
Russian oligarchs stick to their guns

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Robert Dudley, head of Russo-British TNK-BP, has been issued a work permit for another year, but no working visa. This was the Solomonic decision taken by the Federal Migration Service (FMS).

The conflict between shareholders of the oil giant, 50% owned by British Petroleum and 50% by a holding of Russian oligarchs (AAR), has gone so far that Dudley's future may go unresolved indefinitely.

The life of Robert Dudley, TNK-BP president and chairman, has been full of ups and downs in the past few months. Anyone else would have gone crazy, but not this Brit. He is absorbing his punishment and feels none the worse for it. On Saturday, July 19, he had his suitcase packed and was ready to fly out of Moscow, because it was the last day of his Russian working visa, with no sign of a new one.

But a day before the Federal Migration Service, facing a do-or-die situation, issued Dudley a 10-day transit visa. Legally, the decision is unusual. Such a visa is typically issued to a foreign national traveling to a different country through Russia and possessing a ticket for this destination. Dudley is not passing through Russia. He has been working here for several years, although he most likely had a ticket to Britain. One way or another, a compromise was found.

The new week brought the TNK-BP head another happy piece of news: the Federal Migration Service issued Dudley a work permit from July 2008 to July 2009: TNK-BP had provided the required documents, and Dudley obtained his work card.

But this is only a half-hearted decision: to get a working visa he needs to show his work contract.

But here is the rub. Dudley and BP believe his work contract is valid: originally, it was validated for the period between 2003 through December 31, 2007 and is now automatically indefinite.

Russian shareholders think otherwise: they claim Dudley's work contract lapsed on January 1, 2008: a contract with a board chairman must be endorsed by the board of directors, something that has not occurred. So when Dudley sent his contract to the FMS, Viktor Vekselberg, one of AAR members, told the agency it had expired.

With a short-stay transit visa Dudley has only a few days left in which to prove to the Federal Migration Service that his contract is valid. The Russian authorities have acted legally: the FMS said that even if he failed to prove the legitimacy of his contract before July 29, his visa might be extended, possibly another transit visa.

One might ask: why this legal maneuvering?

This dispute has largely paralyzed the activities of the TNK-BP top management.

The company is one of three Russian oil majors and has been more successful than many of its Russian rivals in the past few years, increasing yields and bringing in public money. On June 22, 2007, in the Kremlin, in the presence of then-First Deputy Prime Minister and Gazprom chairman Dmitry Medvedev, TNK-BP agreed to sell its controlling stake in the Kovykta gas and condensate deposit in the Irkutsk Region, one of Russia's three largest fields, to Gazprom.

Russian authorities were most pleasant to the British oil giant. Under agreements reached in the Kremlin, TNK-BP or BP alone was allowed to repurchase Kovykta by buying back its blocking stake (25% plus one share), an indication that Russian authorities are aware of the need for large investments from major transnational companies. Without them Russia cannot develop its oil and gas sector. Another idea was to set up a strategic alliance between BP, TNK-BP and Gazprom to implement projects worth \$3 billion, including a swap of assets in Russia and abroad.

At the same time it was strongly rumored that Gazprom might buy up half of TNK-BP from the Russian oligarchs. But oil prices that have doubled in the last year must have sent the Russian owners' heads spinning. Since last spring they have been demanding the dismissal of Dudley, who they say is running the company in the interest of one shareholder only - BP. But that, it emerged, was a formality. Recently they have made their real wish public - to buy out BP's share of TNK-BP and become full owners of such an attractive asset.

The Russian shareholders' moves have stopped the sale of Kovykta in its tracks.

Meanwhile Gazprom, and the Russian authorities that control it, are waiting and once again saying they will not interfere with the conflict between TNK-BP shareholders.

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