

January 31, 2023

Russia/Ukraine Crisis: U.K. and E.U. Impose Further Sanctions On Russia and Implement the Oil Price Cap

In response to Russia's ongoing military invasion of Ukraine, the United Kingdom and European Union have continued to implement trade, financial and services restrictions and, of particular note, the G7 countries' price cap on Russian oil.

Looking forward, the European Union is reported to be working on a [tenth package of sanctions](#) to be announced on the one-year mark of Russia's full-scale invasion of Ukraine (February 24, 2023), while the United Kingdom and the United States at a recent [Joint Press Availability](#) reiterated their commitment to continue supporting Ukraine against Russia. The European Union has also [announced](#) that it intends to impose additional sanctions against both Belarus and Iran.

This Alert summarizes the key actions taken by the United Kingdom and European Union since our Alert dated October 17, 2022, published [here](#).

UNITED KINGDOM

Asset Freezes

- On October 20, 2022, the United Kingdom added to its asset freeze list three Iranian individuals (**Major General Mohammad Hossein Bagheri; Brigadier General Seyed Hojjatollah Qureishi; Brigadier General Saeed Aghajani**) and one Iranian entity (**Shahed Aviation Industries**) responsible for supplying Russia with drones used to bombard Ukraine.
- On November 2, 2022, the United Kingdom added to its asset freeze list four individuals who obtain benefit from or support the Russian government. These individuals include **Alexander Grigoryevich Abramov** and **Alexander Vladimirovich Frolov**, two former directors of Evraz PLC, a Russian steel manufacturer, and the CEOs of companies involved in state-owned transport and construction, energy, and financial services in Russia.
- On November 11, 2022, the United Kingdom added **Eugene Markovich Shvidler**, a Russian-born British and American oil businessman with ties to Roman Abramovich, to its asset freeze list.
- On November 30, 2022, the United Kingdom added to its asset freeze list 22 individuals suspected to be involved in destabilizing Ukraine and undermining its sovereignty, including the Russian Deputy Prime Minister and Minister of Industry and Trade, **Denis Valentinovich Manturov**.
- On December 9, 2022, the United Kingdom added the Russian colonel **Ramil Rakhmatulovich Ibatullin**, to its asset freeze list.
- On December 13, 2022, the United Kingdom added 16 entries to its asset freeze list in response to Russia's continued strikes on civilian infrastructure in Ukraine. These entries include 12 senior commanders of Russian military forces, three Iranian individuals, and one Iranian entity involved in the production and/or supply of drones to the Kremlin.

Trade Restrictions

On October 28, 2022, the United Kingdom imposed a number of additional trade sanctions and export control prohibitions with its 15th [amendment](#) to the [Russia sanctions regulations](#) including:

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- Prohibitions on the export, supply, and delivery and making available additional products to or for use in Russia. This includes oil refining technology and manufacturing products and the additional items in the G7 Dependency and Further Goods List (an updated list can be found [here](#));
- A prohibition on the import of liquefied natural gas (“LNG”) consigned from or originating in Russia and a prohibition on the acquisition of LNG that originates in Russia, or that is located in Russia, with the intention of the LNG entering the United Kingdom. The prohibition also applies to related technical assistance, financial services and funds, and brokering services. These measures were brought into force on January 1, 2023;
- The expansion of current import prohibitions on revenue-generating goods to include beverages, spirits (including vodka), vinegar, food waste products (primarily beet pulp), and related technical assistance, financial services and funds, and brokering services;
- The expansion of current prohibitions on the import and acquisition of gold and related ancillary services to apply to (i) gold that has been processed in a third country, incorporating gold originating in, or which has been exported from, Russia; and (ii) gold jewellery originating in Russia (with an exception for personal use that will also apply to the export of gold jewellery); and
- Expanded prohibitions on the export, supply, delivery, and making available of “vulnerable goods” to, or for use in, Russia that are critical to the functioning of its economy; this restriction went into effect as of January 1, 2023. The prohibition also applies to related technical assistance, financial services and funds, and brokering services. Schedule 3I of the UK Russia Sanctions Regulations sets out the list of such goods, which includes, *inter alia*, varieties of wood and handheld tools.

