

Parry puts Gerrard 'above money' Listen to the full interview on Sport on Five and the BBC Sport website from 1900 GMT. But Parry, speaking exclusively to BBC Sport, also admits Gerrard, who has been constantly linked with Chelsea, will have the final say on his future. He told BBC Five Live: "Steven is above money. He is the future of Liverpool. "It doesn't matter if it's £30m, £40m or £50m, we will not accept offers. But we are also realistic enough to know we can't keep Steven against his will." On the subject of Liverpool's finances, Parry also revealed the club is ready to explore the possibility of a sponsorship deal for its proposed new stadium. And responding to criticism from BBC Sport pundit and former Liverpool stalwart Alan Hansen, he insisted talks on new investment are ongoing, but added the door has not closed on shareholder and lifelong fan Steve Morgan. Parry joined Liverpool as chief executive in July 1998 from a similar role at the Premier League. There have been several highs and lows during his time in charge at Anfield - and he had a busy summer, overseeing the arrival of new manager Rafael Benitez and managing to hold on to Steven Gerrard. On the subject of Liverpool's captain and prize asset, Parry revealed Real Madrid did ask for an option on the England midfield man during negotiations for striker Fernando Morientes. He said: "They were looking for ways of saying they got more out of the deal for Fernando Morientes, but the response to Real Madrid was the same - Steven is not for sale." But when asked if Gerrard would be a Liverpool player on the first day of next season, Parry said: "I sincerely hope he will be. Steven knows my views. He knows Rafa's views. "We have re-affirmed recently to Steven that we are trying to build a team around him. We crave success as much as he does. We know he's ambitious and nobody can argue with that. "I think Steven would dearly love to win things with Liverpool more than he'd like to do anything else. "We all want to see progress by next season. He's not alone in that. There are a lot of other players who feel the same, so we all have a common aim." It is expected Chelsea will test Liverpool with a £30m-plus bid in the summer - but Parry claims he will be in no mood to listen. "There have been a lot of open secrets about Steven, most of which have been complete myths. It is suggested we had a deal tied up last summer. We didn't had an offer last summer," Parry explained. "We had told Chelsea that as far as we were concerned he was not for sale and we didn't want to sell him. In reality it didn't go beyond that. "Maybe there will be an offer in the summer. Maybe there won't. "Our position is we want Steven to stay, but we are also realistic enough and have enough respect for Steven - and he has enough respect for us - to know that it is his decision that will be crucial. "You are not going to keep a player like Steven against his will. That just doesn't work, but any idea we are going to accept offers for Steven and then tell him 'by the way we've decided to sell you' is not on the agenda. You can forget that." Parry is currently in the process of finalising funding for Liverpool's new stadium in Stanley Park, which is set to open in 2007. And he confessed Arsenal's £100m deal with Emirates to sponsor their new ground - complete with naming rights - has given the Anfield club serious food for thought. He said: "I have to say historically it is something I have been against, and I have been on record as saying that, but I think the size of the Arsenal deal is a real eye-opener. "I would say in the past deals have been done frankly far too cheaply and it just hasn't even been worth contemplating. "But the Arsenal deal is the sort of deal that causes you to draw breath and say 'wow - that's interesting.' "My personal point of view is that I would find it a hell of a lot more palatable than a shared stadium." Some Liverpool fans would find such a move highly controversial, but Parry countered: "I recognise it would be an emotive issue for many supporters, but you look at the amount of money available and it could go into the team. "If it was the right partner how strong an issue is it? Time will tell. "I think the stadium will always be Anfield, not least because of where it is, but do we need to investigate the possibilities of sponsorship? I think it would be remiss not to. "That's not to say we have made a decision that we will go down that road, but I think it is clearly something we have to explore." On the subject of possible new investment, Parry revealed Liverpool are still in negotiations with a mystery investor, with rumours of interest from the Middle East. That prompted the withdrawal of tycoon Steve Morgan, who got frustrated by failed bids and what he claimed was indecision by the board. He also accused Liverpool of using him as "a stalking horse" to attract other bids, but Parry explained: "Steve has never been used as a stalking horse. There's no need, and that is not the way we do business. "We had discussions with Steve over the course of 2004. I think we came close to concluding a deal in the summer but it didn't happen. "Quite genuinely, the new interest did appear relatively late in the day just prior to the AGM in December, and as I have said it was of such potential magnitude, and that potential is so exciting, we felt we had to evaluate it. We are still evaluating it. "Steve's interest was taken very much on its own merits. His enthusiasm for the club is there for all to see and who knows what the next few months will hold? "The door isn't closed on anything. We had a perfectly sensible dialogue with Steve last year. "We have a common interest in making Liverpool successful. That's a dream we all share, so as far as I'm concerned the door is not closed." I would take £50m if we had no investment, but if we did, keep him. As for the stadium, if it gets us cash what difference does it make really? £50m for Gerrard? I don't care who you are, the Directors would take the money and it is the way it should be. We cannot let that sum of money go, despite Gerrard's quality. Through a cleverly worded statement, the club has effectively forced Gerrard to publicly make the decision for himself, which I think is the right thing to do. Critical time for Liverpool with regards to

Gerrard. Ideally we would want to secure his future to the club for the long term. I am hoping he doesn't walk out of the club like Michael Owen did for very little cash. £50m realistically would allow Rafa to completely rebuild the squad, however, if we can afford to do this AND keep Gerrard we will be better for it. I would however be happy with Gerrard's transfer for any fee over £35m. Parry's statements are clever in that any future Gerrard transfer cannot be construed as a lack of ambition by the club to not try and keep their best players. Upping the ante is another smart move by Parry. I would keep Gerrard. No amount of money could replace his obvious love of the club and determination to succeed. The key is if Gerrard comes out and says that he is happy. Clearly, if he isn't, then we would be foolish not to sell. The worrying thing is who would you buy (or who would come) pending possible non-Champions League football.

Greece defy the odds at Euro 2004 Greece arrived in Portugal for Euro 2004 as 150-1 outsiders who had never won a match at a major tournament. Four weeks later, manager Otto Rehhagel was a legendary figure in Greece and Angelos Charisteas had written his name into footballing legend. Charisteas scored the winner in the 1-0 final victory that sank hosts Portugal. England's Wayne Rooney may have been the individual star of the tournament, but when it came to the best team, the super-efficient Greeks stole the show. Rehhagel's combination of unsung stars and shrewd tactics proved beyond the bigger names in the tournament. Greece started and finished Euro 2004 by beating Portugal, who improved throughout the competition under former Brazil coach Luiz Felipe Scolari. Favourites France were overcome 1-0 in the quarter-final while form side the Czech Republic were beaten by the same score in the semi-final. For England, another major tournament only brought more frustration. England opened against France in the Stadium of Light, and looked to be on the way to victory thanks to Frank Lampard's first-half goal. But captain David Beckham missed a penalty and with it went England's hopes of victory. Zinedine Zidane hit a last-minute equaliser from a free-kick then scored a dramatic winner. He converted from the spot after David James brought down Thierry Henry after he intercepted Steven Gerrard's pass. Enter Rooney, with two goals in the 3-0 win against Switzerland, a feat he repeated in the 4-2 win against Croatia that sealed a quarter-final place. Sadly for England, Rooney broke his foot shortly after Michael Owen had put them ahead against Portugal. Helder Postiga equalised, but England were cursing when a last-minute header by Sol Campbell was disallowed. Rui Costa put Portugal ahead, but Frank Lampard struck his third goal of the tournament to send it to penalties. Beckham's penalty miss proved crucial and when Darius Vassell also missed, Portugal keeper Ricardo sealed the win. Another man with Premiership links, Liverpool's Milan Baros, was the leading scorer with five goals in the tournament in an excellent Czech side. The Czechs were involved in the best game, coming from two goals down to beat Holland 3-2. Germany were one of the major disappointments, with Rudi Voeller's side failing to reach the last eight. A 2-1 defeat against the Czechs sent Germany out and ended Voeller's reign. And Holland coach Dick Advocaat, who took the blame of a nation after the shock defeat against the Czech Republic, also left his job. The Dutch lost 2-1 to Portugal in the semi-final and that was enough to prompt a change in the Dutch hierarchy. Spain once again failed to produce, missing out on the last eight after they lost 1-0 to great rivals Portugal in the hostile Alvalade Stadium. Italy were another major team that failed to reach the last eight, going amid wild claims of collusion between Denmark and Sweden in their 2-2 draw. But Greece gave Euro 2004 a gloriously unpredictable chapter in football's history, and were deserving winners. It was a tournament played out in good spirit and had perfect hosts in the Portuguese crowds who packed grounds. Their gracious behaviour towards the winners, even after losing the final, gave Euro 2004 a fitting finale.

Finnan says Irish can win group Steve Finnan believes the Republic of Ireland can qualify directly for the World Cup finals. After Saturday's superb display in the draw in Paris, Ireland face minnows the Faroe Islands in Dublin on Wednesday. The versatile Finnan, who starred against the French, is confident the group is Ireland's for the taking. "There is a chance for us now to go on, win our home games and why not win the group, even though it's a tough one," said the Liverpool player. Switzerland, Ireland, France and Israel are all now tied on five points from three matches - although the Republic look to have a slight edge after claiming away draws in Basel and Paris. "In Basel we did not play great football, but when you go to these places the other teams are going to have the majority of the game. "In Paris, we looked good throughout the team and a point was the least we deserved because we had a number of chances. "Looking back, we had an opportunity to get the three points, but we are happy with a point and that will give us confidence going into Wednesday's game. "On paper, we have got the toughest matches out of the way and we have set standards for ourselves. "Automatic qualification is there. It would certainly be good to avoid a play-off, but on the back of a couple of good results I don't see why we can't win the group." Manager Brian Kerr was keen to mention the contribution of Stephen Carr and Finnan on Ireland's right flank at the Stade de France. Finnan's normal position is right-back but he looked assured in a more advanced position against the French. "As I play on the right for my club and being a natural right-back, it was something he (Kerr) looked at because France play strongly down the left-hand side. "So I was happy to play and Stephen Carr and I enjoyed the game, particularly as the defence and midfield held together well and nullified their attacks."

