

PERMANENT COURT OF ARBITRATION

Peace Palace, Carnegieplein 2,
2517 KJ The Hague, The Netherlands

Telephone : +31 70 302 4165
Facsimile : +31 70 302 4167
E-mail : bureau@pca-cpa.org
Website : www.pca-cpa.org



COUR PERMANENTE D'ARBITRAGE

Palais de la Paix, Carnegieplein 2,
2517 KJ La Haye, Pays-Bas

Téléphone : +31 70 302 4165
Télécopie : +31 70 302 4167
Courriel : bureau@pca-cpa.org
Site Internet : www.pca-cpa.org

PCA PRESS RELEASE

**ARBITRATION BETWEEN EVEREST ESTATE LLC AND OTHERS
AS CLAIMANTS AND THE RUSSIAN FEDERATION**

THE HAGUE, 9 AUGUST 2016

**UNCITRAL Arbitration Commenced under the Ukraine-Russia Bilateral Investment Treaty;
Russia Raises Objection and Fails to Submit a Statement of Defense; Tribunal Decides to
Proceed and Poses Questions to the Parties**

On 19 June 2015, arbitral proceedings were commenced by Everest Estate LLC and several others (“Claimants”) 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”).

In their Notice of Arbitration, the Claimants contend that, as of August 2014, the Russian Federation breached its obligations under the Ukraine-Russia BIT by interfering with and ultimately expropriating their investments in real estate 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 [the Claimants’ claims]” and that it “does not recognize the jurisdiction of an international arbitral tribunal at the Permanent Court of Arbitration in settlement of [the Claimants’ 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.”

The Tribunal was constituted on 27 October 2015. It is comprised of Dr. Andrés Rigo Sureda (Presiding Arbitrator), Professor W. Michael Reisman (appointed by the Claimants), and Professor Dr. Rolf Knieper (appointed by the appointing authority, Mr. Michael Hwang, on behalf of the Respondent).

Following consultation with the Parties, on 23 November 2015, the Tribunal issued its first procedural order, fixing The Hague as the place of arbitration and appointing the Permanent Court of Arbitration (“PCA”) as registry.

On the same day, the Tribunal issued Rules of Procedure, in which it: (i) indicated that it considers the content of the Respondent’s correspondence of 12 August and 15 September 2015 to constitute an objection to the jurisdiction of the Tribunal and the admissibility of the Claimants’ claims under Article 21 of the UNCITRAL Rules; (ii) bifurcated the proceedings between a phase in which it will rule on this objection and any other issues of jurisdiction and/or admissibility and a phase on the merits; and (iii) established a procedural timetable.

On 29 February 2016, the Claimants filed their Statement of Claim. The Respondent failed to submit a Statement of Defense by 31 May 2016, the deadline fixed in the Rules of Procedure. On 28 June 2016, the Tribunal ordered, pursuant to Article 28(1) of the UNCITRAL Rules, that these proceedings continue notwithstanding the Respondent's failure to communicate a Statement of Defense. The Tribunal also notified a modified procedural timetable to the Parties.

In accordance with the modified timetable, the Tribunal posed questions to the Parties on 27 July 2016. Answers to the Tribunal's questions are due by 30 September 2016. Hearing dates (if any) for the jurisdiction and admissibility phase have yet to be fixed.

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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Contact: Permanent Court of Arbitration
E-mail: bureau@pca-cpa.org