

The Telegraph

TNK-BP UPDATE: COURT BARS DUDLEY FROM POST FOR SHAM LABOR VIOLATIONS

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FREDRIKSEN, HEGBORG, EKIMOFF E.O. 12958: DECL: 08/18/2018 TAGS: EPET, ENRG, ECON,
PGOV, RS SUBJECT: TNK-BP UPDATE: COURT BARS DUDLEY FROM POST FOR SHAM LABOR
VIOLATIONS REF: A. MOSCOW 2273 B. MOSCOW 2153 C. MOSCOW 1294 Classified By: ECON MC
Eric T. Schultz for Reasons 1.4 (b/d) ----- SUMMARY -----

1.(C) A Moscow court suspended TNK-BP CEO Bob Dudley from his post on August 14 due to labor code violations in what BP's chief lawyer in Russia, Michael Drew (strictly protect), described to us as a sham proceeding. Drew maintained that the varied and sustained attacks on Dudley and BP indicated Kremlin complicity. Still, he expressed optimism that an agreement ending the dispute could be reached by year's end to avoid permanent damage to the company. The case is the latest in the string of attacks against BP's

interests in TNK-BP -- attacks that will end only with an agreement between the shareholders, probably at GOR instigation, on the future of the company. End summary.

----- SHAM PROCESS, SHAM VIOLATIONS -----

2.(C) Drew told us August 18 BP had little illusion it would win the case, but that the court's decision came quicker than expected. He said Dudley remains CEO, "with full powers," until an appellate court rules on BP's appeal. He said an appeal usually takes 4 to 6 weeks, but he thought the court would rule, and against BP, within 2 to 3 weeks. Drew's pessimism stems from his belief that the entire proceeding has been a farce, with TNK-BP shareholders AAR feeding the labor inspectorate information on which to act. He said even his Russian legal team is surprised and ashamed by the lack of any semblance of due process, including the court's acceptance of clearly falsified documents and bogus testimony.

3.(C) Drew explained that this court decision is based on a finding by the labor authorities that six foreign employees of TNK-BP had not been tested, as required, on their adherence to health, safety, and environmental regulations related to the use of computers. He said a CEO can be barred "automatically" for a repeat of a serious offense, or, as in this case, at the discretion of the labor inspectorate for findings of "gross violations," which he described as high-level malfeasance. Obviously, Drew said, Dudley was guilty of neither.

4.(C) Expounding on TNK-BP's other woes, Drew provided an update on the case (ref C) brought by minority shareholder Tetlis, a company linked to AAR partner Mikheil Fridman's Alfa Group. An earlier Tyumen court ruling in this case resulted in BP pulling all secondees from TNK-BP in July. Drew said BP recently won an appeal in an Omsk court that nullified the Tyumen ruling, but that the same judge from the Tyumen court, on the same day as the Omsk ruling, issued a new injunction against continued employment of the secondees.

----- KREMLIN SANCTION? -----

5.(C) Given the varied and sustained attacks against BP's interests in TNK-BP, Drew believed that the Kremlin must be complicit. "Either that, or Mikheil Fridman is running the country," he said. (Note: Dudley himself told Ambassador Burns in April that Alfa Bank co-owner Peter Aven once warned Viktor Vekselberg -- who was then uncertain whether he wished to participate in the attack on BP -- that &we (Alfa Bank) can do anything, anything we want in this country,⁸ and that Putin had told confidants that he was not ready at that time to take on Fridman's power. End Note.) Drew was frustrated that the courts, the prosecutors, the Federal Migration Service, the labor inspectors, all appeared to have been bought by AAR. Meanwhile, according to Drew, there is continued silence from the Kremlin regarding TNK-BP's troubles.

6.(C) Drew also noted in support of this thesis that in the various cases against Dudley, the CEO had been served papers MOSCOW 00002452 002 OF 002 compelling him to appear at hearings with only a few hours notice, including in courts far from Moscow, such as the Tyumen court. Furthermore, Dudley had often found

the papers "left on his kitchen table" upon his return to his apartment in the evening, presumably left by court or government officials who let themselves into Dudley's residence.

----- AGREEMENT BY YEAR END? -----

7.(C) Drew said he believes the attacks against TNK-BP will continue until BP and AAR (and perhaps the GOR) come to an agreement about the future of the company. Drew thinks such an agreement could be reached by the end of the year, if only because the company's operations are being hampered by uncertainty and the departure of key foreign and Russian staff (ref A). In a separate conversation on August 15, TNK-BP's chief of strategy and business development, Kris Sliger, lamented the "blunt instruments" used by AAR, but suggested these types of attacks would continue until AAR believes there is a "greater cost to their actions than the perceived benefit."

8.(C) With regard to a new CEO, Drew said the shareholders agreement stipulates that BP has the right to nominate a new CEO, but that AAR would likely reject BP's choice, leaving the company without a CEO until an overall agreement is reached. He suggested things would get worse for the company in the interval as it would not be clear who would be "calling the shots." He said one "disastrous" possibility would be AAR partner German Khan (whom Drew, like others, described as "mentally unstable") attempting to direct the operations of the company himself.

----- COMMENT -----

9.(C) The court's decision was expected (ref A). It does not significantly alter the prospects for the company or for resolution of the shareholder dispute, both of which remain shaky. We had expected and continue to expect that Dudley will not return to Moscow. If Drew is right about a deal being struck before year-end, we would expect it to result from some intervention by the GOR -- intervention that so far has been lacking. While there are no signs of imminent GOR action, Medvedev insider Igor Yurgens recently told us with respect to TNK-BP that there are a couple of "oligarchs whose wings need clipping." End comment.

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