Owen may have to return home Michael Owen has delivered the first hint that he may consider his future away from Real Madrid if he fails to get regular first-team football - and no-one can

blame him. Owen displayed his world-class ability once again with another goal after coming on as a substitute in Real's win at Osasuna on Sunday. And therein lies his problem. Michael may have made a rod for his own back with his fantastic performances coming on as substitute. His many coaches at Real Madrid may have decided this is his best role. If that is the case, that is no good to him and he will be coming home sooner rather than later. Michael must hope his performances earn him a regular starting opportunity - and you can rest assured he will take that chance when it comes. I said when he was on the bench earlier this season that Michael's pride would ensure he stuck it out. He would not want to be branded a failure. But he is still on the bench and we are into February - and he could leave now and no-one could call him a flop after the terrific performances he has turned in. If and when he decides to leave, I don't think he will go elsewhere in Europe. I think he will come back to the Premiership. And there would be no shortage of takers. In an ideal world I would obviously love to see him return to Liverpool but you can rest assured that Arsenal and Chelsea would consider what Michael Owen could offer them as well. Owen is a great goalscorer but he is also a very good footballer as well. But one thing that is vital to Michael's game is sharpness - and he will know himself that you miss a vital ingredient when you are not starting games. Also Michael is a fine professional who did not sign for Real Madrid to sit on the sidelines - no matter how many Galacticos are around him. I would expect some serious interest should he fail to win a regular place. - Chelsea have given the lie to claims that they are enjoying good fortune in their quest for the title - but they will do well just to have a look in their rear-view mirror at Manchester United. Sir Alex Ferguson played the mind games by suggesting Chelsea would struggle in the north - but they've answered that one. They beat Blackburn, who didn't half put a foot in against them, and then came through a real tough one at Everton, albeit aided by James Beattie's sending off. Chelsea have done brilliantly and you do not keep clean sheets like they do by luck alone. But all Manchester United can do is keep up the pressure - and boy are they doing that. No team has ever been better at chasing down the leaders than Manchester United. Ferguson's team will stay totally committed to the cause. It is still very much Chelsea's to lose and they have shown they can battle as well as play exhilarating football, so the odds must be on them. But the old Liverpool saying was that you have never won the title until the medal is in your hand - and United will still have their sights set on snatching them away from Chelsea. The big talking point of the weekend was Beattie's sending off for Everton against Chelsea. I've got to confess, I've never seen anything like that. I can't defend the lad or condone it but you can almost see how it has happened. He has come out fired up but it's all gone wrong. It was right in front of the referee and it's the most straightforward red you'll ever see. It gave Chelsea a crucial advantage - and it was one they took advantage of in a very professional manner.

Souness eyes summer move for Owen Newcastle boss Graeme Souness is lining up a summer move for England and Real Madrid striker Michael Owen. He sees Owen as the ideal replacement for Alan Shearer, who is due to retire in the summer, although he hopes to persuade Shearer to carry on. "Michael is in the category of players who would excite the fans and we're monitoring him," he told BBC Newcastle. "He is a great centre-forward and only 25 but I don't think we're the only ones monitoring the situation at Real." Souness has also hinted he thinks Shearer may carry on despite his stated intent to retire at the end of the season. He believes the prospect of breaking Jackie Milburn's club scoring record may influence the striker's decision. Milburn scored 200 league and cup goals between 1946 and 1957, while Shearer currently has 187 goals to his name. "Without giving too much away, I am confident he will be here next season," said Souness. "I can't imagine him leaving without breaking Jackie Milburn's scoring record." Souness also revealed he tried to bring back Nolberto Solano during the January transfer window. The Peruvian international was sold to Aston Villa a year ago but in the phone-in for BBC Newcastle, Souness said tried to re-sign him, but Villa were not interested in selling. The former Rangers and Liverpool boss is also looking to bring in a number of new acquisitions once the current campaign has been completed. "I'm after three, four or five new players in the summer - we have got lots of targets," he said. "Don't think we will wait to the last day of the season to say: 'Who are we going to target now?'"

Benitez deflects blame from Dudek Liverpool manager Rafael Benitez has refused to point the finger of blame at goalkeeper Jerzy Dudek after Portsmouth claimed a draw at Anfield. Dudek fumbled a cross before Lomana Lua Lua headed home an injury-time equaliser, levelling after Steven Gerrard put Liverpool ahead. Benitez said: "It was difficult for Jerzy. It was an unlucky moment. "He was expecting a cross from Matthew Taylor and it ended up like a shot, so I don't blame him for what happened." Benitez admitted it was a costly loss of two points by Liverpool, who followed up their derby defeat against Everton with a disappointing draw. He said: "We had many opportunities but didn't score and, in the end, a 1-0 lead was not enough. "If you don't have any chances you have to think of other things, but when you are creating so many chances as we are there is nothing you can say to the players. It was a pity. "We lost two points, but we have one more point in the table. Now we have another difficult game against Newcastle and we have to recover quickly from that."

Everton's Weir cools Euro hopes Everton defender David Weir has played down talk of European football, despite his team lying in second place in the Premiership after beating Liverpool. Weir told BBC Radio Five Live: "We don't want to rest on our laurels and say we have achieved anything

yet. "I think you start taking your eye off the ball if you make statements and look too far into the future. "If you start making predictions you soon fall back into trouble. The only thing that matters is the next game." He said: "We are looking after each other and hard work goes a long way in this league. We have definitely shown that. "Also injuries and suspensions haven't cost us too badly and we have a lot of self-belief around the place."

Blackburn v Burnley Ewood Park Tuesday, 1 March 2000 GMT Howard Webb (South Yorkshire) home to Leicester in the quarter-finals But defender Andy Todd is suspended and could be replaced by Dominic Matteo - if he recovers from a hamstring injury. Burnley have major injury concerns over Frank Sinclair and John McGreal. Michael Duff looks set to continue at right-back with John Oster in midfield and Micah Hyde is expected to recover from a knee injury. - Blackburn boss Mark Hughes: "Burnley are resolute and have individual talent but I fully expect us to progress. "I thought we were comfortable in the first game and never thought we were under pressure. "It's a competition we want to progress in and we are doing okay. If we beat Burnley, we have a home tie against another lower league club (Leicester)." - Burnley boss Steve Cotterill: "They will be fresh and we'll be tired. That is an honest opinion but our lads just might be able to get themselves up for one more big game. "The atmosphere at the last game was very hot - a good verbal contest. "Our fans will not need whipping up for this game. I just want them to help us as much as they can in a positive way." KEY MATCH STATS - BLACKBURN ROVERS against Bolton is part two of an East Lancashire hotpot that didn't turn out to be that spicy when first staged on a Sunday lunchtime the weekend before last, and resulted in a scrappy goalless draw. - Rovers, who are aiming to win the Cup for a seventh time in their history and first time in 77 years, face another replay against Championship opposition after eventually disposing of Cardiff at Ewood Park in the third round. But they've not been beaten in the competition by a club outside the Premiership for nine years, since Ipswich - then in the second tier - defeated them 0-1 after extra time in a third round replay at Ewood Park on 16 January 1996. History is on Rovers side. When they last met their near neighbours in the FA Cup 45 years ago, it also required an Ewood Park replay, which the home side won 2-0, and when they last met in the League, Rovers did the double. They first won their Nationwide Division One trip to Turf Moor 0-2 four seasons ago, and then thrashed the Clarets on home soil 5-0. - Manager Mark Hughes, who won the Cup four times as a player, is aiming to steer Rovers into the quarter-finals for the second time in 12 years, and first time since the 2000/2001 season. Success here, and victory home to Leicester in the next round, could see Rovers in the semi-finals without having played Premiership opposition. - BURNLEY make the eight mile journey to their fierce rivals, determined to send Blackburn the same way as Liverpool in the third round. But having failed to pull off another shock at Turf Moor, it could be that the Championship outfit - 17 places inferior on the League ladder - have missed their best opportunity. Having said that, Burnley are yet to concede a goal in this Cup run. - Steve Cotterill's Clarets have been knocked out in the fifth round four times in the last seven years, and have made only one appearance in the sixth round in 21 years. That was in the season before last, when they disposed of Premiership Fulham at this fifth round stage. - While Blackburn have not played since the fifth round tie, Burnley have had two League outings away from home, drawing 1-1 at Derby and losing 1-0 at Preston. That takes their winless run to four games. The combatants from one-time prosperous mill towns, are both founder members of the Football League. HEAD TO HEAD 16th PREM WINNERS (six times) 13th Championship WINNERS (once) Benitez issues warning to Gerrard Liverpool manager Rafael Benitez has ordered captain Steven Gerrard not to play down their Champions League ambitions and be more positive. Gerrard told the BBC Liverpool were unlikely to win the trophy this year. Benitez responded: "I spoke to Steven and said to him that in future it's better to think we can win the Champions League. Why not?" He said: "We need winners here and everyone thinking only of winning. I always want to win." Benitez added: "When we lose I only think of solutions. If you only think about winning the next game, you don't know what the draw will be. "If we can win the next game, maybe we will draw a side that isn't so strong, or a side with injuries or suspensions." Benitez is hoping to win his first trophy since arriving at Liverpool from Valencia when they play Chelsea in the Carling Cup on Sunday in Cardiff.

Redknapp's Saints face Pompey tie New Southampton manager Harry Redknapp faces an immediate reunion with his old club Portsmouth after they were drawn together in the FA Cup fourth round. Exeter City face a home tie against Middlesbrough if they can see off holders Manchester United in a replay. Oldham's reward for beating Manchester City is a home tie with Bolton, while Yeovil will be away to Charlton. Chelsea host Birmingham, Tottenham travel to West Brom and Arsenal will entertain Championship side Wolves. Saints boss Redknapp was upbeat about the draw despite having to face the club he walked out on just six weeks ago. "I've said before, I can walk away from Portsmouth with my head held high, I'm proud of what I did there and no one can take that away from me," said Redknapp. "Maybe I'll be in for some stick, there's always some of that but we'll get on with it and it's only a game of football." Birmingham manager Steve Bruce admitted their trip to Stamford Bridge to face Premiership leaders Chelsea was the toughest draw possible. Bruce said: "I'm still in shock. We've given good accounts of ourselves against Chelsea in the past and played well when we lost 1-0 at home at the start of the season - but that's the past. "But it's the best competition in the world as far as I am concerned and we will give it our best shot." Brentford boss Martin Allen remained cautious despite his side's favourable draw - a home tie

with either Hartlepool or Boston. "The best thing is, it's a home game. However, we know that whoever we play it is going to be a really tough game," said Allen. "But it's not about the opposition, it's about us. We all want to get through to the next round and face a massive team, that's the way it is." Meanwhile, the BBC has confirmed it will be televising Exeter's replay with Man Utd live on Wednesday 19 January, from 1930 on BBC One. Derby v Watford or Fulham Man Utd or Exeter v Middlesbrough Cardiff or Blackburn v Colchester Chelsea v Birmingham West Ham v Sheff Utd Oldham v Bolton Arsenal v Wolverhampton Everton v Sunderland Nottm Forest v Peterborough Brentford v Hartlepool or Boston Reading or Swansea v Leicester or Blackpool Burnley or Liverpool v Bournemouth Southampton v Portsmouth West Brom v Tottenham Newcastle v Coventry Charlton v Yeovil

Reds sink 10-man Magpies Titus Bramble's own goal put Liverpool on the comeback trail as injury-hit Newcastle were well beaten at Anfield. Patrick Kluivert's close-range finish put Newcastle ahead after 31 minutes, but they were pegged back as Bramble headed in Steven Gerrard's corner. Neil Mellor gave Liverpool the lead before half-time from Milan Baros' pass before the Czech added a third after rounding Shay Given on the hour. Newcastle then had Lee Bowyer sent off for two bookable offences. Liverpool brought back Luis Garcia after a hamstring injury, while Newcastle were forced to draft in Kluivert after Craig Bellamy was a late withdrawal with a back injury sustained in the warm-up. And Garcia should have crowned his return with a goal inside the opening minute when he took a pass from Baros but shot wildly over the top from eight yards. Olivier Bernard was only inches away from giving Newcastle the lead after 20 minutes, when he fired just wide from a free-kick 25 yards out. But Souness's side did go ahead 11 minutes later in highly controversial circumstances. Kluivert looked suspiciously offside when Kieron Dyer set Bowyer free, but the Dutchman was then perfectly placed to score from six yards. The lead lasted three minutes, with Liverpool back on terms as Bramble headed Gerrard's corner into his own net under pressure from Sami Hyypia. And Liverpool were ahead after 37 minutes when Baros slid a perfect pass into Mellor's path for the youngster to slip a slide-rule finish into Given's bottom corner. Garcia's finishing was wayward, and he was wasteful again in first-half injury time, shooting tamely at Given after good work by Xabi Alonso. Any hopes of a Newcastle recovery looked to be snuffed out on the hour when a brilliant turn and pass by Harry Kewell set Baros free and he rounded Given to score. Jermaine Jenas then missed a glorious chance to throw Newcastle a lifeline, shooting over from just eight yards out from Shola Ameobi's cross. Then Bowyer, who had already been booked for a foul on Alonso, was deservedly shown the red card by referee Graham Poll for a wild challenge on Liverpool substitute Florent Sinama-Pongolle. Dudek, Finnan, Hyypia, Carragher, Riise, Luis Garcia (Nunez 73), Gerrard, Alonso, Kewell (Traore 85), Baros, Mellor (Sinama Pongolle 75). Subs not used: Hamann, Harrison. Bramble 35 og, Mellor 38, Baros 61. Given, Andrew O'Brien, Elliott, Bramble, Bernard, Bowyer, Dyer (Ambrose 80), Jenas, Milner (N'Zogbia 72), Kluivert (Robert 58), Ameobi. Subs not used: Harper. Bowyer (77). Bowyer, Elliott, Bernard. Kluivert 32. 43,856. G Poll (Hertfordshire).

