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BP Wants Fast End to Feud at TNK-BP

By The Moscow Times

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LONDON — BP wants to enter "fast-track arbitration" in Sweden to settle a dispute with TNK-BP shareholders over the British company's shares and exploration deal with Rosneft, rather than face a court case.

Shareholders in the AAR consortium, which owns the other half of BP's TNK-BP joint venture, want TNK-BP to remain the prime vehicle of BP's operations in Russia and Ukraine. The AAR shareholders, tycoons Mikhail Fridman, Leonard Blavatnik, German Khan and Viktor Vekselberg, are seeking a London court injunction to halt the deal immediately.

The AAR shareholders believe that BP did not fully inform authorities of its obligations to existing oil industry partners before securing a deal with Rosneft, a source told Reuters.

"Under the shareholder agreements, the process for settling disputes if they can't be settled within the shareholders is to go to independent arbitration in Sweden," a BP spokesman told Reuters on Sunday.

He said BP wrote to TNK-BP chief executive Mikhail Fridman on Friday requesting this arbitration. BP has said it believes that the deal, in which Russian state-controlled Rosneft and the British oil company agreed to an $8 billion share swap and to set up an Arctic offshore exploration venture, does not violate its shareholder agreement with TNK-BP.

"If both sides agree to fast-track then that can go ahead quickly. If both sides do not agree, it can still go to arbitration but it can take much longer," he said.

A source close to the situation told Reuters on Sunday that AAR's board would convene for an extraordinary meeting on Monday to consider withholding the payment of TNK-BP's fourth-quarter dividend, worth $1.8 billion and due in February.

The source said the board would consider TNK-BP's uncertain prospects in the light of increased competition from Rosneft and the possible need to enhance international expansion.

The case in London will be heard on Feb. 1, the day Rosneft and BP are both due to announce full-year results. A ruling may come on the same day, the source said.

Separately, a report in The Observer newspaper Sunday cited sources close to the U.S. Environmental Protection Agency saying the U.S. government was likely to agree to reduce its estimate of the size of the Gulf of Mexico spill, which would cut BP fines.

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