



PCA PRESS RELEASE

**ARBITRATION BETWEEN PJSC UKRNAFTA AS CLAIMANT AND THE RUSSIAN FEDERATION—
ARBITRATION BETWEEN STABIL LLC AND TEN OTHERS AS CLAIMANTS
AND THE RUSSIAN FEDERATION**

THE HAGUE, 2 MAY 2016

Two UNCITRAL Arbitrations Commenced under the Ukraine-Russia Bilateral Investment Treaty; Tribunal Comprised of the Same Members Constituted in Each Case; Russian Federation States that it Does Not Recognize the Jurisdiction of the Tribunal and Fails to Submit Statements of Defense; Hearing Scheduled for 11 July 2016

On 3 June 2015, two arbitral proceedings were commenced against the Russian Federation pursuant to the Agreement between the Government of the Russian Federation and the Cabinet of Ministers of Ukraine on the Encouragement and Mutual Protection of Investments dated 27 November 1998 (“Ukraine-Russia BIT”), under the UNCITRAL Arbitration Rules 1976 (“UNCITRAL Rules”)—the first, by PJSC Ukrnafta (“Ukrnafta”) and the second, by Stabil LLC and ten others (“Stabil”).

In their respective Notices of Arbitration, Ukrnafta and Stabil claim that, as of April 2014, the Russian Federation breached its obligations under the Ukraine-Russia BIT by interfering with and ultimately expropriating their investments in petrol stations located in Crimea.

By letters dated 12 August and 15 September 2015, the Russian Federation indicated, *inter alia*, that the “[Ukraine-Russia BIT] cannot serve as a basis for composing an arbitral tribunal to settle [Ukrnafta’s and Stabil’s claims]” and that it “does not recognize the jurisdiction of an international arbitral tribunal at the Permanent Court of Arbitration in settlement of [Ukrnafta’s and Stabil’s claims].” It also stated that nothing in its correspondence “should be considered as consent of the Russian Federation to constitution of an arbitral tribunal, participation in arbitral proceedings, or as procedural actions taken in the framework of the proceedings.”

On 7 October 2015, two tribunals comprised of the same members were constituted in the two cases. The members are: Professor Gabrielle Kaufmann-Kohler (Presiding Arbitrator), Mr. Daniel M. Price (appointed by Ukrnafta and Stabil), and Professor Brigitte Stern (appointed by the appointing authority, Mr. Michael Hwang, on behalf of the Russian Federation) (“Tribunal”).

On 3 December 2015, the Tribunal held a first hearing by teleconference in respect of both cases, in which matters of procedure were discussed. The claimants in both cases and the Russian Federation were invited to participate. Ukrnafta and Stabil were represented by Messrs. John M. Townsend, James H. Boykin, Vitaly Morozov, Marc-Olivier Langlois, and Leon Ioannou of Hughes Hubbard & Reed LLP. There were no representatives from the Russian Federation.

Following the hearing, on 16 and 17 December 2015, the Tribunal issued its first two procedural orders in both cases, fixing Geneva (Switzerland) as the seat of the arbitrations, appointing the

Permanent Court of Arbitration (“PCA”) as registry, and establishing a procedural timetable. The Tribunal also indicated that, in light of the commonalities of fact and law involved in the two cases and the identical composition of the Tribunal in both cases, the Tribunal will seek to structure both proceedings in such a manner as to minimize duplication. Thus, correspondence and hearings will in principle be common to both cases, while written submissions will be separate.

On 15 January 2016, Ukrnafta and Stabil filed their Statements of Claim. The Russian Federation failed to submit its Statements of Defense by 15 April 2016, the deadline fixed in the procedural timetable. On 22 April 2016, the Tribunal ordered, pursuant to Article 28(1) of the UNCITRAL Rules, that both proceedings continue notwithstanding the Russian Federation’s failure to communicate Statements of Defense.

As foreseen in the procedural timetable, the Tribunal posed questions to the Parties with respect to issues of jurisdiction on 22 April 2016. The Parties’ answers to the Tribunal’s questions are due by 3 June 2016. A hearing on issues of jurisdiction has been scheduled to take place on 11 July 2016.

Under the instructions of the Tribunal, the PCA will issue press releases from time to time containing information on the procedural steps taken by the Tribunal. Basic information about the proceedings is available on the PCA Case Repository <http://www.pcacases.com>.

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