
BP retreats from Russia with LB 400m

By Luke Harding in Moscow
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BP yesterday caved in to months of pressure from the Kremlin and agreed to sell its stake in the Kovykta gas field to Gazprom, Russia's state-owned gas company. Under the terms of the agreement hammered out yesterday, Gazprom will take control of the Siberian field from BP's Russian joint venture TNK-BP, paying \$700m-\$900m (£350m-£450m).

Yesterday BP announced that it had also signed a memorandum of understanding to create a strategic alliance with Gazprom to invest jointly in major long-term energy projects or swap assets. Both companies would look to identify "strategic opportunities for investment both overseas and in Russia", BP said. "We will initially be looking for projects of at least \$3bn but the potential for further growth could be very significant," BP's chief executive, Tony Hayward, declared.

Most analysts, however, were sceptical about the cooperation deal - describing it as a face-saving measure for BP and pointing to the complete lack of detail. They also said that, in effect, BP had little choice but to sell its stake in Kovykta, against the backdrop of an aggressive Kremlin determined to regain control over Russia's natural resources.

Dmitry Medvedev, Russia's first deputy prime minister, and Alexander Medvedev, Gazprom's deputy chairman, held talks in the Kremlin yesterday with Robert Dudley, TNK-BP's president and chief executive, and James Dupree, BP's group vice-president in Russia.

Afterwards, TNK-BP confirmed it was selling Gazprom its 62.89% stake in Rusia Petroleum, the company that holds the licence for the Kovykta field. It will also sell its 50% interest in the East Siberian Gas Company (ESGCo), a firm constructing a regional gasification project. TNK-BP has been given an option to buy back a 25% plus one share stake in Kovykta at a later date, BP said.

"I think BP did the best they could, given the situation. They managed to win a partial victory instead of being completely overrun," said Artyom Konchin, an oil and gas analyst at the Aton Brokerage in Moscow. He added, however: "We don't know what this cooperation deal actually means. I suspect that Gazprom wants to become a global player and this is one of the options they can pursue."

Gazprom has been pursuing international expansion - and has hinted at a desire to acquire assets in Britain.

Russian officials have persistently accused the TNK-BP-led group of breaching the terms of its licence by failing to produce enough gas. Vladimir Putin made it brutally clear this month that BP was about to lose control of the field.

Yesterday, Mr Dudley described the deal as "an important development". He added: "We look forward to broadening our working relationships with Gazprom and BP and to further developing our Russian asset base as well as securing access to material additional opportunities."
Shares in BP closed up 4p at 583.5p.

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