FA decides not to punish Mourinho The Football Association will take no action against Chelsea boss Jose Mourinho following his sending-off in Sunday's Carling Cup final. Mourinho, who was sent from the touchline for appearing to taunt Liverpool fans, has been "reminded of his responsibilities to the game". But the FA confirmed: "There will be no further action taken in this matter." Mourinho claimed his 'silence' gesture was aimed at the media, although they were on the other side of the ground. The former Porto coach was forced to watch the climax of his side's 3-2 victory over Liverpool on television after being ushered away from the touchline by fourth official Phil Crossley. His gesture came after Chelsea's equaliser on 79 minutes courtesy of a Steven Gerrard own goal. Mourinho still faces an FA investigation into his allegation that Manchester United's players 'cheated' during January's Carling Cup semi-final at Stamford Bridge. And Uefa could also launch disciplinary action following Mourinho's failure to attend a compulsory post-match press conference after Chelsea's Champions League defeat at Barcelona last week. In addition, some time this month, Chelsea must also answer a charge of failing to control their players during the Premiership win at Blackburn in February. And a charge of failing to control their supporters following a Carling Cup meeting with West Ham earlier this season is still to be heard. The Premier League is also continuing investigations into allegations Chelsea officials tapped up Arsenal defender Ashley Cole in January.

Gunners clock up winning record Arsenal claimed the Premiership title and re-wrote the record books in the process by going the entire 38-game season unbeaten. It was the first time a team had gone through a top-flight season undefeated since Preston in the 1888-89 season. Arsenal romped home by a convincing 11-point margin from Chelsea. The closest they came to defeat was in the so-called "Battle of Old Trafford" when Ruud van Nistelrooy missed a last-minute penalty in a goalless draw. It was a game that cast a shadow over the season, with Van Nistelrooy surrounded by angry Arsenal players. Arsenal's Lauren was banned for four games, Martin Keown three matches and Ray Parlour one after the incident. Manchester United pair Ryan Giggs and Cristiano Ronaldo were also fined for their part in the fracas. Arsenal's title triumph made up for more disappointment on the European stage, where they lost to Chelsea in the Champions League quarter-finals. Arsene Wenger's side looked on course to finally end their Champions League drought, particularly after winning 5-1 away to Inter Milan. But in a twist on their domestic domination, Chelsea won 2-1 at Highbury to clinch a 3-2 aggregate victory. Manchester United fared even

worse, going out to Porto when Francisco Costina scored a last-minute Old Trafford equaliser. United finished third in the league, but had an FA Cup win for consolation. Porto's success introduced manager Jose Mourinho to a wider audience, and particularly Chelsea. Chelsea manager Claudio Ranieri lived under a cloud of speculation all season, particularly claims he would be replaced by Sven-Goran Eriksson. It intensified when Eriksson was caught holding talks with Chelsea chief executive Peter Kenyon. An embarrassed England coach was then awarded a new four-year contract by the Football Association. Ranieri sealed his fate with a series of bizarre substitutions as Chelsea lost 3-1 in the first leg of the Champions League semi-final in Monaco. And when he inevitably lost his job, it was Mourinho, who went on to win the Champions League with Porto, who stepped in to take over. Mourinho's reign began well, with Chelsea topping the Premiership at Christmas and joining Arsenal, Manchester United and Liverpool in the next phase of the Champions League. Another manager to lose his job was Liverpool's Gerard Houllier, whose reign ended after six years. Houllier paid the price for finishing fourth and without a trophy last term. He was replaced by Valencia's Rafael Benitez, whose impressive credentials included winning Spain's La Liga and the Uefa Cup last season. Valencia beat Marseille 2-0 to cement Benitez's growing reputation. Manchester United enjoyed their moment of glory by beating Millwall 3-0 in the FA Cup final in Cardiff. Ruud van Nistelrooy struck twice and Cristiano Ronaldo was also on target at Dennis Wise's side were outclassed by their Premiership opponents. Wolves lost their Premiership status, along with Leicester City and Leeds United, who completed a stunning decline from grace. Leeds had reached the Champions League semi-final three years before they went down after defeat at Bolton. The three were replaced by Norwich, West Brom and Crystal Palace, who beat West Ham in the play-off in Cardiff. The summer saw big-spending in the transfer market, with Wayne Rooney the central figure in the drama. Teenager Rooney returned to Everton after Euro 2004 with superstar status assured after stunning performances. And when he refused to sign a new five-year contract, Newcastle United opened the bidding at £20m. A transfer request followed and Manchester United completed a £27m deal just hours before the transfer window closed at the end of August. Rooney confirmed his worth with a hat-trick on his debut in the Champions League against Fenerbahce. Chelsea, inevitably, were among the big-spenders again, splashing out £24m on Marseille's Didier Drogba and £20m on Porto defender Ricardo Carvalho. Last and by no means least, the other major piece of domestic silverware went to Middlesbrough, who ended 128 barren years by winning the Carling Cup. They beat Bolton 2-1 in the final with goals from Joseph-Desire Job and a penalty from Boudewijn Zenden. The pressures of the top-flight were cruelly illustrated at Southampton. Paul Sturrock was sacked only two games into the new season, one of which was a win against Blackburn, and only 13 games in total at St Mary's. Another manager to pay the price early-season was West Brom's Gary Megson, who was sacked after revealing he would not renew his contract. He guided West Brom back into the Premiership, but his relationship with chairman Jeremy Peace was fragile. Bryan Robson succeeded him as he returned to his old club. In Scotland, Henrik Larsson bid an emotional and successful farewell to Celtic after seven glorious seasons. Celtic won the league and also the Scottish Cup, beating Dunfermline 3-1 in the final, with the Swede scoring twice to take his season's tally to 41. And it took his overall Celtic goals record to 242 goals in 315 appearances before joining Barcelona. Underdogs Livingston claimed the CIS Insurance Cup with a 2-0 win against Hibs, a victory for the romantics.

Owen dismisses fresh Real rumours England striker Michael Owen helped inspire Real Madrid to a 2-1 win at Osasuna in La Liga on Sunday before insisting he is happy at the club. The ex-Liverpool player started on the bench, an on-going situation that has led to rumours of a Premiership return. Owen has admitted he is frustrated at his lack of first-team chances but is determined to succeed in Spain. "I'm always going to say I want to play more minutes but that doesn't mean I'm unhappy being a substitute," he said. "It wasn't a great goal, but neither was the game, grounds like this are always difficult," Owen added. "I'm happy with my goal because it was a vital goal for the win and even more so after what Barcelona did (beating Real Zaragoza 4-1 on Saturday). "This could be a decisive result at the end of the season. "Even when we were losing, I was confident we could win and now we all have very positive feelings." Roberto Carlos' free-kick was parried and when Raul's shot was kept out Owen was in the right place to head home. Ivan Helguera scored the winner for Real, who have won seven games in a row under new coach Vanderlei Luxemburgo. The victory kept them within four points of leaders Barcelona. Owen had earlier hinted in the News of the World newspaper that he may leave Real Madrid to safeguard his international career. He has failed to command a regular place in the Real team and said he is concerned that his increasing amount of time on the bench may affect his England place. "Sometimes I feel I am happy then the next week I might be on the bench and I am a bit low in myself again," he told The News of The World. "It is frustrating and isn't the best way to prepare for the next World Cup." Owen has had to prove himself to three managers in his short time at Real. Jose Antonio Camacho was replaced by Mariano Garcia Remon, who has now made way for Luxemburgo. "The first manager came along and I never started that much. But the more he was here the more I played," the striker said. "Then the second manager came and he went back to the normal 11 that everyone associated with. "But I had eight or nine games on the spin and scored seven goals on the bounce. I was doing all right and then he left and now I am back to where I was again. "It has not been ideal but it looks as if this manager is here to stay so I will keep

plugging away." Owen has discussed his concerns with England coach Sven-Goran Eriksson and admitted: "This last month hasn't been perfect. I am not missing out on goalscoring but I am missing out on minutes on the pitch." Luxemburgo told the Sunday Times that he sympathised with Owen. "He is bound to get angry and feel sad but I can say Owen will play more," he commented. "Raul and Ronaldo are not always going to start every game. I like Owen a lot in training, he is always willing, ready to listen to things. He is a bit introverted but he has got character." Meanwhile, Luxemburgo has booked himself a place in the Real history books after the victory over Osasuna. He is the first coach to have won his first seven league games in charge of the club. Liverpool revel in night of glory Liverpool manager Rafael Benitez said their qualification for the next stage of the Champions League was "one of the proudest nights of my career." The Reds beat Olympiakos 3-1 with a late Steven Gerrard strike and Benitez said: "It was a really great night. "The players ran hard all the time and you see how much it means to the fans. "We knew before the game that it was very important for the club to gain these extra finances. For Liverpool, this result is very, very important." Benitez hailed Gerrard for his match-winning strike four minutes from time and also the Anfield crowd for sticking by their side after they had fallen a goal behind at the interval. The Reds scored three second-half goals in a sensational comeback capped by Gerrard's 20-yard drive. He added: "Steven can play all over the pitch and he influences every part of the game. "I have said to him many times that he has the freedom because he has talent and is very important to us. "I felt that the difference between the sides was really our supporters, I cannot thank them enough. "I want to say thank-you to the supporters, they were magnificent to help us achieve this result." Gerrard admitted he thought they were going out of the Champions League after trailing 1-0 at half-time. He said: "I'd be lying if I thought we were going through when we were losing at half-time. "We had a mountain to climb, but we have climbed it and credit to everyone. "That was one of the best goals I have scored, I caught it sweet, I haven't caught one like that for ages. It was a massive night for me and the team." Liverpool's win means all four of England's Champions League representatives have reached the knockout stages for the first time.

