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Decision Looms in $100Bln Yukos Lawsuit

By Oleg Sukhov

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Mikhail Khodorkovsky **Mitya Aleshkovsky**

Businessman Leonid Nevzlin said that he would continue a $100 billion legal battle with the Russian government over the assets of defunct oil firm Yukos, in contrast to his former business partner Mikhail Khodorkovsky's recent promise not to participate in the litigation.

Nevzlin, who emigrated to Israel in 2003 after the Russian authorities initiated the case that resulted in Yukos' dismemberment, said that a decision on Yukos shareholders' case against the Kremlin — the biggest commercial lawsuit in history — could be made in mid-2014. The shareholders have claimed $100 billion in damages for what they called illegal expropriation of Yukos' assets by the Kremlin.

Mikhail
Khodorkovsky's

former business partner Leonid Nevzlin is pushing ahead with the largest commercial case in history.

Nevzlin, a former co-owner of the oil company, was speaking following a meeting in Israel with former Yukos CEO Khodorkovsky, who was pardoned in December after serving more than 10 years in jail on tax evasion and embezzlement charges. Upon release, Khodorkovsky was immediately transported abroad by the Russian authorities.

Political analysts speculated that President Vladimir Putin may have released Khodorkovsky to secure either his non-involvement or assistance in the legal battle, which could deal an enormous blow to the Kremlin and lead to Russian government assets abroad being seized.

Gibraltar-registered Group Menatep Limited, which used to control Yukos, "intends to achieve victory in this case and get compensation from the Russian Federation no matter what," Nevzlin told Dozhd television on Saturday.

He said, however, that Khodorkovsky "has nothing to do with" the case, which is being heard at the Permanent Court of Arbitration in The Hague, and that they had largely ignored business matters during their meeting, talking instead about their children and the weather.

"Yesterday I attempted to talk with Khodorkovsky about the revenues and expenditures of [Group Menatep Limited] and its shareholders but was sharply rebuffed. He is not interested in this," Nevzlin said.

He said he would continue to manage Khodorkovsky's stake in Menatep.

Khodorkovsky has repeatedly said since his release that he would not return to business and would not fight for Yukos' assets. Some analysts interpreted this as a condition set by Putin for his release.

Economist Andrei Illarionov, a former Putin aide, said in a LiveJournal post published on Jan. 9 that the president could have pardoned the former tycoon because he needed his help in reaching a settlement between Yukos shareholders and the Russian government.

Such a settlement might be made in exchange for the release of still-jailed Yukos executives Platon Lebedev and Alexei Pichugin, Illarionov wrote.

"Apparently neither the non-verbal methods of persuasion traditionally applied by Russia nor the work of a highly experienced international law firm have worked in The Hague. There is only one bargaining chip left for [Putin] — Mikhail Khodorkovsky," he added.

Illarionov also said that Putin's decision to release Khodorkovsky may have been triggered by the receipt by the Samara regional government of a New York court order requiring Rosneft to pay $186 million to Yukos' shareholders.

That ruling related to a loan inherited by Rosneft from a Yukos subsidiary that it gobbled up after the company's dismemberment, and may have been seen by the government as a harbinger of court rulings to come.

Alexei Makarkin, deputy head of the Center for Political Technologies, a think tank, was more cautious in his assessment. He said by phone that, while the $100 billion lawsuit may have been one of the reasons behind Khodorkovsky's release, it was not necessarily the main one.

"The bargain may have been implied, rather than explicitly formulated," he said.

Judging by Nevzlin's interview, Yukos shareholders are prepared for talks with the Russian government, but the key question is whether the Kremlin is ready for them, Makarkin added.

The shareholders' $100 billion claim is an estimate of what Yukos' value would have been if its assets had not been stripped away.

The lawsuit was filed under the Energy Charter Treaty, which allows investors to enforce their rights against governments. Russia signed the treaty in 1991 but never ratified it. In 2009 the Permanent Court of Arbitration ruled that the country was bound by the Energy Charter Treaty despite having not ratified the document.

Yukos' shareholders have argued that the tax evasion case against the company and its executives was politically motivated and amounted to illegal expropriation. Russian authorities filed tax claims worth $30 billion against Yukos in 2003 and subsequently initiated many criminal cases against its executives. With its assets and accounts frozen, the company failed to pay the taxes and was declared bankrupt in 2006, while its property was sold at auctions that critics called bogus.

Some analysts have accused the president of directly benefiting from the case, arguing that his political opponent Khodorkovsky was removed, while many Yukos assets were sold to Rosneft, then headed by Putin's ally Sergei Bogdanchikov, and some of its oil flows were transferred to a commodity trading firm run by another Putin associate, Gennady Timchenko.

Yukos shareholders have become a major concern for Rosneft and the Russian government. U.S., Dutch, British and Irish courts have backed the shareholders in their disputes with Rosneft, while several European and Israeli courts have refused to extradite Yukos executives, saying that the case was politically motivated.

Unlike those courts, the European Court of Human Rights ruled last year that it had not found any political motivation in the evidence presented, though it ruled that the Yukos case had many violations and was not fair. In 2011, the court also refused to grant $98 billion in damages to Yukos shareholders in a case separate from the ongoing litigation at the Permanent Court of Arbitration.

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