will occur on formal grounds.

The options that Moscow has today are: to take the required amount from current export earnings, pay in rubles, or refuse to pay. According to analysts, Russia would still prefer to keep the remaining dollar reserves and make the payment in rubles, or not at all. Both these scenarios would be considered by the West as a default. As a result, the problem with two bonds might lead to a violation of the agreement on other securities and the so-called cross-default. A full-fledged default could trigger the process of confiscation not only of Russian state assets abroad, but also the goods exported by the country.

In this regard, Russian media refer to a being considered initiative, according to which the function of a single paying agent for Russia's external obligations, including for corporate issuers, can be transferred to the Central Bank of Russia. In that case, the regulator will give instructions for making payments instead of the debt issuer. The debt payments to foreign creditors from "unfriendly" countries will be carried out on the condition of unblocking the Central Bank's reserves.

Source: <https://www.vedomosti.ru/finance/news/2022/04/06/916819-ssha-zastavili-rossiyu-vibirat>
<https://ria.ru/20220406/obyazatelstva-1782006070.html>
<https://www.kommersant.ru/doc/5294606>
<https://tass.ru/ekonomika/14293617>

II. Banking sector

Russian Finance Ministry predicted the volume of additional oil and gas revenues in April 2022

The expected volume of additional oil and gas revenues of the federal budget, associated with the excess of the actual oil price over the base level, is projected in April 2022 in the amount of 798.4 billion rubles, according to a statement on the website of the Ministry of Finance.

With additional income from the high cost of oil (in 2022, the cut-off bar is at the level of US\$ 44.2 per barrel), the Ministry of Finance buys foreign currency and gold for the National Welfare Fund. However, on January 24, 2022, against the backdrop of

increased volatility, the regulator suspended purchases of foreign currency on the domestic market as part of the budget rule.

Sources: <https://expert.ru/2022/04/5/minfin-sprognoziroval-obyem-dopolnitelnykh-neftegazovykh-dokhodov-v-aprele/>
<https://minfin.gov.ru>

US will tighten sanctions against Sberbank and Alfa-Bank

The Biden administration is preparing to impose a second round of sanctions on Russia this week, including on two of its biggest banks and on two daughters of Russian President Vladimir Putin, US officials said. The sanctions, which could be announced on April 6, 2022, are expected to be imposed on Sberbank, Russia's largest bank, and Alfa Bank, one of Russia's top private lenders, the officials said. The sanctions on Sberbank follow an US decision to forbid US banks from acting as correspondent banks to it, essentially shutting it down from US dollar access. The new measures would block any US citizens or entities from engaging in any transactions with the bank, the officials said.

Source: <https://www.vedomosti.ru/economics/news/2022/04/06/916818-sanktsii-protiv-sberbanka-i-alfa-banka>
<https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-04-05>

III. Foreign trade and commodity markets

Russia to extend fertilizer export quotas to support spring planting in 2023

Russia will extend licensing of fertilizer exports until the end of 2022 so as to support domestic farmers, the Russian Agriculture Ministry reported. In this regard, Deputy Prime Minister Viktoria Abramchenko said on her Telegram channel that current export quotas for fertilizers will be extended "for the next winter and spring planting of the 22/23 agricultural year." The Russian government introduced export quotas for nitrogen fertilizers and complex fertilizers containing nitrogen on December 1, 2021, as a measure to curb the growth of food prices. Exporters must get a license from the Russian Industry and Trade Ministry to ship fertilizer to foreign markets.

Source: <https://interfax.com/newsroom/top-stories/77841/>

Russian Agriculture Ministry instructed to create an irreducible reserve of grain and sugar

Russian Agriculture Ministry instructed the United Grain Company JSC (UGC, the state grain operator) to create an irreducible reserve of grain and sugar in the intervention fund until 2024. Stocks of grain should amount to 3 million tons, sugar - 250 thousand tons.

Source: https://www.kommersant.ru/doc/5294477?from=top_main_10

Gazprom recalled own managers and brand from Gazprom Germania assets

Gazprom recalled its own managers and brand from Gazprom Germania assets. "Gazprom Germania GmbH, its subsidiaries, including Gazprom Marketing & Trading Ltd., as well as investment assets must stop using the trademarks of "Gazprom",

including in the names and corporate symbols, in order to avoid further identification of their activities with the Gazprom group. The Gazprom group also withdraws its representatives from the management bodies of GAZPROM Germania GmbH, companies under its control and investment assets," the company said in a statement.

Gazprom said last week that it no longer controlled Gazprom Germania and all of its assets, including distributor Wingas/WIEE and storage facility operator Astora. The authority to manage the assets of Gazprom Germania GmbH is limited and subject to approval by the Federal Grid Agency.

Source: <https://interfax.com/newsroom/top-stories/77830/>

IV. Russian market related developments

Russian Energy Ministry proposes to postpone the green generation tenders until 2024

The Russian Energy Ministry proposes to shift the selection of projects for the green generation construction for autumn 2022, by 1.5 years. This was announced on April 5, 2022, on the sidelines of the Vedomosti conference "Russian Energy: Industry Restart" by Russian Deputy Energy Minister Pavel Snikkars.

Competitive selection of projects for the construction of renewable energy generation, which includes wind power plants, solar power plants, and small hydropower plants, is carried out as part of the state program to support green generation. It provides for the conclusion of capacity supply agreements (NSA) with investors. The CSAs guarantee to the investor a fixed income due to increased payments from the wholesale energy market.

The first CSA programme is designed for 2014-2024; the selection of projects has already passed. Until 2024, the installed capacity for generation of 5.4 GW will be introduced under the program. The first selections under the new program for 2025-2035 were held in the fall of 2021 and showed a record reduction in the investor's cost, especially for wind farms. By 2035, the capacity of green generation could potentially reach 12 GW in Russia. However, at the end of 2021, the share of renewable energy sources in electricity generation in Russia still remains insignificant - about 0.5%, or 5.9 billion kWh. The share in terms of installed capacity is slightly higher, but it does not exceed 2% (as of January 1, 2022 - about 4 GW).

Source: <https://www.vedomosti.ru/business/articles/2022/04/05/916805-minenergo-zelenoi-generatsii>

Russian Government support measures to agricultural sector

On April 5, 2022, President Putin announced five measures to support the agricultural sector. The government will allocate additional 153 billion roubles to extend beneficial short-term and long-term loans to agricultural producers. Russian agricultural producers should have a priority in receiving fertilizers. There is no system for issuing export licenses for fertilizers, but the government will discuss the

issue in the nearest future. 5 billion roubles will be allocated to increase the production of seeds. The government will provide additional financing to expand the production of agricultural machinery.

Source: <https://interfax.com/newsroom/top-stories/77827/>

Simplified procedure for state registration of medical devices

Russian Government is launching a special credit program to support systemic enterprises of the fuel and energy industry

The enterprises of the fuel and energy industry will be able to receive loans at a preferential rate to support current activities. The corresponding decree was signed by the Prime Minister Mikhail Mishustin.

Source: <http://government.ru/news/45049/>

Russia turns to China for microchips for in-demand domestic bank cards

Moscow City Government allocated 1 billion rubles for the creation of fast food chains

The Moscow City Government allocated the second tranche of 500 million rubles for grants to entrepreneurs to create fast food chains in the city. The corresponding resolution was signed by Moscow Mayor Sergei Sobyenin. The total amount of financing reached 1 billion rubles.

Source: https://www.kommersant.ru/doc/5294628?from=top_main_6

List of companies that have announced to either fully or to some extent stop or suspend their operations in Russia: <https://www.kommersant.ru/doc/5240137>

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