Benitez delight after crucial win Liverpool manager Rafael Benitez admitted victory against Deportivo La Coruna was vital in their tight Champions League group. Jorge Andrade's early own goal gave Liverpool a 1-0 win. And Benitez said: "We started at a very high tempo and had many chances. It is a very important win for us and we could have scored more goals. "We were very good defensively and also good on the counter attack. We are pleased but move on to the next game." Igor Biscan was outstanding in midfield after replacing injured Xabi Alonso, and Benitez said: "He played very well. "It is important to have all the players ready and a good squad so you can play more games at a high level." Benitez added: "It is all back in our own hands now, it was a great win for us and I was delighted with what I feel was the best Liverpool I have seen. "As far as my feelings about winning in Spain, that is really not important. "I want to see us win away matches in the Champions League, that it was in Spain was not my first consideration. "As far as I am concerned it is important for Liverpool to win, it is not important in what country it is in." Benitez added: Benitez said: "We had a problem before the start, it was decided that Xabi could not play more than 45 minutes. "But in the end because of the way that (Dietmar) Hamann and (Igor) Biscan performed, we did not need to change things until right at the end of the match. "Deportivo are a good team and if you allow them to keep possession they can be very dangerous indeed. "But we knew that if we hit them on the counter-attack it would make them nervous, and that is how it worked out." Deportivo coach Javier Irureta said: "Liverpool played very well and we just could not break them down. "I know we have now gone six games at home in Europe without scoring, but that does not reflect our overall performances. "But this time we did not play well and we lacked imagination. "The goal was a bad mistake and a big blow to our confidence. Players who usually want the ball at that stage did not want it. "I know we are bottom of the group, but as long as there is hope of qualifying, we will hang on to that." Liverpool pledge to keep Gerrard Liverpool chief executive Rick Parry insists the club will never sell Steven Gerrard amid reports Chelsea will renew their bid to lure him from Anfield. Gerrard reiterated his desire to win trophies with the Reds after his superb Champions League winner on Wednesday. And Parry has moved to scotch claims that Chelsea could launch a £35m bid. "There is no chance of Stevie going in January," said Parry. "That just won't happen. Our intention is that we will never let him go." Gerrard scored a spectacular late goal to give Liverpool a 3-1 win over Olympiakos and book their place in the knockout stages. "Of course he is ambitious but so are we," Parry added. "We firmly believe that if we can satisfy his ambition he will remain a Liverpool player. "We have an open and straightforward relationship. We both know where we stand and that played a big part in his decision to stay last summer. If he was not so committed to Liverpool he would have gone by now." Gerrard had said before Wednesday's game he would consider leaving if the club was knocked out of Europe, with Real Madrid also believed to be monitoring his situation. "The main point I have made is I want to be in a Liverpool side which challenges for the Champions League and the title all the time," he said afterwards. "I want to be winning things with Liverpool, not somewhere else. "I am a fan as well and I think what I have said the supporters will agree with. "We have to build on wins like that, not just settle for a great win and then not progress any further. "My goal was one of the most important I have ever scored and I hope it turns out to be one of the most important for the club for a long time. "I know I put a

lot of pressure on myself because of what I said, and I felt I needed a big performance, but I am not going to go around telling lies about how I feel." Reds manager Rafael Benitez believes Gerrard can win everything he wants to without moving clubs. "Steven can win all he wants with us and we need him. He has seen that we have a good team and we can do more things in the future," said Benitez. "But if we want to win more games, important games, we need Steven in the team. "We need his strength, the strong mentality he has and his quality. I think he likes and wants the responsibility of leading this team."

Morientes admits to Reds struggle Liverpool striker Fernando Morientes has admitted he is struggling to adapt to life in the Premiership. The Spain international has played twice for the club, losing both times, since his £6.3m move from Real Madrid. "I am finding it hard to adapt but I am better now," the 28-year-old told Marca newspaper. "It's surprising when you see things you are not used to. "I am starting to get to know things, and my wife is looking for a house and a school for the kids." Morientes admitted his difficulty with the English language "worries me" but that having a Spanish manager in Rafael Benitez has helped his cause. "I can understand everything and that is a relief," he said. Despite his concerns, he said he was relishing the move and said there was a "certain magic" about Anfield, which was far calmer than the Bernabeu. Since his arrival, Liverpool have lost 1-0 to Manchester United and 2-0 Southampton in the league, while he watched from the bench as Burnley knocked them out of the FA Cup. But he expects both the manager and the players to turn things around. "The team has had a lot of changes and injuries and that is a handicap when you are looking for results but I am confident we will go a long way," he said. "When you sign a coach like Benitez it is to let him work with a long-term view and that is what is happening. "We are a historic club and fifth in the table but that is not a problem. The confidence that you get given here is incredible."

Charlton 1-2 Liverpool Fernando Morientes grabbed his first Premiership goal as Liverpool earned all three points at Charlton with a vintage second-half display. Inspired by former Anfield ace Danny Murphy, the hosts took a deserved first-half lead, Murphy swinging in a corner for Shaun Bartlett to head home. But Liverpool, who had struck the bar twice, hit back when Spaniard Morientes rifled in from 20 yards out. John Arne Riise slotted the winner after a neat pass from Luis Garcia. The teams started with virtually identical league records and there was little to separate them on the pitch early on. Liverpool where unlucky not to score when a Garcia shot was spilled by Dean Kiely into the path Steven Gerrard, whose shot bounced back off the crossbar. But then the hosts went in front, Murphy's 20th-minute corner headed home powerfully by Bartlett. Gerrard forced a sharp save from Kiely shortly afterwards as Liverpool looked to redress the balance. And the visiting captain almost set up an equaliser when he cut a clever cross back to Morientes, who saw his shot saved from two yards out. The visitors continued to press forward on the restart. And Riise came within inches of the breakthrough when he latched onto a superb ball from Garcia and hit a rasping drive, which Kiely tipped on to the Charlton bar. Morientes finally found the back of the net when he buried a left-foot shot into the top corner after Charlton had failed to clear. Djimi Traore had to time his challenge well to deny Murphy an instant reply. But Liverpool were in the ascendancy now, with Morientes causing plenty of problems. The Spaniard went close himself, before releasing Riise, who coolly finished with a trademark low drive. Morientes departed to great ovation from the visiting fans, as Charlton's biggest home attendance for 10 years tasted disappointment. - Liverpool boss Rafael Benitez: "We played a very good game with a high tempo and lots of confidence. "We have seen the mentality of the players, the team spirit and the quality we have. "I think we had two or three clear chances in the first half but conceded the goal. In the second half we controlled the game." - Charlton boss Alan Curbishley: "In the first half it was quite even but the second half they totally dominated and looked such a strong side. "We played on Saturday while they've had a week's rest but you have got to get on with it. "I'm really disappointed because if we'd held out for a draw it would have been a great bonus for us." Charlton: Kiely, Young, Fortune, El Karkouri, Hreidarsson, Thomas (Kishishev 59), Murphy, Holland (Jeffers 77), Hughes (Euell 66), Konchesky, Bartlett. Subs Not Used: Andersen, Johansson. Goals: Bartlett 20. Liverpool: Dudek, Finnan, Carragher, Hyypia, Traore, Luis Garcia (Potter 90), Biscan, Gerrard, Riise (Warnock 90), Baros, Morientes (Smicer 88). Subs Not Used: Pellegrino, Carson. Goals: Morientes 61, Riise 79. Att: 27,102. Ref: N Barry (N Lincolnshire).

FA Cup losing its sheen The FA Cup used to be sacrosanct. Regardless of the demands on the top teams they would always field their strongest teams in the FA Cup. Nobody messed about with the FA Cup and it is disappointing that this has changed. It has all come about from the number of competitions that the top sides enter and the amount of games they play in a season. I'm not saying there are necessarily more competitions but more teams play in Europe and the Champions League is fixture intensive. Foreign coaches in particular seem to want to rest more players in the FA Cup - they probably don't realise the stature and long history of the competition. The Champions League is the main competition for the top managers, followed by the Premiership and the FA Cup comes in a poor third. I think this is bound to affect the way in which people view the competition - and it takes some of the gloss off Burnley's brilliant victory over Liverpool. Liverpool boss Rafael Benitez fielded a lot of their youngsters who usually play in the reserves and Burnley were justifiable winners. They played some good football, were well organised and had too much experience for their opponents. I think the majority of Championship teams are now too

good for Premiership reserve sides. Nonetheless, as a manager of a Championship team I would always rather play a full-strength Premiership team. Obviously coming up a side without many first-choice players increases your chances of winning the tie but you want to play against the big names. As Burnley boss Steve Cotterill correctly pointed out, Liverpool had some good players in their team, but it was not a full-strength side and that tarnishes the result. The glory is not quite the same. By not playing their first team it almost gives Liverpool an excuse for going out. I was delighted that Aston Villa played their best side when we played them. Our victory, along with Burnley's win on Tuesday, Sunderland's victory over Crystal Palace and West Ham's defeat of Norwich is good news for the Championship. It shows the quality that is within the Championship - and how little difference there is between the top clubs in the division and the lower-end Premiership clubs. Finally this week, a word on the dispute between Sir Alex Ferguson and Arsene Wenger. There have been calls for a summit to end the row - but if I'm honest I have to say I enjoy reading about it. Alex and Arsene are two experienced managers who know what they are doing and I say let them get on with it. The big winner from all of this is Chelsea boss Jose Mourinho. I really enjoy watching his post-match news conferences and he has been a breath of fresh air in the Premiership. Manchester United and Arsenal have had it their own way for so long that it is good to have a new kid on the block.

Unclear future for striker Baros Liverpool forward Milan Baros is uncertain whether he remains part of boss Rafa Benitez's plans after being dropped for the Carling Cup final. Baros, who is Liverpool's leading scorer this season, denied reports of a row with Benitez but claims he is mystified at being left on the bench. He told Czech newspaper Daily Sport: "I don't know why I didn't play on Sunday. I didn't argue with anybody. "I was disappointed but I am not thinking of leaving right now." The Czech international came on as a substitute after 74 minutes but could not prevent his side losing 3-2 to Chelsea after extra-time. Baros denied suggestions he wanted to leave the Millennium Stadium before the match upon learning of his omission from the starting line-up. But his admission that he "guessed something like this was going to happen on Saturday", will do little to quell claims of a falling-out with Benitez. And although Baros insisted thoughts of quitting Anfield are "not in my mind right now", he admitted "everything is possible".

Thompson says Gerrard should stay Liverpool legend Phil Thompson has pleaded with Steve Gerrard to reject any overtures from Chelsea. The ex-Reds assistant boss also warned that any honours won at Chelsea would be cheapened by the bid to buy success. He told BBC Radio Five Live: "Liverpool would think about any bid made but it will all be down to Steve in the end. "But it wouldn't have that same sweet feeling at Chelsea, where it's all money-orientated and about simply buying the best." Thompson reacted sharply to some Liverpool supporters, who criticised Gerrard's performance in the Carling Cup final against Chelsea. A number of fans questioned Gerrard's commitment and sarcastically branded his own goal in Liverpool's 3-2 defeat as his first goal for Chelsea. Thompson added: "I heard those comments from so-called supporters and they were diabolical, absolutely outrageous. "Stevie carried the club last year and this year. He's always put Liverpool first." Thompson, who savoured seven title-winning seasons and two European Cup triumphs during his Anfield playing career, is confident that the lure of Champions League football will keep Gerrard at Anfield. "I hope Champions League football will beckon for Liverpool - either as winners or as finishing fourth in the Premiership - and he will commit himself. "There has been a lot of soul-searching the way things have gone lately. "I hope he's hardening to the fact he will have big decisions to make but I hope it is to the benefit of Steven Gerrard and I hope it is worthwhile for Liverpool."

