

AAR Blocks TNK-BP Dividend Payout

By [Howard Amos](#)

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BP may have to do without a \$1 billion payout from its Russian affiliate. **Andrei Makhonin**

A BP proposal to mandate a \$1 billion dividend payout from TNK-BP was blocked by its billionaire Russian partners Monday as the pressure on the international oil group builds ahead of its possible exit from the lucrative joint venture.

Alfa Group, Access Industries and Renova, or AAR, which represents tycoons Mikhail Fridman, Len Blavatnik, Viktor Vekselberg and German Khan, has a history of conflict with BP. AAR and state-owned oil giant Rosneft are the two bidders for BP's half of TNK-BP, which analysts estimate could be worth up to \$30 billion.

AAR said that the \$1 billion dividend payout was better off in TNK-BP's coffers.

"At a time of continuing market uncertainty and while corporate governance at TNK-BP remains strained, we believe that a cautious stance by shareholders is called for," said AAR chief executive Stan Polovets. "A payment now of an additional dividend is not prudent."

Quarterly dividends from TNK-BP have been suspended since the company's board was left without a quorum following last year's resignation of former German Chancellor Gerhard Schroeder and former chairman of Rio Tinto group James Leng from their directorships.

BP made the suggestion of a one-off payout at a TNK-BP board meeting on July 20, the first such meeting since December. To pass, the measure would have required the unanimous agreement of all board members.

"This disagreement is a way for AAR shareholders to push the BP shareholders forward to make a decision [on a possible sale]," said Alexander Nazarov, a senior analyst at Gazprombank. "BP needs the cash."

The setback for BP is the latest in a series of blows since Rosneft announced that it intends to compete against AAR for BP's stake in TNK-BP. Last week, a Tyumen arbitration court ordered BP to pay \$3.1 billion in a case brought by a minority shareholder in TNK-BP.

But some experts see the ongoing negotiations among BP, AAR and Rosneft as leading ultimately to the exit of AAR, allowing Rosneft and BP to revive a \$16 billion Arctic exploration deal that was signed by them last year but subsequently collapsed in the face of legal challenges from AAR.

"AAR has rejected BP's proposals for a \$1 billion dividend," a Western banker in Moscow said. "This is in line with the billionaires' strategy to exit from the asset, which ... they are now actively pursuing."

AAR and BP have received over \$34 billion in dividend payments from TNK-BP since 2003, when the partnership was conceived. AAR declined to comment further on Monday's announcement.

As financial questions will be resolved by any upcoming deal, timing is the critical factor in AAR's decision, Nazarov said. "The cash will go to the shareholders either through dividends or a sale," he said.

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