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# 'Mega-arbitration': Court orders Russia to pay \$50bn in Yukos case

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ARCHIVE PHOTO: The Yukos office building (RIA Novosti / Vladimir Vyatkin)

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The International Arbitration Court in the Netherlands has ended a decade long case brought by shareholders in the defunct Yukos oil company, and ordered Russia to pay about \$50 billion in damages.

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Charter when it redistributed the company's assets and "took steps equivalent to expropriation of the claimants' investment in Yukos."

The Hague's Permanent Court of Arbitration ordered Russia to compensate the plaintiffs with \$50 billion – less than half the initial \$114 billion demanded by the former shareholders. Russia has also been ordered to pay about \$65 million in legal costs.

"This is the biggest arbitration award in history," as ITAR-TASS quotes Emmanuel Gilyard, a lawyer at the Shearman Sterling bureau, who underlined that the case became a 'mega-arbitration'.

As part of the case, three separate lawsuits by former Yukos shareholders were filed by Hulley Enterprises Limited (Cyprus), Yukos Universal Limited (Isle of Man) and Veteran Petroleum Limited (Cyprus).

The court ruled that \$39.97 billion of the compensation should go to Hulley Enterprises, \$1.85 billion to Yukos Universal and \$8.2 billion for Veteran Petroleum Limited. The Veteran Petroleum fund acts in the interest of former Yukos employees and should receive another \$8.2 billion.

The claim was lodged by Gibraltar-based Group Menatep Limited (GML) - the company used by Russia's once richest man Mikhail Khodorkovsky to manage Yukos.

Russia has until January 2015 to pay the compensation; otherwise it will start being charged interest. The country's Finance Ministry said it would appeal the decision in the Netherlands.

"I am delighted to confirm that those final awards, which were unanimous, are very favorable to the claimants," Tim Osborne, director of the GML group of shareholders which brought the action, told Reuters.

Former Yukos shareholders said on Monday they had not ruled out the possibility of a lawsuit against Rosneft and its shareholders, including BP, for their role in the redistribution of Yukos' assets. Osborne had previously said that if the Russian state refuses to pay the compensation, then the shareholders could file a lawsuit against BP as a Rosneft shareholder.

"There is no reason to think Russia will not fulfill its international obligations. But if this were to happen, the New York Convention, which obligates 150 signature states to work together to ensure the arbitration ruling is upheld – would come in effect," said Osborne

Rosneft released a statement on Monday following the ruling, saying that it does not consider itself liable in the Yukos case as it acted in accordance with Russian law in its acquisition of the company's assets.

"Rosneft does not bear any responsibility in the published ruling," said the statement. "Rosneft believes that its acquisition of Yukos' assets was conducted in accordance with the applicable laws."

## The Yukos saga



The downfall of Yukos began with the arrest of its CEO Mikhail Khodorkovsky on fraud charges in 2003. The company's assets were frozen while the investigation was carried out.



Mikhail Khodorkovsky (RIA Novosti / Andrey Stenin)

Several months later, Moscow said Yukos owed the government \$27 billion in tax. The oil giant's shares plummeted and it was sold off to other Russian companies. The decimated Yukos finally filed for bankruptcy in July 2006.

Soon after the bankruptcy the company's shareholders applied to The Hague International Arbitration Court claiming \$100 billion in compensation.

With the bankruptcy of Yukos its assets were absorbed by the state oil company Rosneft.

A year ago, the European Court of Human Rights ruled the case against Mikhail Khodorkovsky and Yukos was not politically-motivated.

Mikhail Khodorkovsky spent more than a decade behind bars before President Putin granted him an early release.

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However, Eric Kraus, a political risk analyst, told RT The Hague Court's ruling appears biased.

*"It strikes me as a very political decision. The West manages to create this illusion of a fair play rule of law, of fairness of judicial process and this is a bad joke,"* he said.

Mr. Kraus said Khodorkovsky was found guilty by both Russia and the European Court of Human Rights.

*"It is outrageous that anyone should imagine that Russia is going to pay \$50 billion to these criminals,"* Kraus said.



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