Mourinho sends out warning shot Chelsea boss Jose Mourinho believes his team's Carling Cup win over Manchester United has shown they have the strength to win the Premiership. "It was important for us, not because we got into a final, but also the way we played," he said. "The mentality and the strength we showed here was a message we sent. "It is still difficult, we still have to win 11 matches to be champions but we have left a message here that we are really strong." Chelsea gave their manager a win on his 42nd birthday but Mourinho was prepared for a possible loss at Old Trafford. But the Blues are still on course for a four-pronged trophy assault as they are leading the Premiership title race and are in the FA Cup and Champions League. "We can win four, we can lose four, but it would be normal to win something. To win the four is very, very difficult but it is still possible. "There is a long way to do it but if you could give me the Premiership I would be very happy. "This is just the final though, we have not won the competition and we have to now face another great team in Liverpool." "I was ready to lose the game and leave Old Trafford with a smile just to pass a message of confidence. "But my team would never lose their confidence or mentality just because of a defeat here."

Keegan hails comeback king Fowler Manchester City boss Kevin Keegan has praised striker Robbie Fowler for his landmark return to form. The 29-year-old, out of favour at City earlier this season, took his Premiership goal tally past 150 with a brace in Monday's 3-2 win at Norwich. "He is still a quality player and knows where the net is - we have just got to supply him with ammunition and, in the end, we did," Keegan said. "He has worked hard to get back to where he is now." The former Liverpool striker, who moved to City in 2003 after a poor stint at Leeds, has battled back into first-team contention after struggling with fitness at the start of the season. Fowler overtook Les Ferdinand on Tuesday evening to become the third highest scorer of all time

in the Premiership, with 151 goals, and he only trails Alan Shearer (250) and Andy Cole (173). And Keegan believes there is still more to come from the former England forward. "He can get better if we can supply him better," added Keegan. "People want to write him off but if he has kept the articles of those people who have written him off he could throw them back at them and they would be left with a bit of egg on their face." Fowler's double strike helped City come back from two goals down to clinch a dramatic win at Carrow Road and Keegan sympathised with Norwich boss Nigel Worthington afterwards. "I feel a bit for Nigel Worthington," he said. "His team have got great character, they have a lot of drive and enthusiasm. "I know it is a killer blow for Norwich but I really think they have brought something to the Premiership. "The stadium and the atmosphere is great, it is just a tough league to stay in - as they are finding out and as we know."

Henchoz prefers England to Gers Rangers could miss out on Liverpool defender Stephane Henchoz because he wants to continue playing in England. The Ibrox club have offered a deal to the Swiss international, 30, who is out of contract at the end of the season and has been linked with Southampton. More talks are planned between Rangers and the player's agent on Wednesday, but Henchoz said: "Actually I would like to stay in the Premiership. "Rangers' offer is not the only one and I will have to consider each of them." Henchoz seems certain to leave Liverpool after recently criticising manager Rafael Benitez. Rangers want him as a replacement for Jean-Alain Boumsong, who has moved to Newcastle for £8m. However, the former Blackburn defender is reported to have rejected an initial six-month contract offer as he wants at least an 18-month deal. Henchoz has played just four times for Liverpool this season and has yet to play in the league under Benitez.

China had role in Yukos split-up China lent Russia \$6bn (£3.2bn) to help the Russian government renationalise the key Yuganskneftegas unit of oil group Yukos, it has been revealed. The Kremlin said on Tuesday that the \$6bn which Russian state bank VEB lent state-owned Rosneft to help buy Yugansk in turn came from Chinese banks. The revelation came as the Russian government said Rosneft had signed a long-term oil supply deal with China. The deal sees Rosneft receive \$6bn in credits from China's CNPC. According to Russian newspaper Vedomosti, these credits would be used to pay off the loans Rosneft received to finance the purchase of Yugansk. Reports said CNPC had been offered 20% of Yugansk in return for providing finance but the company opted for a long-term oil supply deal instead. Analysts said one factor that might have influenced the Chinese decision was the possibility of litigation from Yukos, Yugansk's former owner, if CNPC had become a shareholder. Rosneft and VEB declined to comment. "The two companies [Rosneft and CNPC] have agreed on the pre-payment for long-term deliveries," said Russian oil official Sergei Oganessian. "There is nothing unusual that the pre-payment is for five to six years." The announcements help to explain how Rosneft, a medium-sized, indebted, and relatively unknown firm, was able to finance its surprise purchase of Yugansk. Yugansk was sold for \$9.3bn in an auction last year to help Yukos pay off part of a \$27bn bill in unpaid taxes and fines. The embattled Russian oil giant had previously filed for bankruptcy protection in a US court in an attempt to prevent the forced sale of its main production arm. But Yugansk was sold to a little known shell company which in turn was bought by Rosneft. Yukos claims its downfall was punishment for the political ambitions of its founder Mikhail Khodorkovsky. Once the country's richest man, Mr Khodorkovsky is on trial for fraud and tax evasion. The deal between Rosneft and CNPC is seen as part of China's desire to secure long-term oil supplies to feed its booming economy. China's thirst for products such as crude oil, copper and steel has helped pushed global commodity prices to record levels. "Clearly the Chinese are trying to get some leverage [in Russia]," said Dmitry Lukashov, an analyst at brokerage Aton. "They understand property rights in Russia are not the most important rights, and they are more interested in guaranteeing supplies." "If the price of oil is fixed under the deal, which is unlikely, it could be very profitable for the Chinese," Mr Lukashov continued. "And Rosneft is in desperate need of cash, so it's a good deal for them too." Argentina, Venezuela in oil deal Argentina and Venezuela have extended a food-for-oil deal, which helped the former to overcome a severe energy crisis last year. Argentine President Nestor Kirchner and Venezuelan President Hugo Chavez signed the deal in Buenos Aires on Tuesday. Last April, Argentina signed a \$240m agreement to import Venezuelan fuel in exchange for agricultural goods and this deal has now been extended. Venezuela will now import cattle, medicines and medical equipment. Last year, Argentina's severe energy crisis forced President Kirchner to suspend gas exports to Chile. Argentina fears that rising demand could spark another crisis and wants to prevent it by signing this deal. The two countries also formalised a co-operation deal between Venezuelan energy firm PDVSA and Argentina's Enarsa. Under this deal, the Argentine market will be opened to Venezuelan investment. President Chavez added that Brazil's Petrobras could join soon the co-operation deal. President Chavez is an ardent promoter of the concept of a South American oil company, which could include the state-owned companies of Venezuela, Argentina, Brazil and Bolivia. The two presidents also agreed to create 'Television Sur', a Latin American network of state-owned television channels.

Yukos accused of lying to court Russian oil firm Yukos lied to a US court in an attempt to stop the Russian government selling off its key production unit, the court has heard. The unit, Yugansk, was sold to pay off a \$27.5bn (£14.5bn) back tax bill. Yukos argued that since it had a US subsidiary and local bank accounts, the US court could declare it bankrupt and stop the

auction of Yugansk. But Deutsche Bank – itself a target of a Yukos lawsuit – said documents had been backdated to strengthen the case. Deutsche Bank's evidence came on the first day of a two-day hearing in Houston. Its lawyer, Hugh Ray, told the court that Yukos had claimed it had transferred \$27m into two Texas bank accounts opened by its new US subsidiary. By doing so, he said, the firm had intended to reinforce its US presence – and thus its chances of getting its case heard in US courts. But he said that the papers documenting the transaction were not drawn up till weeks after Yukos made its bankruptcy application on 14 December, and then backdated. Yukos chief financial officer Bruce Misamore, who had moved to the US in early December to set up Yukos USA, acknowledged the point. He said the discrepancy was only in the paperwork, but that money had indeed been transferred on 14 December. Even so, he told the court that only \$480,000 had been in the accounts that day, with the rest arriving a day later. Deutsche Bank is involved in the case because it is itself being sued by Yukos. It had agreed to loan to an arm of Russian state gas firm Gazprom the money to bid for Yuganskneftegaz, as the Yukos unit is formally known. The sale went ahead, despite an order from the US bankruptcy court ordered that it should be stopped. In the end, the auction was won by an unknown shell company for \$9.4bn – much less than most assessments of its value – before ending up in the hands of state-controlled oil firm Rosneft. Rosneft, meanwhile, has agreed to merge with Gazprom, bringing a large chunk of Russia's very profitable oil business back under state control. Yukos maintains that it filed for bankruptcy in the US because it feared it would not be able to do so in Russia. It also said that in the event of going bust, it could offer the chance of restructuring. "It gives us a kind of life after death alternative," said Yukos chief executive Steven Theede. Yukos is currently suing four companies – Gazprom, its unit Gazpromneft, Rosneft and the shell company which won the bidding – for their part in Yugansk's disposal. It has also threatened to sue the Russian government for \$28bn. Analysts have questioned whether a US court has any jurisdiction over Russian companies, while Moscow officials have dismissed Yukos' legal wrangling as meaningless. Yukos claims that the rights of its shareholders have been ignored and that it has been punished for the political ambitions of its founder Mikhail Khodorkovsky. Mr Khodorkovsky, once Russia's richest man, is in prison, having been charged with fraud and tax evasion and repeatedly denied bail.

Burren awarded Egyptian contracts British energy firm Burren Energy has been awarded two potentially lucrative oil exploration contracts in Egypt. The company successfully bid for the two contracts, granted by government owned oil firms, covering onshore and offshore areas in the Gulf of Suez. Burren Energy already has a presence in Egypt, having been awarded an exploration contract last year. The firm, which floated in 2003, recently announced a deal to buy 26% of Indian firm Hindustan Oil Exploration. The £13.8m deal gives Burren Energy access to the Indian oil and gas industry. This latest contract expands Burren Energy's global exploration and production portfolio – it also holds contracts in Turkmenistan and the Republic of Congo. "These assets significantly increase our exploration portfolio in Egypt and we continue to investigate further opportunities in this region," said chief executive Finian O'Sullivan.