On December 14, 2022, the UK Department for International Trade issued a [notification of amendments](#) to the Export Control Order 2008. Critically, the amendments removed the Russian Federation as a permitted destination for retained general export authorizations.

On December 15, 2022, the 17th amendment [updated legislation](#) to expand Schedules 2A and 3C relating to (i) critical-industry goods and technology, and (ii) defence security goods, respectively. Items targeted in Schedule 2A now also include, *inter alia*, camouflage and mining equipment, and Schedule 3C now also includes, *inter alia*, chemical compounds like calcium carbide and carbon monoxide.

Oil Restrictions

On November 3, 2022, the United Kingdom [enacted](#) a number of further amendments in the 16th amendment, relating to the maritime transport of certain oil and oil products. The 16th amendment introduced a prohibition on the supply or delivery by ship of oil and oil products falling under the commodity codes 2709 and 2710 from a place in Russia to a third country, or from one third country to another third country, and related ancillary services, including brokering services and financial services. The prohibitions are effective from December 5, 2022 for 2709 products and February 5, 2023 for 2710 products. The [updated legislation](#) also states that the UK Office of Financial Sanctions Implementation (“OFSI”) can impose civil monetary penalties on persons failing to comply with trade sanctions relating to the maritime transportation of oil and oil products. The permitted maximum penalty is the greater of £1 million and 50% of the estimated value of the breach or, in any other case, £1 million.

On December 5, 2022, the United Kingdom’s (and the G7 countries’, Australia’s and the European Union’s) oil price cap on Russian crude oil traded by firms shipping to third countries came into force. The price cap has been set to \$60 per barrel. All the enforcing countries will authorize services facilitating the maritime transport of Russian oil only if firms trade below this cap. This is due to enter into force on February 5, 2023.

Financial and Services Restrictions

On October 28, 2022, the United Kingdom's 15th [amendment](#) updated existing lending restrictions creating "Category 5" loans. Category 5 loans are loans exceeding 30 days' maturity granted on or after October 29, 2022, to an entity connected with Russia. Unlike "Category 3" loans, which were loans issued after March 1, 2022 (but before October 29, 2022), the amendment clarifies that such loans are not prohibited if made to an entity that is incorporated or constituted in a country other than Russia as of October 29, 2022, or an entity owned by an entity incorporated or constituted in a country other than Russia as of October 29, 2022.

On December 15, 2022, the United Kingdom introduced a number of additional financial and professional services prohibitions with its 17th [amendment](#) to the Russia sanctions regulations including:

- Expanding the professional services ban to include definitions for accounting, advertising, architecture, business and management consulting, engineering, IT consultancy, and design and public relations services and to include prohibitions on certain services relating to trusts, subject to certain [exceptions](#). This brings the UK restrictions broadly in line with previously implemented EU service bans;
- Prohibiting dealing, directly or indirectly, with a transferable security or money-market instrument issued on or after December 16, 2022, by a person, other than an individual, that is not a person connected with Russia if for the purposes of certain investment activities discussed in our previous Alert [here](#); and
- Prohibiting loans or credit after December 16, 2022, to a relevant entity if for the purpose of prohibited investments in Russia ("Category 6 loans").

On December 16, 2022, the United Kingdom's 17th amendment disapplied the Bank of England's duty to make a decision in relation to a third-country resolution¹ where designated persons are involved. This duty falls under section [89H \(2\) of the Banking Act 2009](#), which requires the Bank of England to recognize third-country resolution actions. As a result, such Russian actions are prevented from taking effect in the United Kingdom.

