

Failed Deal Could Impact BP, TNK-BP Credit

By [The Moscow Times](#)

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The collapse of BP's talks on the share swap with Rosneft limits strategic options for the British company and its Russian venture, TNK-BP, and will have a negative impact on credit, Moody's Investors Service said.

BP announced in January a plan to swap \$7.8 billion in shares with Rosneft and set up an exploration venture to search for oil and gas in the Arctic Kara Sea. The deal was halted last week after the billionaire partners in TNK-BP won a legal challenge.

BP attempted to resolve the situation by offering about \$30 billion for the 50 percent of TNK-BP it doesn't own, three people with knowledge of the matter said May 16.

The deal would have helped BP diversify upstream operations after the Gulf of Mexico oil spill. The Kara Sea may hold 100 billion barrels of potential resources, the equivalent of more than three years of global production.

"The fallout is likely to constrain strategies and raise questions about the sustainability of TNK-BP," the Moody's analysts wrote Monday in an e-mailed report. "BP's ability to pursue growth initiatives in Russia is curtailed until it resolves its differences with its current Russian partners."

Moody's said the failure of the talks is neutral for Rosneft because the state-owned oil producer can find different partners to work in the Arctic Ocean.

"Although Rosneft indicated that there is still scope for further talks on cooperation with BP, the demise of the original alliance is a credit negative development," said Victoria Maisuradze and Francois Luras, a senior analyst and a senior credit officer at Moody's. "BP ambitions to gain access to Russia's offshore arctic oil fields through a strategic alliance with Rosneft were dealt a blow."

Rosneft said last week that it might continue talks with BP on a possible venture.

TNK-BP plans \$2.1 billion in dividends for the fourth quarter, pushing the full-year payout to 92 percent of net income, Vedomosti reported Monday.

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