

Justice Delivered

The Hague Court of Appeal reinstates \$50+ billion Arbitral Awards in favour of former Yukos majority shareholders

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The Hague Court of Appeal in the Netherlands today decided to reinstate the Arbitral Awards of 2014, which order the Russian Federation to compensate the former Yukos majority shareholders for the unlawful expropriation of their investment. The Awards amount to more than \$50 billion, a measure of the company's success before it was destroyed.

Tim Osborne, GML's chief executive, commented on today's ruling: "This is a victory for the rule of law. The independent courts of a democracy have shown their integrity and served justice. A brutal kleptocracy has been held to account."

In July 2014, an independent international Arbitral Tribunal in The Hague [ruled unanimously](#) that the Russian state had unlawfully expropriated Yukos Oil, the country's most successful company and largest taxpayer. The Tribunal found that "Russian courts bent to the will of Russian executive authorities to bankrupt Yukos, assign its assets to a state-controlled company [Rosneft] and incarcerate a man [Mikhail Khodorkovsky] who gave signs of becoming a political competitor."

Today's ruling fully reinstates the Arbitral Awards of 2014, and overturns the [bizarre 2016 decision](#) of the District Court of The Hague to set them aside. The former Yukos majority shareholders believed that the District Court's decision was fundamentally flawed, and therefore [appealed](#) it to The Hague Court of Appeal, submitting thousands of pages of legal submissions, evidence and witness statements.

Note to the editor:

GML, through 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. In 2005, they commenced arbitration proceedings against the Russian Federation pursuant to the Energy Charter Treaty, seeking compensation for the illegal expropriation of their investments.

In its [Final Awards](#) of 2014, the Arbitral Tribunal sitting in The Hague concluded that:

- “Russian courts bent to the will of Russian executive authorities to bankrupt Yukos, assign its assets to a State-controlled company, and incarcerated a man who gave signs of becoming a political competitor;
- the State’s campaign of intimidation and harassment not only disrupted the operations of Yukos but also contributed to its demise;
- the primary objective of the Russian Federation was not to collect taxes but rather to bankrupt Yukos and appropriate its valuable assets.”

The Russian Federation applied to the Dutch courts to have the Arbitral Awards set aside. National courts in The Netherlands have jurisdiction over the set-aside process since the international arbitral proceedings took place on Dutch territory.

In 2016, the District Court of The Hague decided to set aside the Arbitral Awards: it ruled that the Arbitral Tribunal did not have jurisdiction to hear the claims, thus accepting the Russian Federation’s argument that since it had signed but not ratified the Energy Charter Treaty and was applying it provisionally, it was not bound by the dispute-resolution mechanism providing for arbitration of disputes with investors. The merits of the Arbitral Awards – the findings that the destruction of Yukos by the Russian State was unlawful and politically motivated – remained unchallenged.

GML believed that the District Court’s decision was fundamentally flawed and had to be overturned. In 2017, GML submitted its Statement of Appeal to The Hague Court of Appeal.

You can find more information on our website: www.gmllimited.com

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