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Hayward to 'Get His Life Back' in Russia

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From left, Hayward, chairman Carl-Henirc Svanberg and Dudley on Tuesday.

Former TNK-BP chief Robert Dudley, forced from the post in 2008, will take the helm at BP in October, while outgoing CEO Tony Hayward will be nominated for a board seat at Russia's third-largest oil producer, BP said Tuesday.

Both the Russian and British shareholders in TNK-BP said Tuesday that Dudley's appointment would not rekindle their high-profile dispute.

TNK-BP's Russian owners repeatedly accused Dudley of acting in BP's interests during his time as CEO, while BP said its billionaire partners were using ties with the government to take control of the 50-50 joint venture.

"We fully welcome Mr. Dudley's appointment as head of BP. ... We had some tension but it was not personal, rather it was related to some disagreements in approach on the shareholders' level," TNK-BP executive director German Khan, one of the four Russian owners, told reporters Tuesday.

He also cheered the prospect of Hayward joining TNK-BP's board as a nonexecutive director.

"He is a highly qualified specialist and has fallen victim to subjective circumstances. But he has serious potential, and we will welcome his work in the board," Khan said.

The U.S.-born Dudley — who led TNK-BP from its creation in 2003 — said he did not expect his promotion to hurt the British company's interests in Russia.

“I worked in Russia for five and a half years with TNK-BP and was part of building the company with [the Russian owners]," Dudley said on a conference call, Bloomberg reported. “I left with the governance dispute. I’ve remained in contact with them; the relationships were very professional. I don’t expect that will cause any issues for us.”

Deputy Prime Minister Igor Sechin, the country's top energy official, also welcomed Dudley in his new role at BP, where he is currently leading the oil spill cleanup effort in the Gulf of Mexico as managing director.

"We have developed good and warm relations during [Dudley's] time in Russia. He knows the Russian market well," Sechin said through a spokesman, Reuters reported.

Sechin created an uproar last month, saying he knew that BP would replace Hayward — two hours before the two met for closed-door talks in Moscow. BP strongly defended their CEO until Tuesday's announcement, which BP and Hayward said was mutually agreed upon to help the company move forward.

"Nothing will change in the relationship between BP and TNK-BP with Dudley's appointment," VTB Capital analyst Svetlana Grizan said.

"The head of BP is not involved in organizational questions, and he has too much on his plate already. The conflict with AAR was resolved two years ago," she said.

Hayward was a vocal supporter of former BP executive Dudley during his time at TNK-BP, while the consortium of Russian owners, known as AAR, accused him of favoring the British shareholder's interests.

“AAR wants to tear up the agreement they made with us. We are not going to be intimidated by their strong-arm tactics,” Hayward said in 2008.

AAR comprises Mikhail Fridman and German Khan's Alfa Group, Len Blavatnik's Access Industries and Viktor Vekselberg's Renova Group.

The consortium's chief executive, Stan Polovets, said AAR was happy to have Hayward join TNK-BP's board, but he ruled out any larger role.

"TNK-BP's board has made a decision to appoint Maxim Barsky as CEO effective Jan. 1, 2011," Polovets said. "We don't have any plans to reconsider this decision."

Barsky, a former executive at midsized Russian oil company West Siberian Resources, was selected as a compromise CEO in November. He joined TNK-BP in June 2009 as a vice president for strategy.

Hayward's appointment to TNK-BP's board does not require his presence in Russia, but he and Dudley are planning to meet with business partners and government authorities here soon, Moscow-based BP spokesman Vladimir Buyanov said Tuesday, Bloomberg reported.

"Mr. Hayward was already on the board of directors at TNK-BP once, so he already had experience with Russia," London-based BP spokesman Tony Odone told The Moscow Times. "He will bring a wealth of experience and contacts along with big knowledge of the industry."

TNK-BP represents one-fourth of BP's output, and the British oil giant has said repeatedly that it is not among the $30 billion in assets it will sell to fund cleanup operations in the United States.

Khan reiterated on Tuesday that BP had no plans to sell its stake in the joint venture, which fellow shareholder Vekselberg has referred to as a "diamond" in BP's portfolio.

Hayward will remain on BP's board until Nov. 30, working with Dudley until he transitions into his new role, the company said.

"The BP board is deeply saddened to lose a CEO whose success over some three years in driving the performance of the company was so widely and deservedly admired," BP chairman Carl-Henric Svanberg said in a statement.

The executive was widely panned in the U.S. media for saying he wanted "his life back" as BP continued to struggle to plug its gushing oil well.

An explosion at the company's Macondo well on April 20 killed 11 people and created a spill that has sent as much as 60,000 barrels per day into the gulf.

BP has created a $20 billion compensation fund and said Tuesday that it lost a record $17 billion in the second quarter as it set aside more than $32 billion to cover costs related to the spill.

"The Gulf of Mexico explosion was a terrible tragedy for which — as the man in charge of BP when it happened — I will always feel a deep responsibility, regardless of where blame is ultimately found to lie," Hayward said in a statement.

Separately, TNK-BP reported Tuesday that net income fell to $1.16 billion in the first half, down from $1.27 billion a year earlier, despite 29 percent growth in sales over the period.

“Our financial performance remains strong despite a challenging cost environment, particularly relating to growing transportation and energy tariffs,” Fridman, TNK-BP interim chief executive, said in a statement.

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