General Licenses

- On October 17, 2022, OFSI issued a [general license](#) permitting payments from designated persons to the London Court of International Arbitration ("LCIA") to cover their arbitration costs. Financial services institutions may process such payments and LCIA banks may apply interest to any funds held by the LCIA on trust for the designated persons or companies owned or controlled by designated persons. The license has indefinite duration.
- On October 28, 2022, OFSI issued two general licenses. The first is a [general license](#) that permits payment of professional legal fees and expenses from or on behalf of designated persons. This license is subject to a £500,000 (inc. VAT) cap and reporting and record-keeping requirements, and expires on April 27, 2023. The second is a [general license](#) that permits continued granting of Category 5 loans² to Gazprom Germania for certain purposes including issuing and providing financing for letters of credit, which expires on October 29, 2023.
- On November 2, 2022, OFSI issued a [general license](#) that allows Truphone to continue to provide services under existing arrangements. On November 10, 2022, this license was amended to include subsidiary companies of Truphone Limited, except for Cellnetrix Technology. The general license is subject to certain reporting and record-keeping requirements and expires on April 28, 2023.
- On November 4, 2022, OFSI issued a [general license](#) that permits receiving or transferring funds and economic resources from any persons in relation to the export, sale, production, and transport of agricultural commodities. The general license is subject to certain notification and record-keeping requirements and is of indefinite duration.

- On November 9, 2022, the Department for International Trade issued a [general license](#) that permits the direct or indirect provision of financial services to a person connected with Russia in connection with an arrangement for the supply or delivery of specified fertilizer goods from Russia to a third country, or making these goods available from Russia to a person in a third country. The license is subject to certain exclusions and conditions and is of indefinite duration.
- On November 10, 2022, OFSI amended the [general license](#) relating to the use of retail banking services of a designated credit or financial entity. The license expired on September 10, 2022, and is now due to expire on November 10, 2023. The total value of payments under this license may not exceed £50,000.
- On November 17, 2022, OFSI issued a [general license](#) permitting certain payments to energy companies for gas and electricity by designated persons who own or rent properties in the United Kingdom. This license is subject to certain record-keeping requirements and will expire on April 16, 2023.
- On December 5, 2022, OFSI issued the following general licenses:
 - A [general license](#) that permits the supply or delivery and relevant services of Russian oil from Russia to a third country or from one third country to another if it is below the \$60 price cap. The license is subject to certain conditions and record-keeping requirements. The license is of indefinite duration.
 - A [general license](#) that permits an exception to the oil and oil products maritime transportation ban, applicable to transactions involving oil that is loaded onto a vessel at the port of loading before December 5, 2022, and offloaded at the destination port by January 19, 2023. The license is subject to certain conditions and record-keeping requirements. The license is of indefinite duration.
 - A [general license](#) that permits activities of certain exempt projects and countries in relation to Russian oil, related contracts, and supplies of vacuum gas. The license is of indefinite duration.
- A [general license](#) that permits financial institutions to process, clear, or send payments from persons or entities in connection with activities that would come under the ban on the provision of financial services, funds, and brokering in relation to maritime transportation of Russian oil. The license is of indefinite duration.
- On December 16, 2022, OFSI issued a [general license](#) permitting a seven-day wind-down period with respect to the new financial prohibitions relating to dealing with securities, loans, and investments in relation to Russia under Regulations 16, 17, and 18B. This license expired on December 22, 2022.

Key Legislative and Guidance Updates

- On October 26, 2022, the [Sanctions \(Damages Cap\) Regulations 2022](#) came into force. The statutory instrument states that damages for a designation made in bad faith are capped at £10,000.
- On November 9 and December 1, 2022, the United Kingdom updated its Russia sanctions guidance to clarify the application of the prohibition on providing financial services and funds and on technical assistance relating to restricted goods and G7 dependency and further goods, which can be found [here](#).
- On December 2, 2022, the United Kingdom updated guidance relating to the ban on Russian oil and oil products, which can be found [here](#).
- On December 2, 2022, the Export Control Joint Unit (“ECJU”) published updated guidance on applying for licenses in relation to providing professional and business services to a person connected with Russia, which can be found [here](#). In sum, the guidance makes clear that an application must be submitted via [SPIRE](#) (the ECJU’s

online export licencing system) together with a cover letter that covers, *inter alia*, the activities the applicant wishes to carry out; how the proposed activities fall within scope of the prohibited professional and business services; and supporting evidence on why a licence should be granted.

