

ExxonMobil succeeds BP to Russian Arctic deal

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Having helped a trio of Russian billionaires block the Arctic exploration deal between BP and Rosneft, Skadden Arps Slate Meagher & Flom has appeared on the list of counsel that aided ExxonMobil to clinch the deal instead.



View of the Black Sea where ExxonMobil and Rosneft will explore (Credit: PD-Russia-2008)

ExxonMobil and Rosneft announced the US\$3.2 billion venture on 30 August, after the companies' presidents signed an agreement before Russian prime minister Vladimir Putin in the coastal city of Sochi on the Black Sea.

The agreement follows the breakdown of a US\$16 billion share swap and Arctic exploration deal between BP and Rosneft, which was successfully challenged in an arbitration brought in Stockholm by the Alfa-Access-Renova consortium (AAR), BP's partners in its other Russian joint venture, TNK-BP.

The trio of Russian billionaires who own the Alfa-Access-Renova consortium obtained an award in May ruling that BP's Arctic deal with Rosneft breached TNK-BP's joint venture agreement, and that TNK-BP



would have to be a party to any future exploration project between BP and Rosneft for the share swap to go ahead.

The parties could not, however, come to an agreement to let TNK-BP in on the deal and attempts by BP to buy out the AAR consortium from TNK-BP also failed.

In the new deal, ExxonMobil appointed energy and infrastructure projects partners Julia Czarniak and Harold Moore from Skadden's New York office to advise on its agreement with Rosneft. The instruction comes after the head of international arbitration at Skadden, David Kavanagh, and the firm's head of corporate in London, Scott Simpson, led the AAR consortium to victory in blocking the transaction with BP.

ExxonMobil has also appointed a team at Akin Gump Strauss Hauer & Feld in Moscow and London to advise on Russian corporate regulation and oil and gas matters, led by international corporate transactions partner Richard Wilkie and Alexey Kondratchik.

Akin Gump has previously advised on matters related to the Sakhalin-1 project in Russia's Far East, which is operated by ExxonMobil subsidiary Exxon Neftegas, and joint-owned by an international consortium that includes two Rosneft affiliates, Japanese entity SODECO and the Indian state-owned oil company ONGC.

Rosneft has kept the same counsel all along since the first Arctic deal with BP; a team at Freshfields Bruckhaus Deringer led by corporate partners Frank Miller in London and Sergei Diyachenko in Moscow.

It is understood that local counsel was also appointed to work on European tax matters and Russian law.

The agreement will see ExxonMobil and Rosneft spend US\$3.2 billion jointly developing blocks in the Kara Sea in the Arctic and also in the Black Sea, with Rosneft owning 66.7 per cent and ExxonMobil holding a 33.3 per cent interest in the blocks.

They have also agreed to conduct a joint study of developing tight oil resources in Western Siberia, and to set up an Arctic research and design centre for offshore developments in St Petersburg, to develop new technology for Arctic drilling.

Rosneft will be given opportunities to gain equity interests in some of ExxonMobil's operations in the US and overseas.

A day after the ExxonMobil – Rosneft deal became public, BP's offices in Moscow were raided by bailiffs in search of documents for a lawsuit brought by minority investors in TNK-BP in Siberia's Tyumen Region Arbitration Court. The raid continued for two days, and was condemned by the British oil company.

The minority investors are reportedly seeking US\$3 billion in compensation for lost opportunities owing to BP's failed Arctic deal.



In the mean time, BP is reported to have filed its own notice of arbitration in Stockholm in early August claiming that Viktor Vekselberg, the owner of the Renova portion of the AAR consortium and a 12.5 per cent interest holder in TNK-BP, has himself breached the TNK-BP shareholders agreement by holding interests in independent gas and fuel companies in Russia and Ukraine.

The Russian newspaper Kommersant cited sources close to the parties, suggesting that BP's claim rests on Renova's failure to offer to sell these companies to TNK-BP as required by the agreement.

Dow Jones has reported an anonymous source "close to BP" saying that the notice is in fact part of the original arbitration filed by AAR, which is ongoing. The source is quoted saying that AAR is still pursuing the claim, seeking billion of dollars in compensation.

The original arbitration brought by AAR was heard under the arbitration rules of the UN's Centre for International Trade Law (UNCITRAL). Although the ad hoc tribunal was seated in Stockholm, hearings for the dispute took place in London before the May award was handed down.

In the ExxonMobil – Rosneft deal

Counsel to ExxonMobil

- Skadden Arps Slate Meagher & Flom
Partners Julia Czarniak and Harold Moore (energy and infrastructure projects) in New York
- Akin Gump Straus Hauer & Feld
Partners Richard Wilkie and Alexey Kondratchik (international corporate transactions) with counsel Svetlana Volevich and associate Oleg Isaev (corporate) and senior tax adviser Vadim Kukushkin in Moscow, assisted by partner Douglas Glass (corporate) in London

Counsel to Rosneft

- Freshfields Bruckhaus Deringer
Partner Frank Miller in London, with partner Sergei Diyachenko (corporate) with associates Alexey Tokovinin and Dmitry Kazhaev in Moscow



In the Stockholm arbitration filed by AAR against BP that ruled in May

Tribunal

- Lord Saville (president)
- Stewart Boyd QC (appointed by AAR)
- Iain Milligan QC (appointed by BP)

Counsel to Alfa-Access-Renova

- Skadden Arps Slate Meagher & Flom

Head of arbitration in London, David Kavanagh, and head of corporate in London, Scott Simpson

Counsel to BP

- Linklaters

Head of litigation in London, Michael Bennett

In the BP – Rosneft share swap deal

Counsel to BP

- Linklaters

Partners Stephen Griffin in London and Grigory Gadzhiev in Moscow

Counsel to Rosneft

- Freshfields Bruckhaus Deringer