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Veteran Lukoil CEO Departure Linked to Sanctions Fears, Experts Say

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Lukoil CEO Vagit Alekperov. **Yegor Aleyev / TASS**

Veteran oil executive Vagit Alekperov resigned Thursday as the head of Russia's largest privately owned oil company Lukoil out of fears of attracting additional Western sanctions, analysts told The Moscow Times.

Alekperov began his career in the oil business in the 1970s. Starting as an engineer, he moved up the ranks, eventually becoming the Soviet deputy minister for oil and gas industry in 1990.

With Russian President Boris Yeltsin's help, 43-year-old Alekperov reformed a Soviet state oil corporation into privately run Lukoil in 1993 and played a big role in creating the Russian oil and gas industry as it exists today.

However, his reputation started to play against the company's interests after a massive wave

of anti-Kremlin sanctions after it sent troops into Ukraine — and that might have led him to resign, Igor Yushkov, a lead expert at the National Energy Security Fund, told The Moscow Times.

"Alekperov created Lukoil as a private company and took part in shaping the oil industry at the moment of privatization," Yushkov said. "He helped to create a liberal market model in the industry where main players freely compete in extraction, refining and trading [the fossil fuels]."

"Alekperov had experience in the industry before Lukoil. His story in general could be described as phenomenal," said Vyacheslav Kulagin, director of the Institute for Economics and Regulation of Natural Monopolies at the Higher School of Economics.

"He shaped his business in the hard times and there were a lot of new players. But very few of them managed to survive this period and strengthen their business."

In the 2000s, the Russian oil industry started to shift to another model that centered around state-controlled corporations like Rosneft and Gazprom, Yushkov said. Although he managed to transition Lukoil to this new model, Alekperov's role started to diminish.

"Alekperov is the symbol of the first stage in the Russian oil industry's development, but he also symbolizes the transition period. As a talented bureaucrat ["apparatchik" in Russian], he managed to find a place for a private company like Lukoil among the state-owned corporations," Yushkov said.

Lukoil is one of Russia's largest oil companies with a market value of $52.3 billion, according to Investopedia. As of April 6, Alekperov occupied the fourth spot on the Forbes list of Russia's richest people. In 2021 his net worth reached $24.9 billion.

However, Alekperov's net worth has fallen by $14.4 billion so far in 2022 — and is now estimated at around $10.5 billion, according to Forbes.

On March 3, Lukoil became the largest Russian company yet to call for "the immediate cessation of the armed conflict" in Ukraine. Despite the company's anti-war position, the British government sanctioned Alekperov and 206 other businessmen on April 13 for their close ties to the Kremlin.

"Alekperov is leaving now because he is worried that [the West] will put tougher sanctions on Lukoil if he doesn't do that," Yushkov said. "I think his departure now is entirely caused by the fact that he's been personally sanctioned by Britain."

As someone under personal sanctions, Alekperov can't properly function as head of the company, the expert added. Alekperov's reputation had been a big advantage for Lukoil for decades, especially the past few years, when the company started to shift away from the domestic market to foreign shores.

"In the current environment, tougher sanctions seem like a bigger risk for Lukoil than losing Alekperov," Yushkov said.

But experts said it's unlikely we've seen the last of the influential oil executive.

“I think that Alekperov is likely to continue playing a role in the company, maybe as some sort of an unofficial adviser,” Kulagin concluded. “I don’t think we are saying goodbye to Alekperov as a player in the Russian oil industry today. It is likely to be a transition to some sort of new status for him.”

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