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Russian Federation: Court blocks transaction between Rosneft and BP

On March 24, the Court of Arbitration in Stockholm blocked this January's transaction between Rosneft and BP to exchange shares and start the joint exploitation of energy resources in the Russian Arctic. The court found that the transaction is incompatible with the statute of the Russian company TNK-BP, in which BP holds 50% of shares. The decision was at the request of a consortium made up of Alfa Group & Access/Renova (AAR), who are the Russian shareholders in TNK-BP. The court's verdict does not mean the automatic end of the Rosneft/BP deal, but it may result in a change in its terms, the need to consider the interests of AAR, and the weakening of BP's position.

In response to the decision, Russian deputy prime minister Igor Sechin (who is responsible for overseeing the Russian petroleum sector) stated that Rosneft may demand financial compensation from BP and AAR; at the same time, he pointed out that the court's decision is not final. For its part, BP has stated that it will abide by the judgement, but will attempt to bring about the exchange of shares with Rosneft, at least. In accordance with the January agreement, the transaction must be finalised by 14 April.

The motives for AAR's actions are unclear. The Russian energy sector is closely controlled by the Kremlin, and so it is difficult to believe that the Russian shareholders in TNK-BP could have blocked the transaction – which the Russian President and the Prime Minister had already agreed to – without the government's consent. It is possible that AAR wants to force BP to agree to sell TNK-BP some of the British group's foreign assets, or to increase its share in the company's management. The court's decision may also be a pretext for Rosneft to change the current conditions for exchanging its shares with BP to more favourable ones.

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