

## BP should be putting its cards more clearly face up on ...

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Much fuss was made yesterday about BP (or bp as it now prefers to call itself after what was, presumably, a very expensive rebranding exercise) supposedly getting rid of its interest in its joint venture with Russian energy giant Rosneft. As the [Guardian put it](#):

*BP is exiting its stake in Russian state-owned oil company Rosneft, days after coming under pressure from the UK government over its involvement with Russia.*

Only, let's be clear here: no such exit is taking place. The simple reality is that BP, or bp, is at present simply undertaking another very expensive rebranding exercise, as [their own press release](#) makes clear when you read between the lines.

As a matter of fact, there is no buyer for BP's stake in Rosneft. Nor, in the current circumstance, is there likely to be. And, unless BP has torn up all its contracts with Rosneft, which I think to be very unlikely and which it has not said that it has done, then all that has really happened is that two BP directors have resigned from the board of Rosneft, of which it still owns 19.75% nonetheless.

As BP's [last available financial statements](#) made clear, this is significant. As they noted there:

### **Significant judgement: investment in Rosneft**

Judgement is required in assessing the level of control or influence over another entity in which the group holds an interest. For bp, the judgement that the group has significant influence over Rosneft Oil Company (Rosneft), a Russian oil and gas company is significant. As a consequence of this judgement, bp uses the equity method of accounting for its investment and bp's share of Rosneft's oil and natural gas reserves is included in the group's estimated net proved reserves of equity-accounted entities. If significant influence was not present, the investment would be accounted for as an investment in an equity instrument measured at fair value as described under 'Financial assets' below and no share of Rosneft's oil and natural gas reserves would be reported.

Not to be too unsubtle about it, having those two directors on the board of Rosneft

meant that BP could claim that it had significant control over a company where there was nobody who owns 50% of the shares. As a result, it could therefore account for Rosneft's activities as if they were its own, claiming as a consequence that they owned 19.75% of its overall results, and assets including its oil reserves.

Take those two board members away and BP cannot claim this. Instead it simply has an investment, and whether or not it gets any benefit from that investment is now entirely dependent upon whether, or if, it ever sees any outcome from it in cash terms. Previously, the cash did not matter: the value could be claimed anyway because it was suggested that the value in question was under the control of BP, and now it is not.

No one can be sure as to what the consequence of these changes are as yet. That is for BP and it's auditors to decide, but the overall value attributed to this Rosneft stake was around \$14 billion, meaning that any financial hit is likely to be significant. As the price of a rebranding that is significant. But, right now there is nothing that has been said that suggests to me that this relationship is necessarily over.

Unless BP confirms that by removing these two directors it loses the right to reappointment in the future, or that its contract has been ripped up as a consequence, then all that is being played here is a game of smoke and mirrors. Everyone needs more than that right now. BP should be putting its cards more clearly face up on the table.