

SATURN AND GENERAL ELECTRIC DELAY A JOINT VENTURE

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Russia's research and production company Saturn and US' General Electric (GE) did not launch a joint venture to produce gas turbines despite they signed a contract in 2006. The companies announced that the project is delayed not saying for how long.

The joint venture was supposed to make mid and high capacity gas turbines (40 to 150 MWt) in Russia. Saturn even considered an option of selling its stake in the company in exchange for technology because Russia does not have high-quality, competitively priced engineering solutions in this sector.

At the point when the contract was signed, prospects of the joint venture looked fine: the Russian economy saw a robust growth, RAO UES, not restructured at the time, unveiled a new technical upgrade plan, and oil and gas companies (major potential buyers), enjoying favorable economic conditions, started to plan production modernization and enhancement.

However, the decision to suspend the plant project was predictable. The global financial crisis caused an economic recession, which, in its turn, resulted in a decrease in energy use as well as cuts of corporate development and modernization funds. In other words, a \$100 million joint venture could face lack of demand both in Russia and abroad.

The gas turbine plant project has been just delayed, not cancelled. Talks will be furthered after the crisis is over, and, most likely, the plant will be set up in Russia because it does not produce this type of turbines but sees high domestic demand for them.

With 20% assembly localization (to be increased to 80%), the company will produce gas turbines 20 to 30% cheaper than GE Energy. In future, the plant will be able to meet the domestic needs for such turbines, all the more so because Russia has positive experience: localization of Siemens licensed turbine assembly is 60% at this point.

Saturn makes 2.MWt, 6 MWt, 8 MWt, and 110 MWt gas turbines.

Power Machines Ltd. makes 160 MWt (under a Siemens license) and 285 MWt (being launched, under a Siemens license) gas turbines.