Russian oil merger excludes Yukos The merger of Russian gas giant Gazprom and oil firm Rosneft is to go ahead, but will not include Yugansk, which was controversially bought last year. The merger, backed by Russian authorities, will allow foreigners to trade in Gazprom shares. Gazprom chief Alexei Miller confirmed Rosneft-owned Yugansk was not part of the deal and will instead be spun off. Under the agreement, the state will get a controlling share of Gazprom in exchange for Rosneft. The state wanted to control Gazprom before allowing foreigners to trade. Speaking on NTV television, which is controlled by Gazprom, Mr Miller added that Yugansk, which was swallowed up by Rosneft late last year, will operate as a separate, state-owned oil firm headed by current Rosneft chief Sergei Bogdanchikov. According to reports from Russian News Agency Interfax, the deal should go through in the next two to three months. "Obtaining majority control over Gazprom is the beginning of the liberalisation of the market in Gazprom shares," Mr Miller added. By opening up trading in Gazprom to foreigners, the firm will become a top emerging market play for traders. Currently, foreigners can only trade in Gazprom via a small issue of London-listed proxy shares. "This is positive news for the international investment community," Global Asset Management investment chief David Smith said. "The majority of investors are going to be happy," he added. However, analysts were disappointed that Yugansk would not be included in the deal. "Yugansk is a heavy cashflow generator and would have been a much better asset for Gazprom," Renaissance Capital energy analyst Adam Landes told Reuters news agency. But he said the latest development was simply an interim step to allow foreigners to trade in Gazprom. "Ultimately and industrially, Gazprom needs Yugansk," he added. Analysts said the deal would give Gazprom control of 8% of Russia's total oil production, an improvement on its current 2.5%, but still far less than the 20% share it would have gained had it also taken over Yugansk. However, the merged group will still remain outside Russia's top five oil producers – led by Lukoil with 11% of the market, followed by TNK-BP which is half owned by BP, and Surgutneftegaz. Instead, the merged Gazprom-Rosneft group will rank alongside Sibneft with 7% of the market. Yugansk was sold to a little-known shell company in a disputed auction in December, following what many thought was a politically-motivated attack on Yukos. The shell company was then snapped up by Rosneft. Yukos unsuccessfully sought to halt the auction by applying for bankruptcy through the US courts. The unit was auctioned by Russian authorities to help pay off a \$27.5bn back-tax bill.

Crude oil prices back above \$50 Cold weather across parts of the United States and much of Europe has pushed US crude oil prices above \$50 a barrel for the first time in almost three months. Freezing temperatures and heavy snowfall have increased demand for heating fuel in the US, where stocks are low. Fresh falls in the value of the dollar helped carry prices above the \$50 mark for the first time since November. A barrel of US crude oil closed up \$2.80 to \$51.15 in New York on Tuesday. Opec members said on Tuesday that it saw no reason to cut its output. Although below last year's peak of \$55.67 a barrel, which was reached in October, prices are now well above 2004's average of \$41.48. Brent crude also rose in London trading, adding \$1.89 to \$48.62 at the close. Much of western Europe and the north east of America has been shivering under unseasonably low temperatures in recent days. The decline in the US dollar to a five-week low against the euro has also served to inflate prices. "The dollar moved sharply overnight and oil is following it," said Chris Furness, senior market strategist at 4Cast. "If the dollar continues to weaken, oil will be obviously higher." Several Opec members said a cut in production was unlikely, citing rising prices and strong demand for oil from Asia. "I agree that we do not need to cut supply if the prices are as much as this," Fathi Bin Shatwan, Libya's oil minister, told Reuters. "I do not think we need to cut unless the prices are falling below \$35 a barrel," he added. Opec closely watches global stocks to ensure that there is not an excessive supply in the market. The arrival of spring in the northern hemisphere will focus attention on stockpiles of US crude and gasoline, which are up to 9% higher than at this time last year. Heavy stockpiles could help force prices lower when demand eases.

Qatar and Shell in \$6bn gas deal Shell has signed a \$6bn (£3.12bn) deal with the Middle Eastern sheikhdom of Qatar to supply liquid natural gas (LNG) to North America and Europe. The UK-Dutch group will own 30% of the project, with Qatar's state oil firm owning the rest. The agreement is the latest in a string of deals reached by Qatar, which is trying to make itself a regional leader in natural gas. US oil giant ExxonMobil signed up for a \$12.8bn deal earlier on Sunday. France's Total is expected to join the ExxonMobil scheme, dubbed Qatargas-2, on Monday, taking 5 million tonnes of LNG a year. ExxonMobil will be taking some 15 million tonnes each year for 25 years from the end of 2007 under the deal. Shell's agreement, under the name Qatargas-4, foresees the building of new facilities to handle 1.4 billion cubic feet of gas, and 7.8 million tonnes of LNG each year from 2011 onwards.

Yukos sues four firms for \$20bn Russian oil firm Yukos has sued four companies for their role in last year's forced state auction of its key oil production unit Yuganskneftegas. Yukos is claiming more than \$20bn (£11bn) in damages after Yugansk was sold in December to settle back taxes. The four companies named in the law suit are gas giant Gazprom, its unit Gazpromneft, investment company Baikal, and state oil firm Rosneft. Yukos submitted the suit in Houston, where it filed for bankruptcy. As well as suing for damages, Yukos has asked the US court to send its tax dispute with the Russian government to an international arbitrator. It also has submitted a reorganisation plan as part of its Chapter 11 bankruptcy filing. The clash between Yukos and the Kremlin came to a head last year when Yukos was hit with a bill of more than \$27bn in back taxes and unpaid fines. To settle the bill, Russia forced Yukos to sell off Yuganskneftegas. Yukos called the sale illegal and has turned to courts in the US in an effort to regain control of the oil production business. It also has vowed to use all legal means at its disposal to go after any firm that tries to buy or take control of its assets. Earlier this month it sued the Russian government for \$28.3bn. Analysts have questioned whether a US court has any jurisdiction over Russian companies, while Moscow officials have dismissed Yukos' legal wrangling as meaningless. In Houston, bankruptcy Judge Letitia Clark will start a two-day hearing on 16 February to hear arguments on whether a US court is the proper forum for the case. The threat of legal action from Yukos and its bankruptcy filing in Houston did have an effect on last year's auction, however. Concerned that it would be caught up in a court battle, Gazprom and Gazpromneft withdrew from the auction, and Yuganskneftegas was sold to little-known investment firm Baikal Finance Group. A few days later, Baikal gave control of the company to state-run oil group Rosneft for \$9.3bn. Rosneft, meanwhile, has agreed to merge with Gazprom, bringing a large chunk of Russia's very profitable oil business back under state control. Yukos claims that the rights of its shareholders have been ignored and that it has been punished for the political ambitions of its founder Mikhail Khodorkovsky. Mr Khodorkovsky, once Russia's richest man, is in prison, having been charged with fraud and tax evasion and repeatedly denied bail.

India and Russia in energy talks India and Russia are to work together in a series of energy deals, part of a pact which could see India invest up to \$20bn in oil and gas projects. On the agenda are oil and gas extraction as well as transportation deals, to be led by Russian energy giant Gazprom and India's ONGC. The Indian firm is also expected to hold talks on Tuesday about buying a stake in assets once owned by Yukos. It is reported to be keen on buying a 15% stake in oil unit Yuganskneftegas. The former Yukos subsidiary was controversially sold off last year and eventually acquired by state-owned energy giant Rosneft. Russian media reported that India and Russia signed a memorandum of understanding on energy co-operation on Tuesday during a meeting between Oil and Natural Gas Corporation chairman Subir Raha, Gazprom chairman Aleksey Miller and India's petroleum minister Mani Shankar Aiyar. The agreement is likely to see the two companies develop refining facilities in Russia, India and elsewhere and organise delivery of oil, gas and petrochemicals from Russia to India and other countries across Asia. ONGC could invest in gas and

oil fields in Sakhalin, in the far east of Russia, and may also take part in joint tender bids for projects in eastern Siberia and the Caspian Sea. India is urgently searching for fresh energy supplies – particularly liquefied natural gas – as domestic demand is growing at more than 5% a year. ONGC's Mr Raha said the two could work together on joint bids from next year. "At current oil and gas prices, our cash flow situation is good," he told Reuters. "What we are saying is – Gazprom has a huge amount of gas and we have the money. "The investment may go up to \$20bn or more for a period of five years or so." Russian news agencies reported that India's petroleum minister Mr Aiyar and Russian energy minister Viktor Khristenko would discuss the future of Yugansk at a meeting on Tuesday. ONGC's Mr Raha declined to be drawn on his firm's reported interest in the company. However, he stressed that ONGC was not interested in a 'loan-for-oil deal' in connection to Yugansk, similar to that concluded recently between Rosneft and China's National Petroleum Corporation. "China's problem is it has immediate demand and they needed the oil for their coastal refineries. We do not. We would like long-term security through equity participation." It is thought that any decision over Yugansk will be delayed until a US court has decided whether to grant Yukos bankruptcy protection. Yukos is suing a host of companies involved in the sale of Yugansk, auctioned off to pay a huge back-tax bill. It has also threatened legal action against any business which has future commercial dealings with its former subsidiary. Yukos bankruptcy 'not US matter' Russian authorities do not have to abide by any US court decisions taken with regard to troubled oil giant Yukos, a Houston court has been told. Legal expert William Butler said there was no treaty between the US and Russia to recognise the other's legal rulings. That meant Moscow would not have to adhere to US rulings in the Yukos case. Yukos says a US court was entitled to declare it bankrupt before its Yugansk unit was sold, since it has a US subsidiary and local bank accounts. Yukos made its surprise Chapter 11 bankruptcy filing in Houston in December in an unsuccessful attempt to halt the auction of Yugansk, its main oil producing unit, by Russian authorities. Yugansk was sold to help pay off a \$27.5bn (£14.5bn) back tax bill. It was bought for \$9.4bn by a previously unknown group, which was in turn bought by state-controlled oil company Rosneft. The US court's jurisdiction has been challenged by Deutsche Bank and Gazpromneft, a former unit of Russian gas monopoly Gazprom which is due to merge with Rosneft. Deutsche Bank maintains the case has no place in a US court because Yukos has no assets in the US, apart from two bank accounts and a house in Houston owned by its chief finance officer Bruce Misamore. Deutsche Bank is involved in the case because it is itself being sued by Yukos. It had agreed to loan Gazpromneft the money to bid for Yugansk. US bankruptcy judge Letitia Clark, who issued an injunction in December to try and prevent the Yugansk sale, has said she will rule "pretty promptly, however I do not anticipate ruling on it before next Tuesday". Yukos has claimed it sought help in the US because other forums – Russian courts and the European Court of Human Rights – were either unfriendly or offered less protection. It has claimed that Russia imposed the huge tax bill and forced the sale of Yugansk as part of a campaign to destroy Yukos and its former owner Mikhail Khodorkovsky, who is facing a 10-year prison term in Russia for fraud and tax evasion. Yukos' parent company, the Gibraltar-based Menatep Group, is suing Russia in Europe for \$28.3bn in financial damages. The company is also seeking \$20bn in a separate US lawsuit against Rosneft and Gazprom for their role in the sale of Yugansk.

