

Russia's Tatneft Forces Ukraine to Hand Over Millions in Refinery Dispute

By [The Moscow Times](#)

August 26, 2014

The  **Moscow Times**

Russia's Tatneft sought more than \$1 billion in compensation due to the effective loss of ownership of the refinery – Ukraine's largest with a capacity of 120,000-145,000 barrels per day.

Russian oil producer Tatneft said Tuesday that it had been awarded \$112 million in compensation from Ukraine over a refinery ownership dispute by an arbitration court, piling pressure on cash-strapped Kiev.

The mid-sized producer has been locked in a dispute over ownership of Ukraine's Kremenchug oil refinery, or Ukrtatnafta, since bosses friendly to Tatneft were ousted from the plant by a group of former managers, who called in armed police in 2007.

In 2008, Tatneft took its case to a tribunal administered by the Permanent Court of Arbitration in the Hague, saying "Ukraine has failed to take any steps to restore the duly appointed Kremenchug management and protect the investment of Tatneft."

Tatneft, based in the republic of Tatarstan 1,000 kilometers east of Moscow, sought more than \$1 billion in compensation due to the effective loss of ownership of the refinery — Ukraine's largest with a capacity of 120,000–145,000 barrels per day.

The company, which had directly and indirectly controlled over 30 percent in Ukratnafta since the 1990s, said in a regulatory filing on Tuesday that the court had found that Ukraine's government broke an intergovernmental agreement with Moscow and awarded compensation of \$112 million plus interest.

The arbitration court is an intergovernmental organization established in 1899 to try to resolve disputes between states.

The court ruling puts more economic pressure on Kiev, which is fighting a pro-Russian insurgency in the east of the country — a conflict that is draining the economy.

After news about the award was first leaked in mid-August, Ukratnafta said it was ready to compensate the Ukrainian state all the expenses related to the court decision.

But Ukraine's state energy firm Naftogaz, a major shareholder in the refinery, dismissed the statement, saying the plant had "no financial ability to pay the compensation" and announced earlier this month that it would appeal the ruling.

Tatneft also said Tuesday that its second-quarter net profit rose some 82 percent year-on-year, to 27.2 billion rubles (\$750 million) on the back of a 22 percent increase in revenue to 128 billion rubles thanks to lower taxes.

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