

EU, US AND UK SHARPEN SANCTIONS AGAINST RUSSIA

What has happened?

To coincide with the recent 50th G7 Summit in Italy, the EU, US and UK have all announced new sanctions against Russia.

There have been significant changes to EU sanctions, made by EU Council Regulation 2024/1745 of 24 June 2024 ("the Regulation"), amending EU Regulation 833/2014 (the EU 14th sanctions package).

Under the EU 14th sanctions package,

- changes have been made to the rules around Russian LNG.
- a new Article 8a has been added, extending the responsibility of EU parent companies with subsidiaries which they either own or control through ownership.
- the EU is looking to Member States to get tougher on enforcement and requiring them to report promptly.

Extensive new US sanctions have also been imposed, released just before the EU 14th sanctions package, on 12 June 2024. The UK has also announced new sanctions, both before and after the recent general election. There appears to be significant coordination between the governments involved, to coincide with the recent G7 leaders' summit in Italy.

EU 14th sanctions package

The EU 14th sanctions package includes a number of features aimed at both cracking down on activities by EU companies and tightening up export restrictions.

- The Recitals in the Regulation indicate that EU operators must ensure the sanctions are respected, including by implementing appropriate controls and mitigation procedures to manage risk effectively in light of factors such as the country of business, sector and type of activity.
- Recital 27 of the Regulation provides that, whilst Regulation 833/2014 applies within the jurisdictional limits defined in Article 13, if EU operators assert a decisive influence over the conduct of a legal entity established outside the EU, they may incur responsibility for actions of that entity that undermine the restrictive measures and should use their influence to prevent such actions from occurring.

Such influence can derive from ownership or control over the legal entity, including having a majority interest. Elements that indicate control include: the right or the power to appoint or remove a majority of the members of the administrative, management or supervisory body; the right to use all or part of the assets of the legal person, entity or body; managing the business of the legal person, entity or body on a unified basis, while publishing consolidated accounts; or the right to exercise a dominant influence over the entity.

- The Regulation reiterates the importance of EU operators contractually prohibiting re-export to Russia of sensitive goods and technology as listed in Annexes XI, XX and XXXV to Regulation (EU) No 833/2014, certain common high priority items as listed in Annex XL to Regulation (EU) No 833/2014, or firearms and ammunition as listed in Annex I to Regulation (EU) No 258/2012.
- A new paragraph 11 of the Regulation clarifies that where certain products including diamonds, jewellery and precious metals (including wristwatches) were physically located in the EU before 1 January 2024, the prohibition against re-export does not bite.

¹ [Council Regulation \(EU\) 2024/1745 of 24 June 2024 amending Regulation \(EU\) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2024/1745/oj)

- Significant changes have been made to the prohibitions around Russian LNG as discussed in our recent LNG bulletin, in an article considering how LNG producers, traders and operators will be affected, [here](#).
- The Regulation targets vessels that are contributing to the war efforts and includes bans on port access and service provision. It has also designated 27 vessels that assist the Russian state by transporting stolen Ukrainian grain, transporting military equipment, or developing Russia's energy sector by forming part of the shadow fleet transporting oil above the price cap using deceptive practices such as transponder manipulation.
- Recital 25 of Council Regulation 2024/1745 provides that Member State nationals and companies should be entitled to obtain compensation from Russian entities that cause them damage. This compensation may be claimed in Member State courts in civil and commercial matters, including where property has been targeted due to being in the territory of the Russian Federation; or where a decision is illegal under international custom or law or under a bilateral investment treaty between a Member State and Russia.

New US sanctions

The new US sanctions include new secondary sanctions and designations, in particular updating the description of 555 Specially Designated Nationals and sanctioning a large number of Chinese companies. The US has also flagged that more vessels are likely to be sanctioned in the event of any future breaches.

In its advisory dated 12 June 2024², OFAC explained that it has updated the definition of "Russia's military-industrial base" to include all persons blocked under Executive Order 14024 (**E.O. 14024**). This update was intended to reflect the Kremlin's increasing use of Russia's economy to support the war. OFAC made the following statement:

"Accordingly, foreign financial institutions that conduct or facilitate any significant transaction or provide any service involving any person blocked pursuant to E.O. 14024 now risk being sanctioned by OFAC, unless they are solely facilitating permissible transactions such as those related to food, agriculture, medicine, energy, and telecommunications."

OFAC has also identified a list of specified items that must not be supplied to Russian importers or companies shipping items to Russia, because they are critical for Russia's war effort, including for the production of advanced precision-guidance weapons and other critical items.

New UK sanctions

On 13 June 2024, the previous, Conservative UK government announced new sanctions "to crack down on Putin's war machine." It described these measures as being made "in co-ordinated action with G7 partners to support Ukraine."³

They included sanctions against vessels in the shadow fleet, as well as on Russian financial institutions and suppliers supporting Russia's military production.

On 18 July 2024, in a continuation of the previous government's approach, the new Labour government announced further sanctions, against 11 vessels in the shadow fleet.

Additional reporting measures under EU and Swiss law

Both EU and Swiss companies are looking at increased reporting obligations and authorisation for services provided to Russian subsidiaries following the changes to the EU and Swiss rules on reporting obligations for companies with subsidiaries in Russia. While the EU rules require express approval from the regulator to continue providing intra-group services to Russian subsidiaries after 20 June 2024, the Swiss rules permit these services to continue in limited circumstances provided that they are properly disclosed to the regulator by end of July 2024.

This latest round of sanctions reflects an increase in regulation for European companies, demonstrated, for example, by the coming into force of the Corporate Sustainability Due Diligence Directive, (the "CSDDD") on 25 July 2024. The CSDDD will place due diligence obligations relating to actual and potential human rights, and environmental adverse impacts, on large companies operating in the EU, as we explain [here](#). The CSDDD and the EU 14th sanctions package are both different aspects of the EU's expanding role as a regulator that, along with sanctions against Russia, also includes promoting sustainable practices and human rights standards by ensuring companies operating within its jurisdiction adhere to an increasingly complex swathe of regulatory standards.

² [SANCTIONS ADVISORY Updated Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia's Military-Industrial Base \(treasury.gov\)](#)

³ [New UK sanctions to crack down on Putin's war machine - GOV.UK \(www.gov.uk\)](#)

Conclusion

Coordination between the EU, US and UK on sanctions against Russia continues, with Switzerland generally following suit.

We recommend particular diligence in checking not only counterparts and applicable sectoral sanctions but also in ensuring that all aspects of your business comply with the multilateral sanctions faced by the international trade and shipping industry today. Please feel free to get in touch with any questions regarding this bulletin; we are able to provide clear advice covering multiple jurisdictions.

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