



Former Yukos majority shareholders focus on The Hague to secure justice after illegal expropriation by Russian Federation

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The former majority shareholders of Yukos Oil Company have decided to withdraw from the enforcement proceedings in France where it no longer makes economic sense to enforce the Arbitral Awards of 2014, and to focus their energy on the proceedings pending before the Court of Appeal in The Hague. There they aim to protect the Arbitral Awards granting them \$50 billion in compensation for the illegal expropriation by the Russian Federation.

“We won the Energy Charter Treaty arbitration in The Hague,” said Tim Osborne, Chief Executive of GML, the holding company of the former majority shareholders, “when the Arbitral Tribunal concluded in 2014 that Russia had illegally expropriated our investment as part of a brutal political offensive. And we are confident that The Hague will now deliver justice once more, where the Court of Appeal is examining our bid to protect the Arbitral Awards. As we focus our efforts on The Hague, we have no continuing economic incentive to pursue the enforcement process in France.”

In December 2014, the Paris Tribunal de Grande Instance decided to recognise the Arbitral Awards and allow their enforcement on French territory. Following that decision, the former Yukos majority shareholders were able, at one point, to attach up to €1 billion of Russian state-owned assets. However, following numerous decisions by enforcement judges around the country, most of the attachments have been lifted. The most recent example was the decision by the Paris Court of Appeal of 27 June 2017 by which it ordered the release of attachments worth around €300 million. Therefore, GML has concluded that it is economically inefficient to pursue enforcement in France.

Today’s decision by the former Yukos majority shareholders also took into account new French legislation that came into force in 2017 as part of the ‘Sapin II’ economic reforms. The new legislation drastically limits the possibility of attaching further assets belonging to the Russian Federation in France. The previous French government introduced the new rules in response to pressure from the Russian government: www.gmllimited.com/search-for-justice

“The rule of law will prevail,” said Tim Osborne, “and the most brutal expropriation in modern times will not go unpunished. We are confident that the Court of Appeal in The Hague will protect the Arbitral Awards.”



Note to the editor:

GML, via its wholly owned subsidiaries – Yukos Universal Limited and Hulley Enterprises Limited – together with Veteran Petroleum Limited, a pension fund serving former Yukos employees, were the majority shareholders of the former Yukos Oil Company. The former majority shareholders commenced arbitration proceedings in 2005 against the Russian Federation pursuant to the Energy Charter Treaty, seeking compensation for the **illegal expropriation** of their investments in Yukos.

In 2009, the **Arbitral Tribunal**, sitting in The Hague under the auspices of the Permanent Court of Arbitration, unanimously issued a first award concerning issues related to jurisdiction and admissibility in favour of each of the former majority shareholders. The Tribunal found that Russia was bound by the arbitration clause in the Energy Charter Treaty, and that the former shareholders benefitted from the substantive protections of the Treaty. In 2014, the Tribunal ruled unanimously that the Russian Federation had illegally expropriated Yukos. The Tribunal awarded \$50 billion in compensation to Yukos Universal, Hulley and Veteran, an amount equivalent to the value of their investments at the date of expropriation.

On 20 April 2016, the District Court in The Hague set aside the Arbitral Awards, ruling that the Russian Federation was not bound by the dispute resolution mechanism in the Energy Charter Treaty. The former majority shareholders have appealed the decision at the Court of Appeal in The Hague. The Russian Federation is due to file its response to the appeal on 14 November 2017, and the substantive court hearing will probably take place in the course of 2018.

In parallel with the arbitration proceedings, the Russian Federation has been condemned seven times by the **European Court of Human Rights** in cases directly related to the expropriation of Yukos. In 2014, the Court awarded €1.9 billion in compensation to all former Yukos shareholders. To this day, Russia refuses to comply with its compensation obligations.

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