





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*

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- 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