



**19/7/2016**

## **Russia to Resist Legal Appeal by Yukos Shareholders**

(Moscow, 19 July 2016): The Russian Federation notes that the Yukos oligarchs are now appealing the recent firm decision by the District Court of The Hague to strike down the arbitration tribunal award, without providing any grounds for their appeal. This appeal will be strongly resisted by the Russian Federation.

The Yukos 'shareholders', as they style themselves, are in fact Russian oligarchs who obtained their shares in Yukos through fraud and deception and then held senior management roles when Yukos was engaged in tax evasion and other illegality on a vast scale. Many of these individuals are fugitives from Russian justice in related cases.

The Russian Federation will continue to use all legal avenues to prevent the Yukos oligarchs from extracting further money from the Russian taxpayer. Already the oligarchs' attempts to enforce the defunct ruling have started to grind to a halt. The enforcement proceedings in the UK in November have been cancelled.

When the Russian Federation applied to the District Court of The Hague it made 6 arguments why the arbitration award should be struck down (see below). The District Court overturned the award on the first of these arguments and awarded costs against the oligarchs. In order to win an appeal the oligarchs need to convince the court on all six.

Andrey Kondakov, the Director General of the International Centre for Legal Protection, which was formed by the Russian Federation to fight this case, said:

"These men continue to try to exploit the international courts to take money from the Russian people. We believe they will fail. And we will show Yukos engaged in massive tax fraud and other illegalities throughout its existence, and fight the oligarchs in every court and every jurisdiction.

"In terms of the scale and complexity of fraud employed by management, Yukos was Russia's Enron - or worse. Anything paid to the oligarchs would have meant them committing further theft on Russian taxpayers."

The Russian Federation put forward 6 reasons why the arbitration award should be overturned, only one of which needed to succeed. These were:

*ENDS*

1. The award was made under the Energy Charter Treaty (ECT). Russia's provisional application of the ECT did not apply to the dispute resolution provisions of the ECT. The ECT was never ratified by Russia.
2. Leonid Nevzlin and the other oligarchs were not entitled to invoke the ECT dispute resolution provisions since they are not *bona fide* investors. Moreover, the Energy

Charter Treaty was set up to protect the interests of *foreign investors* putting money into energy projects from outside a country. The oligarchs – Leonid Nevzlin and others – are not foreign. They are Russian nationals. There was no foreign money injected into the Russian economy.

3. The ECT also specifies that '*nothing in ECT should create rights or obligations with respect to Taxation Measures*'. The measures Russia took against Yukos were all taxation measures. The European Court of Human Rights confirmed that the oligarchs had committed massive tax evasion and that the Russian Government took legitimate actions to counter this evasion.
4. The Tribunal should have presented the alleged tax expropriation dispute to the competent tax authorities, but did not.
5. In further violation of its mandate the Tribunal did not explain its adoption of the arbitrary valuation methodology it used to arrive at the \$50 billion damages and did not provide the parties the opportunity to comment on it.
6. The awards were largely written by *the arbitration assistant*, Mr Valasek, who was not a member of the Tribunal—*but a partner at a private law firm*. He billed over 65 weeks' full-time work - significantly more than any of the arbitrators - and fees of \$970,000.

Ends

Contact

**Maitland**  
Neil Bennett  
William Clutterbuck

**+44 (207) 379 5151**