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TNK-BP Tycoons Turn to Ex-BP Bosses for Help Investing Billions

By The Moscow Times

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Representatives of the Alfa Group, set to earn billion of dollars from the sale of British-Russian oil venture TNK-BP, have sounded out former BP CEOs John Browne and Tony Hayward about investing jointly in international oil projects.

German Khan, one of four Soviet-born businessmen who shared control of TNK-BP with BP for a decade, met Browne and Hayward and other potential deal partners in London last month, sources familiar with the discussions said.

Khan, who effectively heads TNK-BP and is Mikhail Fridman's partner in the Alfa Group consortium, sought advice and broached potential partnerships, according to the sources.

State oil company Rosneft is on the verge of completing a $55 billion takeover of TNK-BP, creating the world's largest publicly listed oil firm by output, pumping the equivalent of 4.6 million barrels of oil per day.

The Alfa-Access-Renova consortium will receive a cash consideration of $28 billion for their one-half stake in TNK-BP. Alfa will get half of that and wants to reinvest much of the money in oil and gas, as well as in telecoms, the sources said.

"Life after TNK-BP is getting closer; the three groups will go their different ways. Alfa made their name in oil and gas and telecoms, and intend to continue to do so," one source said.

The other two partners in AAR, mining tycoon Viktor Vekselberg of the Renova Group and Len Blavatnik of Access Industries, are likely to bow out and focus on other ventures and charity work, sources close to TNK-BP and AAR said.

After he left BP, Hayward moved to Vallares, a cash shell founded by financier Nat Rothschild that later bought Turkey's Genel Energy, a producer focused on the autonomous Iraqi region of Kurdistan.

Hayward now heads Genel Energy, while Brown, Hayward's predecessor at BP, is a partner in Riverstone, a private equity fund focused on energy, where he is co-head of renewable funds.

Browne joined forces with the tycoons to create TNK-BP in 2003 by pooling their oil assets in an unprecedented Russian joint venture, which later descended into a struggle for control and left Hayward, as BP CEO, to wage boardroom warfare with the four men after Browne's departure.

Despite the row, the Russian tycoons were always respectful of Browne and his successor Hayward, who later made peace with them.

Hayward did not respond to a phone call and a text message, and Browne's office at Riverstone did not return a call. Alfa representatives declined to comment.

Alfa's investment in mobile network VimpelCom helped transform it into one of the world's largest telecoms operators and launched Alfa on a series of sector investments.

The Russian tycoons' ambition to take their oil business global was a big bone of contention with BP, which saw the TNK-BP venture primarily as a way to tap the vast oil riches of Russia, the world's top crude oil producer.

In the wake of a 2008 conflict in which current BP CEO Bob Dudley, then CEO of TNK-BP, was forced to flee Russia, the tycoons won BP's consent to invest in an Amazon exploration venture and buy two BP units in Venezuela and Vietnam.

The 2008 conflict marked the decline of the partnership into what BP officials came to term a "strategic misalignment" between the partners, which ended with the sale of TNK-BP to Rosneft, a deal due to conclude in the coming weeks.

BP will become a 20 percent shareholder of Rosneft, holder of the world's largest liquid hydrocarbon reserves, and the tycoons will, for the most part, be free to pursue their global ambitions.

"There will be a lot of money left over. German [Khan] will work on oil," said a source close

to AAR.

Fridman is an experienced strategist with a flair for corporate warfare, while Khan is known as a tough enforcer. Both are veterans of the rough-and-tumble post-Soviet business world with a high tolerance of risk.

Khan once told an interviewer that the Hollywood mafia epic the "Godfather" was an "instructive film" and, according to media reports citing WikiLeaks, he carried a pistol to dinner. More recently, he has striven to restyle himself as an international oil man, polishing his English and adopting a natty dress style.

Some of the proceeds of the TNK-BP sale are likely to stay in Russia, where the government is due to approve tax incentives to deploy new oil industry technologies used in the U.S. shale revolution, which could encourage smaller players to try their luck alongside giants like TNK-BP.

Latin America could be an initial target for the oil investments, while the fund's geographic scope will span North and South America, as well as Europe and Southeast Asia, the sources said.

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