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MarketWatch First Take

Exxon Mobil exits Russia after Kremlin's 'expropriation blackmail'

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Exxon Mobil had a 30% stake in the Sakhalin-1 oil and gas venture



The Kremlin seized Exxon Mobil's 30% stake in the Sakhalin-1 oil and gas onshore processing facility. Photographer: Hector Forster/Bloomberg News

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Exxon Mobil announced its exit from Russia this week after Moscow grabbed the company's stake in the Sakhalin-1 oil and gas venture, a move described by an observer as "expropriation blackmail."

The oil giant, which has [operated in Russia](#) for more than 25 years, held a 30% interest in the project in Russia's Far East. But after blocking Exxon Mobil Corp.'s **XOM, +2.97%** efforts to transfer operatorship and sell its stake, Moscow expropriated the company's interests in the venture.

"We have safely exited Russia following the expropriation," Exxon Mobil said in a statement. "With two decrees, the Russian government has unilaterally terminated our interests in Sakhalin-1 and the project has been transferred to a Russian operator."

A host of U.S. companies have extricated themselves from Russia in recent months in response to the Kremlin's February invasion of Ukraine. But the risk of asset seizure is very real for many non-Russian corporations.

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In July, the [Moral Rating Agency](#) warned that the Russian assets of major global corporations could be seized amid the fallout from the invasion. The agency was set up to examine whether companies' promises to exit Russia were being carried out. Its research covers U.S. and overseas companies.

"Putin has devised a new type of economic warfare that we call 'expropriation blackmail,'" said the agency's founder, Mark Dixon. "He issues a decree that moves the assets into a Russian holding company and then gives the foreign partners a month to agree to new terms if they want to get back their shares in the holding company."

This allows Putin to pressure companies to agree to "whatever unacceptable unilateral terms" he wishes, according to Dixon. "They then have a choice — comply with an autocratic regime engaged in an illegal war or lose their assets."

Set against this backdrop, Dixon applauded Exxon Mobil's move. "Exxon did the right thing, even though it was slow to divest after the invasion of Ukraine," he said.

Now read: [Kremlin could seize Russian assets of U.S. companies, warns Moral Rating Agency](#)

"Exiting has been a complex process, and we have remained committed to operating in a manner that protects the safety of employees, the environment, and the integrity of the Sakhalin-1 project," said an Exxon Mobil spokesperson.

Dixon is waiting to see what path other partners in the Sakhalin-1 project take.

Citing sources, the Economic Times [reports](#) that ONGC Videsh, an arm of India's Oil and Natural Gas Corporation, is making a proposal to retake its 20% stake in Sakhalin-1. "This is typical of India's policy of sitting on the fence between Russia and the West," said Dixon.

The Oil and Natural Gas Corporation has not yet responded to a request for comment on this story from MarketWatch.

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Japan's Sakhalin Oil and Gas Development Co. (SODECO) also owns a 30% stake in the oil and gas project, according to [Reuters](#). "SODECO has stated it is still considering what to do," said Dixon. "We urge it to make a sacrifice for democracy and civilization, and not side with autocracy and barbarism."

Neither Japan's Ministry of Economy, Trade and Industry, which has a [50% stake](#) in SODECO, nor the Japan Petroleum Exploration Co. (Japex), which has a 15.285% stake, has yet responded to a request for comment on this story.



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