- On December 4, 2022, OFSI published its updated guidance on the oil services ban and price cap. The guidance provides details on the scope of applicable products and how the ban will be enforced. The guidance can be found [here](#).
- On December 5, 2022, the Parliament of the United Kingdom debated the Immigration (Persons Designated Under Sanctions Regulations) (EU Exit) (Amendment) Regulations 2022. The aim of the new regulation is to remove the exemption to a UK travel ban where sanctioned person leaves the United Kingdom. Currently the existing regulations allow a person lawfully in the United Kingdom to make a human rights or protection claim before a travel ban³ impacts their status. The debated text and its status can be found [here](#).
- On December 5, 2022, OFSI published guidance on the UK Maritime Services Prohibition and Oil Price Cap.
- On December 13, 2022, the UK Department for International Trade issued a [compliance code of practice](#) for export licencing.
- On December 15, 2022, the United Kingdom introduced a new [order](#)⁴ to extend amendments made to the Russia sanctions regime so it applies to the relevant British Overseas Territories. A list of the relevant territories can be found [here](#).
- On December 16, 2022, the United Kingdom updated its [Russian sanctions guidance](#), incorporating the most recent sanctions amendments, and provided an explanatory note on the latest updates [here](#).
- On December 19, 2022, the ECJU published [general guidance](#) relating to sanctions against Russia (updated on December 20, 2022), issued an [application form](#) to apply for a license to provide technical assistance, issued guidance on [Open Individual Export Licenses](#) (“OIEL”), and updated guidance on [global project licenses](#) to simplify the export of military goods and technology in relation to military projects classed as collaborative defense projects.

EUROPEAN UNION

On December 7, 2022, the European Union [announced](#) its intention to impose its ninth package of sanctions against Russia. The final package was adopted on December 16, 2022, and the legislation can be found [here](#).

Asset Freezes

On November 14, 2022, the European Union designated two Iranian individuals and two Iranian entities for their roles in the development and supply of drones used by Russia against Ukraine. The entities include the **Islamic Revolutionary Guard Corps Aerospace Force** and **Qods Aviation Industries**.

On December 16, 2022, the European Union’s ninth package of sanctions designated 141 individuals and 49 Russian entities, which fell into several categories including:

- **Russian armed forces**, including individual officers and defence industrial companies;
- **Members of the State Duma and Federation Council** and other ministers, governors, and political parties; and
- **Two Russian banks (Credit Bank of Moscow and Dalnevostochniy Bank)**, and a complete transaction ban on the **Russian Regional Development Bank**.

The ninth package has also suspended the broadcasting licenses of four Russian broadcasting channels that promote disinformation and war propaganda justifying Russia's aggression against Ukraine including: **NTV/NTV Mir**, **Rossiya 1**, **REN TV**, and **Pervyi Kanal**.

The European Union also introduced a new derogation to allow member states to unfreeze the assets of, and to make funds and economic resources available to, certain individuals who held a significant role in international trade in agricultural and food products, including wheat and fertilizers, prior to their designation. While the European Union's adopted measures do not target trade in agricultural food products between third countries and Russia, this derogation was introduced to help avoid and combat global food insecurity by alleviating disruptions in the payment channels for agricultural products.

Oil Restrictions

On December 3, 2022, the European Union [amended existing prohibitions](#) to implement the Russian oil and petroleum products price cap, setting it at \$60 per barrel. The oil price cap function was previously introduced in the eighth package of sanctions (see our previous Alert [here](#)). The eighth package introduced the prohibition on the transport, including ship-to-ship transfers, of Russian-origin oil to third countries if such oil exceeds the price cap. The eighth package of sanctions sought to alleviate global "energy security" impacts by implementing amendments to permit technical assistance and brokering services related to the maritime transport of certain Russian-origin crude oil and petroleum products to third countries that have been purchased at or below the price cap.

