

Billionaires Take BP Deal to Court

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Mounting a rare challenge to a government-backed deal, the Russian billionaire co-owners of TNK-BP said Thursday that they were seeking a court order to suspend a multibillion-dollar agreement between BP and state-owned Rosneft.

Prime Minister Vladimir Putin threw his support behind BP's alliance with Rosneft when it was announced earlier this month, while President Dmitry Medvedev said at the World Economic Forum in Davos on Wednesday that such cooperation would serve his goal of modernizing the economy.

But rather than seeking to annul the deal or risk an all-out clash with the government, the Russian billionaires are more likely initiating the legal battle to gain concessions from the authorities, BP, or both, analysts said.

A spokesman for AAR, the consortium representing Mikhail Fridman, Viktor Vekselberg, Leonard Blavatnik and German Khan, the Russian shareholders in TNK-BP, said only that the group had filed a lawsuit, declining further comment.

A BP spokesman said a hearing was due at the High Court of Justice in London next Tuesday.

TNK-BP, a 50-50 joint venture between the AAR shareholders and BP, has the right of first offer for any projects that BP wants to pursue in Russia under a shareholder agreement. AAR warned immediately after the deal was announced that — while the group welcomed foreign investment in Russia — it insisted on exercising its right to formally offer its consent or rejection for it.

BP chief Robert Dudley said in Davos on Wednesday that BP had adhered to the TNK-BP shareholder agreement in striking the Rosneft deal, which would allow the companies to swap shares and jointly develop three giant oil fields off the Russian Arctic coast. The companies expanded the deal Wednesday by agreeing to look for joint projects elsewhere around the world.

Deputy Prime Minister Igor Sechin, who engineered the alliance on the Russian side as Rosneft's chairman, said in Davos that he expected no problems after hearing BP's assurances.

First Deputy Prime Minister Igor Shuvalov spoke about BP's new ties with Rosneft as a done deal Thursday, also at the Davos forum. Implementing plans to privatize a stake in Rosneft over the next five years, the government will have to consult with a such major shareholder as BP, he said.

"It will be impossible to ignore" BP, which will hold 10.8 percent in Rosneft on completion of the deal, he said. "It has to be understood that BP is now one of the largest shareholders that is interested in the development of Rosneft."

Rosneft will own 5 percent in BP after the \$7.8 billion share swap.

Konstantin Simonov, director of the National Energy Security Foundation think tank, said the court action targeted BP rather than the government for concessions.

"They are shrewd guys there," he said of AAR. "They are trying to scrounge something from BP."

He added that AAR had little potential to reverse the agreement.

"The deal has drawn backing at the highest level and nobody is going to cancel it," he said. "They will not cross a certain line."

Chris Weafer, chief strategist at UralSib, said the court action was more about increasing pressure on the government to either allow TNK-BP access to new production or to have one of the state energy companies buy them out.

"The BP-Rosneft deal risks sidelining TNK-BP in terms of growth," he said. "That clearly puts the TNK shareholders at a disadvantage."

A court ruling in favor of AAR would force BP and the government to look for a compromise, said Vadim Mitroshin, an analyst at Otkritie.

It would have been highly undesirable for BP to make an offer to TNK-BP to become a partner of Rosneft in the deal instead of having a direct interest, he said. Rosneft would probably not have accepted that scenario either because it said it had been looking for a partner with a long global track record.

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