Iraqi voters turn to economic issues Beyond the desperate security situation in Iraq lies an economy in tatters. A vicious cycle of unemployment, poor social services and poverty has been made worse by a lack of investment. So there is much hope that an elected government will break the deadlock. "First rule of law, then the economy," says Radwan Hadi, deputy managing director of Aberdeen-based oil and gas consultancy Blackwatch Petroleum Services, which entered Iraq in 2003. Mr Hadi's view about what the new government's priorities should be is shared by many Iraqis. The economy has become the second-most dominant issue for many political parties ahead of Sunday's election, according to Bristol University political scientist Anne Alexander, who is working on a project that looks at governance and security in post-war Iraq. Job creation ranks high both on election manifestos and on the Iraqi people's wish list. Nobody knows exactly how many Iraqis are out of work, but it is clear that the situation is dire. "Estimates of Iraq's unemployment rate vary, but we estimate it to be between 30-40%," the Washington-based independent think-tank The Brookings Institution says in its Iraq Index. But some progress has been made, largely thanks to the country's oil revenues which have exceeded \$22bn since June 2003. Iraq's infrastructure is on the mend, with notable improvements having been made in areas such as electricity supply, irrigation, telephone networks and the re-opening of hospitals. But serious problems remain and the growing divide between haves and have-nots is angering voters. One Iraqi woman told Ms Alexander about her frustration as she watched TV adverts for private hospitals soon after having failed to track down basic medicines from Baghdad's pharmacies. Observes Mr Hadi: "The economy at present marks a big divide; the rich get richer, the poor get poorer." An indication of this can be seen in the world of finance where, in contrast with the daily plight of ordinary people, 19 private banks operate, only one of which is run in accordance with Islamic banking principles. Hopes are high for the future of finance, so foreign banks have been buying into the sector. National Bank of Kuwait has bought a majority stake in Credit Bank of Iraq, the Jordanian investment bank Export & Finance Bank has bought 49% of National Bank of Iraq. Foreign firms also hope to cash in on the reconstruction effort. Bechtel's efforts to rebuild schools and restore power have attracted controversy as well as boosting its bottom line

while Halliburton has enjoyed a wealth of military contracts. But the involvement of foreign firms in the health and banking sectors and beyond sits uneasily with many Iraqis who are accustomed to the state taking responsibility for functions that are essential to making society work, observes Ms Alexander. "It is seen as a selling off of Iraq's assets and bringing in multinationals at the expense of Iraqi businesses and Iraqi workers," she says. Consequently, the transitional government has been forced to backtrack in recent months over its proposal to allow 100% foreign ownership of Iraqi assets, she explains. In the West, it is easy to forget that the otherwise brutal Baathist regime used to look after the majority of Iraq's citizens rather well in terms of job creation, social security and healthcare. Opinion polls suggest that "people still want the state to take a leading role in providing these things", Ms Alexander says. Yet in some areas of the economy, investment from abroad is still warmly welcomed, insists Mr Hadi, an Iraqi who left the country three decades ago. "I think the private sector will evolve incredibly fast," Mr Hadi says. "Iraq's vast natural resources can support any magnitude of economic growth." Many foreign companies say they are keen to get in on the act, yet few are actually entering the country in any meaningful way. But there are exceptions. Mr Hadi's Blackwatch is just one of many small operators preparing for a much bigger future. Blackwatch's Baghdad-based affiliate Falcon Group has dozens of people working for it across the country in Kirkuk and Baghdad, and its engineers and geo-scientists work with the Iraqi oil ministry to hammer out technology transfer issues, Mr Hadi points out. "These guys are trying to work. The Iraqi business people will do business at all times. "Life goes on in Iraq, the people take responsibility, they want to live normal lives."

US to rule on Yukos refuge call Yukos has said a US bankruptcy court will decide whether to block Russia's impending auction of its main production arm on Thursday. The Russian oil firm has filed for bankruptcy protection in the US in an attempt to halt the forced sale. However, Judge Letitia Clark said the hearing would continue on Thursday when arguments in the case would be heard. Russian authorities are due to auction off Yuganskneftegas on 19 December to pay a huge tax bill sent to Yukos. Russian prosecutors are forcing the sale of the firm's most lucrative asset Yuganskneftegas to help pay a \$27bn (£14bn) back tax bill, which they claim is owed by Yukos. Filing for bankruptcy protection in the US was "a last resort to preserve the rights of our shareholders, employees and customers," said Yukos chief executive Steven Theede. The company added it had opted to take action through American courts as US bankruptcy law gives worldwide jurisdiction over a debtor company's property and because it was seeking a judiciary willing to protect the value of shareholders' investments. However, as the firm is based in Russia and has no significant US assets, lawyers are unsure of the outcome of the case. "We are here to stop 60% of our body from being cut off on Sunday," Zack Clement, a lawyer for Yukos, told Judge Clark in an emergency hearing in Houston, Texas, on Wednesday. As well as the bid to get Chapter 11 bankruptcy - which protects firms from creditors, allowing them to continue trading as they restructure their finances - the group also made a claim for damages against the Russian government. Yukos asked the Houston court to order Russia to arbitration so that it can press claims for billions of dollars in damages over a "campaign of illegal, discriminatory and disproportionate" tax claims. Mr Clement said that under Russian law, the Russian government was obliged to enter into arbitration as set out in international law. He added that the opening bid for the firm's Yuganskneftegas unit was \$8bn - less than half of the \$20bn that Yukos advisers say it is worth. "We believe the only significant bidder at the auction on Sunday is Gazprom," he said, referring to Russia's natural gas giant. Yukos maintains that the forced auction is illegal and "will cause the company to suffer immediate and irreparable harm." Many commentators believe the Russian government's aggressive pursuit of Yukos is a politically-motivated response to the political ambitions of its former chief executive, Mikhail Khodorkovsky. Mr Khodorkovsky, who had funded liberal opposition groups, was arrested in October last year on fraud and tax evasion charges and is still in jail. Analysts believe that if its production unit is auctioned off, it is likely to be bought up by a government-backed firm, like Gazprom, effectively bringing a large chunk of Russia's lucrative oil and gas industry back under state control.

Irish company hit by Iraqi report Shares in Irish oil company Petrel Resources have lost more than 50% of their value on a report that the firm has failed to win a contract in Iraq. Reuters news agency reported that Iraq's Oil Ministry has awarded the first post-war oilfield contracts to a Canadian and a Turkish company. By 1700 GMT, Petrel's shares fell from 97p (\$1.87) to 44p (\$0.85). Petrel said that it has not received any information from Iraqi authorities to confirm or deny the report. Iraq is seeking to award contracts for three projects, valued at \$500m (£258.5m). Turkey's Everasia is reported by Reuters to have won a contract to develop the Khurmala Dome field in the north of the country. A Canadian company, named IOG, is reported to have won the contract to run the Himrin field. Ironhorse Oil and Gas has denied to Reuters that it is the company in question. These two projects aim to develop Khurmala field to produce 100,000 barrels per day and raise the output of Himrin. The winners of the contract are to build new flow lines and build gas separation stations. The contract to develop the Suba-Luhais field has not yet been awarded as Iraq's Oil Ministry is studying the offers. If Iraq's cabinet approves the oil ministry's choice of companies, then this will be the first deal that Iraq has signed with a foreign oil company. Iraq is still trying to boost its production capacity to match levels last seen in the eighties, before the war with Iran. Oil officials hope to double Iraq's

output by the end of the decade.

Yukos unit fetches \$9bn at auction A little-known Russian company has bought the main production unit of oil giant Yukos at auction in Moscow. Baikal Finance Group outbid favourite Gazprom, the state-controlled gas monopoly, to buy Yuganskneftegas. Baikal paid 260.75bn roubles (\$9.37bn: £4.8bn) for Yugansk - nowhere near the \$27bn Russia says Yukos owes in taxes. Yukos reacted immediately by repeating its view that the auction was illegal in international and Russian law, and said Baikal had bought itself trouble. "The company considers that the victor of today's auction has bought itself a serious \$9bn headache," said Yukos spokesman Alexander Shadrin. He said the company would continue to make "every lawful move" to protect tens of thousands of shareholders in Yukos from "this forcible and illegitimate removal of their property". Meanwhile, Tim Osborne, head of Yukos main shareholders' group Menatep, said that Yukos may have to declare itself bankrupt, and that legal action would be taken, outside Russia, against the auction winners. Reports from Russia say Baikal has paid a deposit of nearly \$1.7bn from a Sberbank (Savings Bank) account to the Russian Federal Property Fund, for Yugansk. The sale came despite a restraining order issued by a US court dealing with the firm's bankruptcy application for Chapter 11 protection. Yukos has always insisted the auction was state-sponsored theft but Russian authorities argued they were imposing the law, trying to recover billions in unpaid taxes. There were originally four registered bidders, and with its close ties to the Kremlin, state-backed gas monopoly Gazprom had been seen as favourite. But just two companies turned up for the auction, Gazprom and the unknown Baikal Finance Group, named after a large freshwater lake in Siberia. And, according to Tass news agency, Gazprom did not make a single bid, leaving the way open for Baikal, which paid above the auction start price of 246.75bn roubles. Mystery firm Baikal Finance Group is officially registered in the central Russian region of Tver, but many analysts believe it may be linked to Gazprom. Kaha Kiknavelidze, analyst at Troika Dialog, said: "I think a decision that Yugansk should end up with Gazprom was taken a long time ago. So the main question was how to structure this transaction. "I would not exclude that the structure of the deal has slightly changed and Gazprom now has a partner. "I would also not exclude that Baikal will decline to pay in 14 days, that are given by law, and Gazprom is then recognised as the winner. This would give Gazprom an extra 14 days to accumulate the needed funds. "Another surprise was that the winner paid a significant premium above the starting price." However, Gazprom has announced it is not linked to Baikal in any way. And Paul Collison, chief analyst at Brunswick UBS, said: "I see no plausible explanation for the theory that Baikal was representing competing interests. "Yugansk will most likely end up with Gazprom but could still end up with the government. There is still potential for surprises." Yugansk is at the heart of Yukos - pumping close to a million barrels of oil a day. The unit was seized by the government which claims the oil giant owes more than \$27bn in taxes and fines. Yukos says those tax demands are exorbitant, and had sought refuge in US courts. The US bankruptcy court's initial order on Thursday - to temporarily block the sale - in response to Yukos filing for Chapter 11 bankruptcy protection, was upheld in a second ruling on Saturday. The protection, if recognised by the Russian authorities, would have allowed Yukos' current management to retain control of the business and block the sale of any company assets. Yukos has said the sale amounts to expropriation - punishment for the political ambitions of its founder, Mikhail Khodorkovsky. Mr Khodorkovsky is now in jail, on separate fraud charges. But President Vladimir Putin has described the affair as a crackdown on corruption - and the BBC's Sarah Rainsford in Moscow says most Russians believe the destruction of Yukos is now inevitable. Hours before the auction lawyers for Menatep, a group through which Mr Khodorkovsky and his associates control Yukos, said they would take legal action in other countries. Menatep lawyers, who were excluded from observing the auction, said they would retaliate by seeking injunctions in foreign courts to impound Russian oil and gas exports. Mystery surrounds new Yukos owner The fate of Russia's Yuganskneftegas - the oil firm sold to a little-known buyer on Sunday - is the subject of frantic speculation in Moscow. Baikal Finance Group emerged as the auction winner, agreeing to pay 260.75bn roubles (£4.8bn; \$9.4bn). Russia's newspapers claimed that Baikal was a front for gas monopoly Gazprom, which had been expected to win. The sale has destroyed Yukos, once the owner of Yuganskneftegas, said founder Mikhail Khodorkovsky. "Yuganskneftegas has been sold in the best traditions of the 90s. The authorities have made themselves a wonderful Christmas present - Russia's most efficient oil company has been destroyed," the Interfax news agency quoted Mr Khodorkovsky as saying via his lawyers. Gazprom had been expected to win the auction but is thought to have failed to get finance for the deal after a US court injunction barred it from taking part. Last week, Yukos filed for Chapter 11 bankruptcy protection in the US in a last-ditch attempt to hang on to Yuganskneftegas, which accounts for 60% of its output. A US judge banned Gazprom from taking part in the auction and barred international banks from providing the firm with cash. "They screwed up the financing," said Ronald Smith, an analyst at Renaissance Capital in Moscow. "And Gazprom doesn't have this sort of money lying around." Gazprom has denied that it is behind the purchase. "It is a front for somebody but not necessarily for Gazprom," said Oleg Maximov, an analyst at Troika Dialog in Moscow. "We don't know if this company is linked 100% to Gazprom. "We tried to find it, but we couldn't and as far as I know, the papers had the same result." The sale has however bought time for Gazprom to raise the money needed for the purchase, analysts said. One scenario is that Baikal will not pay when it is supposed to in two weeks time, putting Yuganskneftegas back in the

hands of bailiffs and back within the reach of Gazprom. Yukos is not planning on letting go of its unit without a fight and has threatened legal action against any buyer. Menatep, Yukos main shareholders' group, has also threatened legal action. Yukos claims that it is being punished for the political ambitions of its founder, Mikhail Khodorkovsky, who is now in jail facing separate fraud charges. It has been hit with more than \$27bn in taxes and fines and many observers now say that the break up of the firm that accounts for 20% of Russia's oil output is inevitable.