In addition to establishing the price cap, on December 3, 2022, the European Council [amended](#) existing prohibitions to include:

- The extension of the transition period applicable to the transport of crude oil and certain petroleum products after every successive change in the price cap for a period of 90 days to the provision, directly or indirectly, of technical assistance, brokering services, or financing or financial assistance, related to the transport, subject to conditions. This measure is necessary to ensure consistent implementation of the price cap by all operators.
- The extension of the transitional period of 45 days for vessels carrying crude oil originating in Russia that was purchased and loaded onto the vessel prior to December 5, 2022, and unloaded at the final port of destination prior to January 19, 2023.
- An exemption from the prohibition to provide maritime transport and the prohibition to provide technical assistance, brokering services, or financing or financial assistance, related to the maritime transport to third countries where necessary for the urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or the environment, or as a response to natural disasters.
- The introduction of a regular review of the price cap mechanism to evaluate its effectiveness and respond to market developments. This review will consider the goals of the price cap, including its ability to reduce Russia's oil revenues and the principle that the cap should remain at least 5% below the average market price for Russian oil and petroleum products. The initial review will be conducted as of mid-January 2023 and revisited every two months.

Trade Restrictions

The European Union's ninth sanctions package implemented new export controls restrictions on the following items:

- dual-use goods and technology that "contribute to the technological enhancement of Russia's defence and security sector." These restrictions target key chemicals, nerve agents, radio-navigation equipment, generators, electronics, and IT components that could be used by Russia in their war efforts.
- aviation- and space industry-related goods and technology, including aircraft engines and their parts;

- drone engines to Russia and any third country that can supply drones to Russia.

The ninth package of sanctions allows for competent authorities to authorise the sale, supply, or transfer of certain goods and technologies where “strictly necessary for the divestment from Russia or the wind-down of business activities in Russia” and the goods and technologies are owned by an EU person, there are no reasonable grounds to believe that they may be for a military end-user or have military end-use in Russia, and the goods were physically located in Russia prior to entry in force of restrictions related to those goods.

Separately, on January 11, 2023, the European Union updated its list of dual-use items; a brief summary of key changes can be found [here](#).

Financial Restrictions

The ninth package of sanctions added the mining and quarrying sector to existing prohibitions on new investments into Russia’s energy sector. This excludes mining and quarrying activities involving certain critical raw materials such as aluminium, nickel, titanium, and certain heavy rare earth metals. The ninth package introduced grounds for competent authorities to authorise transactions strictly necessary for divestment and withdrawal by June 30, 2023, of any transactions that would otherwise be prohibited under the investment restrictions (under Article 3a).

The ninth package also expanded existing prohibitions relating to listing and providing services by any trading venues in the European Union of transferrable securities by a Russian entity with more than 50% public ownership to also include a prohibition on admitting such securities for trading from January 29, 2023.

The requirements against EU credit institutions have been expanded such that they are now also required to provide to their national competent authority or the European Commission by no later than May 27, 2023, a list of deposits exceeding €100,000 held by a legal person, entity, or body established outside the European Union, and whose proprietary rights are directly or indirectly owned by more than 50% by Russian nationals or natural persons residing in Russia. Credit institutions are expected to provide updates on these deposits every 12 months.

Service Restrictions

The ninth package of sanctions extended existing prohibitions on the provision of services to Russian entities and the Government of Russia to include, subject to limited exemptions, the provision of advertising, market research, public opinion polling services, and product testing and technical inspection services. The legislation states that:

- **“Market research and public opinion polling services”** cover market research services and public opinion polling services;
- **“Technical testing and analysis services”** cover composition and purity testing and analysis services, testing and analysis services of physical properties, testing and analysis services of integrated mechanical and electrical systems, technical inspection services, as well as other technical testing and analysis services. Further, the legislation clarifies that the provision of technical assistance related to goods exported to Russia remains allowed, provided that the sale, supply, transfer, or export of such goods is not prohibited under this legislation at the time when such technical assistance is provided; and
- **“Advertising services”** cover the sale or leasing services of advertising space or time and the planning, creating, and placement services of advertising, as well as other advertising services.

