

Rosneft Gives BP a Month to Resolve Legal Wrangle

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A demonstrator touching a security guard outside the BP annual general meeting in London on Thursday. **Suzanne Plunkett**

BP won a last minute reprieve for its stalled \$16 billion oil exploration deal in the Russian Arctic on Thursday as state-owned Rosneft gave the British major a month's grace.

The extension was granted less than 15 hours before the original deadline was due to expire and only a few hours before BP's annual general meeting, putting on ice speculation that Rosneft was looking for a replacement partner.

Rosneft president Eduard Khudainatov said in a statement that he was "hopeful of a quick resolution to the arguments currently being conducted in international courts between the Russian and British shareholders of TNK-BP in relation to projects on Russia's Arctic shelf."

Energy Minister Sergei Shmatko in Moscow on Thursday also reiterated support for the deal, saying BP's participation was "essential" to exploit Russia's Arctic reserves, Bloomberg reported.

BP's Russian partners in TNK-BP, Alpha, Access and Renova Group, took the Rosneft deal to arbitration successfully arguing that it breached the TNK-BP shareholder agreement.

Both AAR and BP said they did not know when a final ruling by the London-based Stockholm Arbitration Tribunal was to be expected, but the deadline extension gives both parties more time to find a compromise solution.

AAR rejected a \$27 billion offer from BP on Wednesday and insisted that TNK-BP be valued at more than \$70 billion, Financial Times reported.

"Twenty-seven billion dollars is a fair price," said Ildar Davletshin, an analyst at Renaissance Capital, "but AAR holds the keys — so if BP wants to do this alliance they may have to pay slightly more to save the deal."

Chief executive Robert Dudley said at BP's annual general meeting Thursday that the company had offered AAR cash and participation in Arctic and other international projects. He added that he would not offer AAR a big shareholding in BP because it would not be in the interest of investors.

AAR chief executive Stan Polovets, however, denied that the company was tempted by BP's buyout proposals. "AAR is a long-term strategic investor in TNK-BP and has no plans to exit," he said.

There are, at present, no talks between AAR and BP, said BP spokesman Vladimir Buyanov, but "we will continue to explore our options."

Sources close to AAR told The Moscow Times that the group was "focused on the continuing arbitration tribunal process looking at the share swap which, we believe, contradicts the [TNK-BP] shareholder agreement."

BP may also be sued by TNK-BP for \$10 billion that the company says it lost as a result of its exclusion from the Arctic opportunity, FT reported.

TNK-BP did not respond to a request for confirmation of pending legal action Thursday.

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