

BP PLC
Form 6-K
September 04, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

for the period ended 4 September, 2008

BP p.l.c.

(Translation of registrant's name into English)

1 ST JAMES'S SQUARE, LONDON, SW1Y 4PD, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F |X| Form 40-F
----- -----

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No |X|
 ----- -----

September 4, 2008

BP AND AAR MOVE TO RESOLVE JOINT VENTURE DISPUTE

An overhaul of the governance structure of Russia's third largest oil company, TNK-BP, has been agreed in principle by the two main owners, BP and Alfa Access-Renova (AAR). The aim is to better align their respective interests and improve the transparency of TNK-BP's equity.

A memorandum of understanding (MOU), signed today and due

to be finalised in detail over the coming months, envisage the re-structuring of

the TNK-BP board through the appointment of three new directors independent of either side.

The MOU also include

s
an option to
sell up to
20 per cent
of a subsidiary
of
TNK-BP

through an initial public offering (IPO)
on the international financial markets
at an appropriate future point
, subject to the consent of the Russian authorities
.

BP chairman Peter Sutherland said that
an agreement would

align the
two sides
around a shared
agenda for value growth and
allow BP and
AAR
to move forward, relieving recent
tensions.

"It will create a stable base from which to grow the joint venture to the benefit of everyone involved, including the Russian state for which strong capital investment and continued technical innovation to boost declining oil output are so important," Sutherland said.

BP chief executive Tony Hayward described the
agreement
as "a
sensible

means of resolving
a situation
that could not
continue without causing serious
damage
to what has been an immensely successful joint venture for all concerned.

"I now look forward to
a fruitful conclusion of negotiations so that we can rebuild trust with
AAR

and resume our
record of success for the benefit of all parties

,
" he said.
"A
transparent, responsible
approach to governance
will be
a critical factor
in the appeal of TNK-BP
to potential future
investors

,
if the company
is to be fully valued o
n the financial markets
."

The MOU envisages the appointment of a new independent chief executive nominated by BP and approved by the TNK-BP board. The management committee, responsible for running operations, will be reduced significantly from the current 14 members and will include the chief executive, the chief operating officer, the chief financial officer and an executive director.

The main board of TNK-BP

will
be adjusted in size
to
four
representatives each from BP and
AAR

,
together with the
three
new
independent directors not affiliated to either side
. The company
will continue to operate under English law.

Current chief executive
Bob Dudley
will
step down before the end of the year
. In no
mi
nating his replacement, BP will
offer a Russian-speaking candidate with extensive Russian business experience.
The new CEO will
be explicitly
incentivised to focus on
further

i

improving transparency, financial returns
and the market value of the company's shares.

Describing

Dudley as "an absolutely outstanding CEO
of great courage and strength of character
"

,
Hayward

said:

"Bob originally

intended

to step down

at the beginning of the year but volunteered to stay in place to guide the joint venture through what he realised would
be

a difficult transitional phase

. He will

be very hard to replace.

"

During the last

five years h

is leadership has been crucial in building what is

arguably the most successful oil business in

Russia

, with the best record of production growth, reserves replacement and total shareholder return

. He has overseen extraordinary performance, financial and technical, delivering dividends of more than \$

20

billion during that period and paying taxes and duties to the

Russian Federation

of over \$8

0 billion, a record that is surely unrivalled,"

Hayward

said.

Notes to Editors

TNK-BP posted record profits of \$4.7 billion in the first half of this year - more than double the \$2.1 billion for the
same period in 2007.

Revenues totalled \$28.3 billion in

last half-year, compared with \$

17 billion in the first half of 2007.

Oil production has risen

in the past four consecutive quarters, to a level of 1.63 million barrels a day.

TNK-BP has more than

replaced reserves each year since it was formed in August 2003.

Further enquiries

:

BP Press Office,
London

: +44 (0)207 496 4076

BP Russia,
Moscow

: +7495 363 6262

- ENDS -

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BP p.l.c.
(Registrant)

Dated: 4th September, 2008

/s/ D. J. PEARL
.....
D. J. PEARL
Deputy Company Secretary