Additionally, effective as of January 16, 2023, the ninth package expands the prohibition on EU nationals from holding any posts on the governing bodies of certain Russian state-owned or -controlled legal persons, entities, or bodies, to apply to effectively all publicly or state-owned or -controlled legal persons, entities, or bodies established in Russia. However, the relevant competent national authority may authorize EU nationals holding such posts in a limited number of circumstances, including (i) in existing joint ventures or similar legal arrangements concluded by an EU-incorporated

entity, as well as in subsidiaries that are owned by, or solely or jointly controlled by, an EU-incorporated entity; (ii) where holding such post is necessary for ensuring critical energy supply; and/or (iii) when the legal person, entity, or body is involved in the transit through Russia of oil originating in a third country and the holding of such post is intended for operations that are not otherwise prohibited under sanctions.

Travel Restrictions

On December 8, 2022, the European Council [adopted](#) the decision not to accept Russian travel documents issued in Ukraine or Georgia, confirming these will not be accepted as valid travel documents for obtaining a visa or crossing borders of the Schengen Area. The European Council's decision aims to harmonize Member States' approach in relation to external border and visa policies, and Russian travel documents issued in these regions were already not recognized or in the process of not being recognized.

Legislative and Guidance Updates

- On December 2, 2022, the European Union published a proposed directive to include sanctions violations in the list of EU Crimes. The directive aims to create uniform definitions and penalties across Member States, thereby ensuring consistency of enforcement and dissuading attempts to circumvent or violate EU sanctions. Read our summary of this [here](#).
- The European Union updated its FAQs as of December 9, 2022, in relation to the European Union chemical regulation REACH. Since our last Alert, FAQs have also been updated in relation to insurance and reinsurance [state-owned enterprises](#), [asset freezes](#), [oil imports](#), and [provision of services](#). A consolidated version of the latest FAQs published on January 20, 2023, is available [here](#).
- On December 16, 2022, to accompany its ninth package of sanctions, the European Union published a press release, available [here](#), alongside the EU Commission's press release, available [here](#). Further guidance on the ninth package of sanctions is also provided in the [Q&As](#).

WHAT'S NEXT

As expected, on January 27, 2023, the EU council [announced](#) its decision to prolong its sanctions regime against Russia for a further six months (until July 31, 2023). Currently, the European Union is reported to be working on a [tenth package of sanctions](#) to be announced on the one-year mark of Russia's full-scale invasion of Ukraine (February 24, 2023). In a [Joint Declaration on EU-NATO Cooperation](#), the European Union has also announced that it intends to impose sanctions against both Belarus and Iran for providing Russia with military support in Ukraine; and [reports](#) have also indicated that the European Union is discussing expanding certain sanctions against Belarus to align closer with those currently in place against Russia to further prevent Belarus being used to circumvent the EU's sanctions against Russia. The United Kingdom and the United States at a recent [Joint Press Availability](#) have also reiterated their commitment to continue supporting Ukraine against Russia.

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1. A "third country resolution action" means "action under the law of a country or territory outside the United Kingdom to manage the failure or likely failure of a third-country institution, third-country parent undertaking or a bank, building society, credit union or investment firm" as defined in section 89H(7) of the Banking Act 2009.
 2. A "category 5 loan" means a loan or credit (a) with a maturity exceeding 30 days; (b) made or granted to a person, other than an individual that is (i) connected with Russia, other than (aa) a person on the date on which the Amendment (No. 15) Regulations came into force, is incorporated or constituted in a country other than Russia; or (bb) a person that

is owned by a person within (i), or (ii) a person that is owned by a person connected with Russia who is an individual, (c) that is first made or granted at any time on or after the date on which Amendment (No. 15) Regulations came into force; and (d) that is not a category 1, 2, 3 or 4 loan. See [The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 15\) Regulations 2022](#).

3. Made under the Sanctions and Anti-Money Laundering Act 2018.
4. The Russia (Sanctions) (Overseas Territories) (Amendment) (No. 4) Order 2022