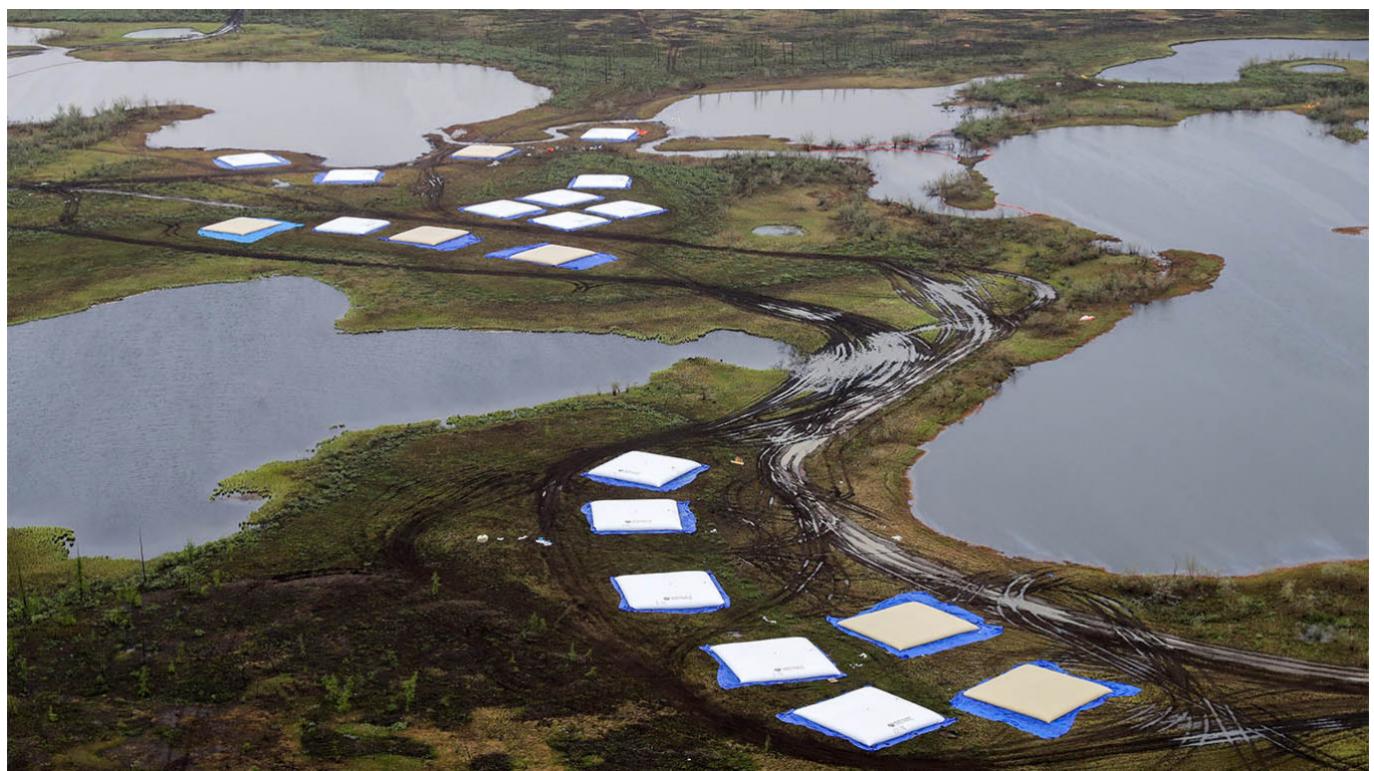




Nornickel Will Pay Record \$2Bln Fine for Arctic Oil Spill

Company says it is “not in its best interests” to appeal the fine.

February 19, 2021



The May 2020 oil spill was the largest ever in the Arctic. **Kirill Kukhmar / TASS**

Russian mining giant Nornickel will pay a record \$2 billion fine handed down for the worst ever Arctic oil spill, the company confirmed Friday.

On Feb. 5, a Siberian court [ordered](#) Nornickel pay 146 billion rubles (\$2 billion) in compensation for its culpability in an oil tank spill that resulted in more than 20,000 tons of diesel pouring into rivers and waterways around the Arctic city of Norilsk last May.

The metals giant had [argued](#) it should pay just 21 billion rubles (\$290 million), but the court ruled in favor of Russia's environment ministry. The company was given one month to decide if it wanted to appeal the ruling.

“It is a court decision, we will make this payment,” a company spokesperson confirmed Friday.

In its 2020 [annual report](#) published earlier in the week, Nornickel had already said it would likely not proceed with an appeal.

“The Group’s management considers that it would not be in the best interests of the Group to appeal the judgment,” said a note buried in the financial statements.

Related article: [How Nornickel Became the Arctic’s Biggest Polluter](#)

Activists and Russian officials [said](#) the oil spill was the worst ever environmental [disaster](#) inside the Arctic Circle.

The immediate trigger for the spill was melting permafrost underneath a large fuel tank at one of Nornickel’s power plants in Russia’s Arctic north, which caused the tank to subside and spill its load. But both Russian investigators and a report commissioned by Nornickel found [significant flaws](#) in the tank’s design and construction, which — if addressed — would have allowed the tank to better withstand the melting permafrost.

Nornickel was also criticized for not alerting authorities to the spill [earlier](#) and for not having mechanisms in place to contain an oil spill once it had started.

The company had already created a \$2 billion reserve fund in accordance with Russian law, which says companies must make provisions and set aside the maximum amount for any potential fines.

The fine took a significant chunk out of Nornickel’s financial results for 2020. While revenues increased 15% to \$15.5 billion during the year on the back of higher commodities prices, profits fell by 40% to \$3.6 billion, the company stated. Higher outlays related to Covid-19 health and safety measures also increased costs.

Related article: [Moscow's Climate Change Dilemma](#)

Earnings were slightly down on market expectations, said Yuriy Vlasov, a senior analyst at Sova Capital, but Nornickel’s share price was largely flat in Tuesday trading.

Nornickel President and main shareholder Vladimir Potanin is Russia’s richest man, with his wealth [crossing](#) the \$30 billion mark Tuesday, according to Forbes — the first time a Russian has reached the milestone.

Potanin said Tuesday Nornickel had “drawn an important lesson” from the oil spill.

“[Nornickel has] dramatically reviewed its approach to environmental risk management, water stewardship, biodiversity restoration and climate change. The company intends to increase its investments into industrial safety and an upgrade of energy infrastructure, gradually substituting the use of diesel fuel with natural gas that has a lower carbon footprint,” he said in the report.

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