The Moscow Times
30 YEARS
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Dutch Court Strikes Down $50Bln Yukos Arbitration Award

By Peter Hobson

April 20, 2016



Police patrol near the headquarters of Yukos in Moscow.

A local Dutch court on Wednesday overturned an arbitration award of $50 billion to former owners of Yukos, the defunct Russian oil firm, in a surprise ruling that throws doubt on efforts to seize Russian property in Europe and the United States to enforce the claim.

Former shareholders will appeal the ruling, Tim Osborne, director of former Yukos holding company GML, said in a press release, adding that he had "full faith that the rule of law and justice will ultimately prevail."

The appeals process means it will take at least 2-3 years to finally quash the $50 billion award even if Russia wins at every turn, according to Andrei Kondakov, a Russian official who is coordinating the country's legal efforts on Yukos from a command and control center in Moscow. Meanwhile, litigation will continue.

The Permanent Court of Arbitration in The Hague awarded the money — the biggest arbitration award in history and equal to about one-fifth of Russia's annual government budget — to Yukos' former shareholders in 2014. It judged that Russian authorities destroyed the oil producer in the early 2000s through punitive tax claims after its chief, the oligarch Mikhail Khodorkovsky, fell out with President Vladimir Putin's Kremlin.

Russia challenged the ruling in the District Court of The Hague on technical grounds, insisting that the arbitrators had no jurisdiction over the case, and the owners of Yukos acquired their shares illegally during Russia's chaotic 1990s privatizations and, therefore, had no right to compensation. The court said the arbitration panel had "wrongly declared itself competent" to make the award, according to an extract of the ruling in a Russian press release.

Russia's lawyers say Wednesday's ruling would, if upheld, invalidate the arbitration decision and mean there was nothing to enforce in most other jurisdictions.

Yukos' legal team, however, says enforcement courts in other countries are not obliged to defer to the Dutch judgement and they would "continue moving forward" with efforts to confiscate Russian foreign assets to pay the fine. Bank accounts, shares and real estate worth hundreds of millions of dollars have already been frozen by courts in France and Belgium.

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