

BP Reports Loss As Russian Income Drops

By [The Moscow Times](#)

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BP reported Tuesday a net loss of \$1.4 billion for the second quarter as the embattled company faced a fall in income from TNK-BP and other challenges.

The company said it had underestimated the impact of a tax lag on Russian production, which affected TNK-BP's profits to the tune of about \$700 million.

The company also said both oil production and refining margins fell in the second quarter and would fall again in the third.

Analyst Richard Griffiths of Oriel Securities said BP's financials were "testing the faith" of investors and on a divisional basis "missed [expectations] at every level."

BP slashed \$5 billion off the value of its U.S. assets. The charge included \$2.7 billion for the declining value of U.S. refineries and a \$2.1 billion two-part writedown of U.S. shale gas

assets, which have been hit by a slump in prices, and also takes account of suspension of the Liberty project in Alaska.

The shale gas and refinery writedowns are no surprise. Others have been doing the same amid weak fuel manufacturing margins and with U.S. gas prices near 10-year lows, below cost for some operators of shale fields.

Shale technology using underground "fracking" explosions and horizontal drilling is wringing gas from reserves previously thought unrecoverable, but its relatively high cost has made it a victim of its own success as a glut develops in the United States.

But BP also booked an extra \$847 million provision for the 2010 U.S. Gulf oil spill, bringing the total set aside for the disaster to \$38 billion, or well over two years' worth of profits at current prices.

In a conference call with journalists, Robert Dudley, CEO of BP, said the company faced two big uncertainties: the company's position in Russia, where BP is currently negotiating a possible sale of its stake in TNK-BP, and the upcoming trial in the United States — now set for Jan. 14 — of charges brought by the Department of Justice against BP and some contractors in the Macondo well disaster.

A sale of the TNK-BP stake is not certain, and BP remains open to a settlement of the U.S. legal case, he said.

"Until we are able to resolve one or both of those issues, we will continue to have a higher level of uncertainty over the company. But the company itself is not distracted by those two events," Dudley said.

He said BP remained committed to Russia.

"We have been working in Russia for more than 20 years. It's the largest hydrocarbon country on the planet and we have a lot to bring. And I just want to state again our commitment to being part of that at some point in the future and continuing to work in Russia," Dudley said. "So that's one I would say, stay tuned."

(AP, Reuters)

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