Yukos seeks court action on sale Yukos will return to a US court on Wednesday to seek sanctions against Baikal Finance Group, the little-known firm which has bought its main asset. Yukos has said it will sue Baikal and others involved in the sale of Yuganskneftegas for \$20bn in damages. Yukos' US lawyers will attempt to have Baikal assets frozen after the Russian government ignored a US court order last week blocking the sale. Baikal's background and its motives for buying the unit are still unclear. Russian newspapers have claimed that Baikal - which bought the Yuganskneftegas production unit for \$9.4bn (261bn roubles, £4.8bn) on Sunday at a state provoked auction - has strong links with Surgutneftegas, Russia's fourth-biggest oil producer. Many observers believe that the unit, which produces 60% of Yukos' oil output, could ultimately fall into the hands of Surgutneftegas or even Gazprom, the state gas firm which opted out of the auction. The Russian government forced the sale of Yukos' most lucrative asset as part of its action to enforce a \$27bn back tax bill it says the company owes. Yukos' US lawyers claim the auction was illegal because the firm had filed for bankruptcy and therefore its assets were now under the protection of US bankruptcy law which has worldwide jurisdiction. On Wednesday, Yukos will also seek further legal remedies to prevent the break-up of the group. "We believe the auction was illegal and we intend to pursue all legal recourses available to us," Yukos spokesman Mike Lake told Agence France Press. "If it exports that oil, it will be marketing a stolen product," he added. The future ownership of Yuganskneftegas remains unclear amid widespread suggestions that Baikal was established as a front for other interests. Speaking on Tuesday, President Putin said Baikal was owned by individual investors who planned to build relationships with other Russian energy firms interested in the development of Yuganskneftegas. President Putin also suggested that China's National Petroleum Corporation could play a role in the unit's future after signing a commercial agreement with Gazprom to work on joint energy projects. Yukos has claimed that the sale of its main asset will lead to the collapse of the company. Commentators and Yukos itself claim the firm is the target of a government campaign to destroy it because of the political ambitions of its founder, Mikhail Khodorkovsky.

Putin backs state grab for Yukos Russia's president has defended the purchase of Yukos' key production unit by state-owned oil firm Rosneft, saying it followed free market principles. Vladimir Putin said it was quite within the rights of a state-owned company to ensure its interests were met. Rosneft bought 100% of Baikal Finance Group, in a move that amounts to the renationalisation of a major chunk of Russia's booming oil industry. Rosneft will now control about 16% of Russia's total crude oil output. Yukos share jumped in Moscow, climbing as much as 50% before being suspended. Rosneft is already in the process of merging with Gazprom, the world's biggest gas company, a move that will see Gazprom return to majority state-ownership. Baikal was the surprise buyer of oil and gas giant Yukos's main production division at a forced auction on Sunday. "Everything was done by market methods," Mr Putin said at his year-end press conference in Moscow. Shedding some light on the Kremlin's motivation, Mr Putin referred to a period of so-called "cowboy capitalism" that followed the collapse of the Soviet Union. He said privatisations carried out in the early 1990s had involved trickery, including law breaking, by people seeking to acquire valuable state property. "Now the state, using market methods, is safeguarding its interests. I think this is quite normal," the Russian president said. A Rosneft spokesman has said the acquisition is part of its plan to build a "balanced, national energy corporation." The latest announcement comes after more than a year of wrangling that has pushed Yukos, one of Russia's biggest companies to the brink of collapse. The Russian government put Yukos's Yuganskneftegas subsidiary up for sale last week after hitting the company with a \$27bn (£14bn) bill for back taxes and fines. Analysts say that Yukos's legal attempts to block the auction by filing for bankruptcy protection in the US are probably what caused this week's cloak-and-dagger dealings. Gazprom, the company originally tipped to buy Yuganskneftegas, was banned from taking part in the auction by a US court injunction. By selling the Yukos unit to little-known Baikal and then to Rosneft, Russia is able to circumvent a host of tricky legal landmines, analysts said. "You cannot sue the Russian government," said Eric Kraus, a strategist at Moscow's Sovlink Securities. "The Russian government has sovereign immunity." "The government is renationalising Yuganskneftegas." Even so, analysts reckon that the saga still has a long way to go. The Rosneft announcement came just hours after Yukos accused Gazprom of illegally taking part in Sunday's auction. It has said it will be seeking damages of \$20bn. The claim was made at the latest hearing in the US bankruptcy court in Houston, Texas, where Yukos, had filed for Chapter 11 bankruptcy protection. If found in contempt of the US court order blocking the auction, Gazprom could face having foreign assets seized. Yukos' lawyers had also been expected to try to have Baikal's assets frozen. Lawyers claimed the auction was illegal because Yukos - with an office in Houston - had filed for bankruptcy and therefore its assets were under the protection of US law which has worldwide jurisdiction. Further muddying the waters is a merger between Rosneft and Gazprom which authorities have said will go ahead as planned.

Venezuela and China sign oil deal Venezuelan president Hugo Chavez has offered China wide-ranging access to the country's oil reserves. The offer, made as part of a trade deal between the two countries, will allow China to operate oil fields in Venezuela and invest in new refineries. Venezuela has also offered to supply 120,000 barrels of fuel oil a month to China. Venezuela - the world's fifth largest oil exporter - sells about 60% of its output to the United States. Mr Chavez's administration, which has a strained relationship with the US, is trying to diversify sales to reduce its dependence on its largest export market. China's quick-growing economy's need for oil has contributed to record-high oil prices this year, along with political unrest in the Middle East and supply bottlenecks. Oil prices are finishing the year roughly 30% higher than they were in January 2004. In 2004, according to forecasts from the Ministry of Commerce, China's oil imports will be 110m tons, up 21% on the previous year. China has been a net importer of oil since the mid 1990's with more than a third of the oil and gas it consumes coming from abroad. A lack of sufficient domestic production and the need to lessen its dependence on imports from the Middle East has meant that China is looking to invest in other potential markets such as Latin America. Mr Chavez, who is visiting China, said his country would put its many of its oil facilities at the disposal of China. Chinese firms would be allowed to operate 15 mature oil fields in the east of Venezuela, which could produce more than one billion barrels, he confirmed. The two countries will also continue a joint venture agreement to produce stocks of the boiler fuel orimulsion. Mr Chavez has also invited Chinese firms to bid for gas exploration contracts which his government will offer next year in the western Gulf of Venezuela. The two countries also signed a number of other agreements covering other industries including mining.

Deutsche attacks Yukos case German investment bank Deutsche Bank has challenged the right of Yukos to claim bankruptcy protection in the US. In a court filing on Tuesday, it said the Russian oil giant has few Texas ties beyond bank accounts and a Texas-based finance chief. Deutsche Bank claimed Yukos had artificially manufactured a legal case to stop the sale of its main asset. It had wanted to help fund Gazprom's plans for a \$10bn (£5.18bn) bid for Yukos unit Yuganskneftegas. Deutsche Bank would have earned large fees from the deal, which could not be carried out because US chapter 11 bankruptcy rules made the Kremlin's auction of Yuganskneftegas on 19 December illegal under US law. But the US bankruptcy court judge in Texas granted Yukos an injunction that barred Gazprom and its lenders from taking part. Yuganskneftegas will ultimately end up with Gazprom. The winning bidder at the auction was a previously unknown firm, Baikal Finance Group, which was snapped up days later by Rosneft, a Russian oil firm that is in the process of merging with Gazprom. The effect of these transactions is to renationalise Yuganskneftegas. Deutsche Bank contends Yukos filed for bankruptcy earlier this month in Texas in a desperate and unsuccessful bid to stave off the 19 December auction of its top unit by the Russian government, which was in a tax dispute with Yukos. "This blatant attempt to artificially manufacture a basis for jurisdiction constitutes cause to dismiss this case," Deutsche Bank said in its court filing. Mike Lake, a spokesman for Yukos' lawyers, said on Tuesday that the company stands by its legal action. Yukos is confident of its right to US bankruptcy protection, and "we are prepared to be back in court defending that position again," he said. Yukos has said it intends to seek \$20bn in damages from the buyer of Yuganskneftegas once the sale finally goes through. In its filing, Deutsche Bank said Houston was "a jurisdiction in which Yukos owns no real or personal property and conducts no business operations." It also said the US bankruptcy court should not become involved in "a tax dispute between the Federation and one of its corporate citizens". It suggested the European Court or an international arbitration tribunal were more appropriate jurisdictions for the legal fight between Russia and Yukos. The next hearing in the bankruptcy is expected on 6 January. Analysts believe the tax dispute between the Russian government and Yukos is partly driven by Russian president Vladimir Putin's hostility to the political ambitions of ex-Yukos boss Mikhail Khordokovsky. Mr Khordokovsky is in jail, and on trial for fraud and tax evasion.

Go-ahead for Balkan oil pipeline Albania, Bulgaria and Macedonia has given the go ahead for the construction of a \$1.2bn oil pipeline that will pass through the Balkan peninsula. The project aims to allow alternative ports for the shipping of Russian and Caspian oil, that normally goes through Turkish ports. It aims to transport 750,000 daily barrels of oil. The pipeline will be built by the US-registered Albanian Macedonian Bulgarian Oil Corporation (AMBO). The 912km pipeline will run from the Bulgarian port of Burgas, over the Black Sea to the Albanian city of Vlore on the Adriatic coast, crossing Macedonia. The project was conceived in 1994 but it was delayed because of the lack of political support. By signing the agreement on Tuesday, the prime ministers of Bulgaria, Albania and Macedonia have overcome the problem. "This is one of the most important infrastructure projects for regional, EU, and Euro-Atlantic integration for the western Balkans," said Albanian Prime Minister Fatos Nano. According to Pat Ferguson, President of AMBO, work on the pipeline will begin in 2005 and it is expected to be ready in three or four years. He added that the company had already raised about \$900m from the Overseas Private Investment Corporation (OPIC) - a US development agency - the Eximbank and Credit Suisse First Boston, among others. The project has also the support of the European Union. Analysts have said that oil companies like ChevronTexaco, Exxon Mobil and British Petroleum would be happy to find alternative routes to the Bosphorus and Dardanelles Straits.