Naftogaz files arbitration against Russia to recover $2.6 billion for stolen Crimea assets

19.10.2016, 09:17:00

On Monday, 17 October 2016, NJSC Naftogaz of Ukraine and six of its subsidiaries commenced an arbitration against the Russian Federation to recover damages arising from the Russian Federation's unlawful seizure of the group's assets in Crimea. Naftogaz has filed the arbitration under the Agreement Between the Government of the Russian Federation and the Cabinet of Ministers of Ukraine on the Encouragement and Mutual Protection of Investments, more commonly known as the Russia-Ukraine bilateral investment treaty. Naftogaz has preliminarily estimated the group's damages at $2.6 billion.

Upon unlawfully invading and occupying Crimea in 2014, the Russian Federation engaged in a widespread and well-orchestrated scheme to deprive Ukrainian companies of their property, without payment of compensation. Naftogaz owned some of the most valuable energy assets in Crimea and was among the Russian Federation's chief targets. The Russian Federation's actions violated the Russia-Ukraine bilateral investment treaty, which requires the Russian Federation to respect and protect Ukrainian-owned assets, including those in Crimea.

Specifically, the Russian Federation's scheme involved, among other actions, taking steps to formally nationalize Naftogaz's oil and gas assets in Crimea, including by sending armed men to commandeer Naftogaz's drilling platforms, and ultimately transferring almost all of Naftogaz's Crimea-based assets to a Russian state-owned company.

* * *

Naftogaz is a Ukrainian state-owned group of companies engaged in the exploration, development, production, transportation, processing, and marketing of oil and gas. NJSC Naftogaz of Ukraine, the corporate group's parent, is the national oil and gas company of Ukraine.

The six Naftogaz subsidiaries that have commenced arbitration against the Russian Federation together with their corporate parent are PJSC State Joint Stock Company Chornomornaftogaz, PJSC Ukrtransgaz, Subsidiary Company Likvo, PJSC Ukgasvydobuvannya, PJSC Ukrtransnafta, and Subsidiary Company Gaz Ukrainy.
Unofficial translation of the unbundling resolution published on Naftogaz website →