The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

AAR Takes BP Back to Court

By Roland Oliphant

July 21, 2011



Simmering tensions between the co-owners of TNK-BP burst into the open again Thursday as oligarch-led consortium AAR restarted tribunal proceedings over BP's attempted share swap and Arctic exploration deal with Rosneft.

AAR wants a court to recognize that BP's planned tie-up with state-owned Rosneft broke a shareholder agreement that requires the British oil major to use TNK-BP as its primary investment vehicle in Russia, an AAR source told The Moscow Times.

The initial $16 billion deal collapsed in May following opposition from AAR, which includes Mikhail Fridman's Alfa Group and Viktor Vekselberg's Renova Group.

An arbitration tribunal then ruled that TNK-BP must take BP's place in the deal and that, if this happens, a share swap through which BP would exchange 5 percent of its equity for a 10 percent stake in Rosneft could go ahead.

But AAR now argues that it could be entitled to $5 billion to $10 billion in damages from BP as

a result of the losses inflicted on TNK-BP by the BP-Rosneft deal. A potential claim could be made for direct damages — resulting from the lost Arctic opportunity — and indirect damages — including the harm inflicted to TNK-BP's relationship with Rosneft, banks and the Russian government.

The AAR source confirmed in e-mailed comments that "the same Stockholm tribunal which has issued an injunction against the Rosneft-BP transaction will soon hear AAR's case regarding the breach of shareholder agreement by BP."

The arbitration tribunal lawsuit was first reported by Reuters and The Wall Street Journal on Thursday.

The AAR source also said AAR was aware that minority shareholders have filed a lawsuit in Tyumen against two BP executives who until recently served as board members of TNK-BP Holdings.

"AAR is not a party to this litigation, but we have been informed by the lawyers representing minority shareholders about the nature of the lawsuit and their claims against BP executives," the source said.

"That revolves around the same issues which AAR has raised with the Stockholm tribunal, namely BP's breach of the TNK-BP shareholder agreement with AAR and the damages suffered by TNK-BP as a result of this breach."

AAR has asked the Stockholm tribunal for a September hearing on whether BP broke the shareholder agreement, Reuters reported.

A BP spokesman said the company could not comment on a confidential commercial agreement, but added that "we have always said that we did not infringe the arrangements concerning new opportunities and new projects."

A TNK-BP spokesman refused to comment on the situation.

But a lawyer was dismissive of AAR's claims, saying the consortium would have a tough time convincing the tribunal that it was anything other than "a business deal that went sour."

"The only damages they [AAR] sustained were the legal fees they had to spend in order to get the injunction to stop this deal — not a lot of money really," said Vsevolod Miller, a lawyer at Yukov, Khrenov & Partners.

"Any consequential damages would be very difficult for them to prove. To get any damages in Stockholm arbitration is unreal," he added.

Regardless of the outcome of the hearing, BP is unlikely to be able to resurrect the deal with Rosneft without difficulty, said Ildar Davletshin, an oil and gas analyst at Renaissance Capital.

He put the chance of the BP-Rosneft deal going through in its original format at 10 percent.

AAR's real objective may be to convince BP to sell its 50 percent stake in TNK-BP.

A source close to AAR told Reuters that BP earlier this year rejected an offer of $25 billion for its half of TNK-BP and said the offer was "still on the table."

That was $7 billion less than the $32 billion that BP offered AAR for its 50 percent stake of TNK-BP in May. AAR rejected the offer.

BP has previously made it clear that it has no intention of walking away from the joint venture, although theoretically a price could be agreed upon.

Davletshin said $30 billion was a fair price for the stake. "$30 billion includes a strategic premium and international synergies and would be a good price for all parties," he said.

BP shares didn't react to the development, ending the day down 0.42 percent in London.

Original url: https://www.themoscowtimes.com/2011/07/21/aar-takes-bp-back-to-court-a8413