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ENERGY

Exxon Mobil to quit Russian ventures frozen by sanctions

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NEW YORK: Exxon Mobil Corp is abandoning its joint exploration ventures with the Russian oil company Rosneft PJSC, retreating from what was one of its most promising investments until Western sanctions got in the way.

During the early years of the Obama administration, when there was a brief warming of relations, Exxon Mobil signed an exploration deal with the Russians.

Exxon and Rosneft, which is only half-owned by the Russian government but is state-run, agreed to invest \$3.2 billion to search for oil in deep-water fields in the Arctic and elsewhere.

After Russia annexed Crimea from Ukraine in 2014, the United States and its European allies applied several sanctions on Moscow, eventually freezing Exxon's investments.

In a regulatory filing on Wednesday, Exxon said it had decided late last year to abandon the ventures this year and would take an after-tax loss of \$200 million.

"The corporation and its affiliates continue to comply with all applicable laws, rules and regulations," the company said.

With its investments already frozen by the sanctions, it was not clear what current activities, if any, Exxon's move affected.

The company has operations in Russia that are allowed under the sanctions, including an oil and gas production venture on Sakhalin, an island in the Siberian Arctic, and has had a business presence there for roughly a quarter-century.

An Exxon spokesman said the company would have no comment beyond the filing. "In any case, the move sends a signal," said David Goldwyn, who was the State Department's top energy diplomat early in the Obama administration.

"It's a sign that the company realises that US-Russia relations and in particular sanctions are not likely to change soon," he said. "They are an enormous source of friction with the government, and it is better business for them to steer their business away from sanctioned activities."

In July, Exxon sued the Treasury Department after it was fined \$2 million for violating the Russia sanctions. The company had signed agreements with Igor Sechin, Rosneft's chief executive and a close ally of President Vladimir Putin, when he was under sanctions.

Exxon argued that government guidance had indicated Sechin was blacklisted for personal conduct, not in his role as the oil company executive.

Under the past four years of sanctions, Exxon and other Western oil companies have been prevented from using their technological expertise to help Rosneft's oil and gas development.

Stymied by the sanctions, Exxon was forced to look elsewhere for new reserves. It is investing heavily in the Permian Basin in West Texas and New Mexico, and off the shores of several developing countries, including Guyana.

The sanctions forced Rosneft, too, to look beyond Russia for new reserves. The Russians have helped Venezuela and its state oil company avert a financial collapse with new loans.

In recent years, Rosneft has increasingly become a foreign-policy tool of the Kremlin, embarrassing its Western oil company partners.

Long a financial bulwark of the Russian government, it has more recently been investing heavily in sensitive countries like Cuba, China and Vietnam, along with Venezuela. ©2018 THE NEW YORK TIMES