

BP Fails to Upend Injunction on Rosneft Deal

By [The Moscow Times](#)

April 10, 2011

The  Moscow Times

LONDON — BP failed to overturn an injunction blocking the \$7.8 billion share swap it had planned to complete with Rosneft this month.

BP might seek an extension of the April 14 deadline, an arbitration panel ruled. The swap and a proposed Arctic offshore venture with the state-controlled Russian producer are still subject to the tribunal's final decision, BP said Friday in a statement.

BP had asked for the right to carry out the share swap separately from the Kara Sea exploration project after its billionaire partners in TNK-BP won legal challenges to hold up the Rosneft alliance. The partners argued that TNK-BP has exclusive rights under the shareholders' agreement to pursue opportunities in Russia for BP.

"This is going to rumble on for a very long time," said Doug Youngson, an analyst at Arbuthnot Securities in London. "I'm fairly skeptical about it working out for BP. The TNK

vehicle was how they were meant to do Russia, so getting involved with Rosneft was always going to be an issue."

TNK-BP, owned 50-50 with the billionaires, accounts for about a quarter of BP's global output and a fifth of reserves and is Russia's third-largest oil producer. The AAR consortium represents the TNK partners.

"AAR welcomes the decision of the tribunal, which we consider fair, balanced and thoughtful," Stan Polovets, chief executive officer of AAR, said in an e-mailed statement. "We will be pleased to continue to cooperate."

The tribunal asked BP and AAR to submit more information for further review of the share swap, according to AAR.

BP hasn't asked yet about extending the share swap deadline, which for now remains April 14, Rosneft spokesman Rustam Kazharov said, declining to comment further.

In a setback for chief executive Robert Dudley's efforts to rebuild the company after last year's Gulf of Mexico oil spill, the arbitrators on March 24 extended indefinitely an injunction on the Rosneft deal granted to AAR in February.

BP agreed on Jan. 14 to swap 5 percent of its stock for 9.5 percent of Rosneft. The share swap on its own may be worth about \$2 billion more to BP than when it was first announced, because BP shares have fallen, Rosneft stock has risen and the ruble has strengthened. BP bought \$1 billion of stock, or about 1.3 percent, in Rosneft's 2006 initial public offering.

Rosneft plans to "defend its position in the deal, a deal that is good for Russia," Deputy Prime Minister Igor Sechin, who is also the oil producer's chairman, told reporters on March 25. "BP suits us as a partner."

The Kremlin would advise BP and its partners in TNK-BP to "find a mutually acceptable solution" on the Rosneft deal, Arkady Dvorkovich, Medvedev's economic adviser, said March 29.

Prime Minister Vladimir Putin lauded BP and Rosneft's strategic alliance on Jan. 14. He later said Dudley had left him "completely unaware" of a potential dispute with the TNK-BP partners. The Rosneft deal would have been the first of its kind between a state-owned company and an international oil producer.

A 2008 management dispute between BP and the billionaires led to Dudley's dismissal after five years in the top post at TNK-BP. AAR said Dudley favored BP's interests over its own, which the U.S. executive and the British company denied.

BP's billionaire partners are TNK-BP interim chief executive Mikhail Fridman, executive director German Khan, United Company RusAl chairman Viktor Vekselberg and Access Industries chairman Len Blavatnik, who is a U.S. citizen.

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