



EU 14th Sanctions Package against Russia

25 June 2024

On 24 June 2024, the European Union (EU) agreed the long-awaited 14th package of sanctions against Russia. These latest measures introduce several new thematic restrictions and are introduced off the back of several new UK and U.S. restrictions imposed over the course of the past few weeks.

The latest measures are contained in (A) Council Regulation 2024/1746 which amends Council Regulation (EU) No 269/2014; and (B) Council Regulation (EU) 2024/1745 which amends Council Regulation (EU) No 833/2014.

Asset Freeze Restrictions

The EU has imposed asset freeze measures on an additional 116 individuals and entities. These can be found [here](#). Of note in the transportation industry are Sovcomflot and the Volga Dnepr Group.

Breaching the Corporate Veil?

Before these latest measures, Article 13 of Regulation 833/2014 prescribed the territorial effect of the EU sanctions restrictions against Russia. At that time, a crude summary was that non-EU subsidiaries with no EU national staff undertaking activities outside the EU would not be subject to the territorial scope of Regulation 833/2014.

However, a new Article 8a has been introduced, which potentially significantly alters the practical reality of this approach. Whilst Recital 27 of Regulation 2024/1745 reiterates the jurisdictional limits as set out under Article 13, a new Article 8a has been introduced, which requires both EU individuals and entities to “undertake their best efforts to ensure that any legal person, entity or body established outside the Union that they own or control does not participate in activities that undermine the restrictive measures...[under Regulation 833/2014]”.

At the date of this client alert, EU FAQs on the operation of Article 8a are yet to be published. The only guidance as to what EU parent companies are required to do is set out at Recitals 29 and 30 of Regulation 2024/1745. In particular, it states that “[b]est efforts should be understood as comprising all actions that are suitable and necessary to achieve the result of preventing the undermining of the restrictive measures in [Regulation 833/2014]”. It suggests that such measures could include appropriate sanctions and risk management policies, whilst keeping in mind the jurisdiction of the non-EU subsidiary, the business sector and the type of activity involved.

This states that best efforts only comprise “actions that are feasible for the Union operator in view of its nature, its size and the relevant factual circumstances, in particular the degree of effective control over,”

the non-EU subsidiary.

Strengthening Anti-Circumvention Measures

This has been achieved by a number of different measures.

Firstly, similar in some respects to the UK's recent new restrictions on "specified vessels", the new Article 3s imposes a port access ban and ban on providing services to vessels that have been listed under Annex XLII, subject to the usual emergencies exception.

The conditions for listing such vessels are extremely wide and including, without limitation, vessels that:

- transport crude oil or petroleum products, as listed in Annex XXV, that originate in Russia or are exported from Russia while practicing irregular and high-risk shipping practices as set out in the International Maritime Organisation General Assembly resolution A.1192(33);
- are operated in such a way as to contribute or support actions or policies for the exploitation, development or expansion of the energy sector in Russia, including energy infrastructure;
- are operated in such a way as to facilitate or engage in the violation or circumvention or otherwise significantly frustrate the provisions of Regulations 833/2014, 269/2014, or (EU) 2022/263.

At the time of its introduction, 27 vessels have been listed, including tankers, containers ships and LNG regasification units, some Russian owned and other 3rd country owned. In many cases, the vessels targeted overlap with U.S. and/or UK designations.

Second, the anti-circumvention wording has been widened such that it now specifically states that the participation of any "activities without deliberately seeking that object or effect but being aware that the participation may have that object or effect [of circumvention] and accepting that possibility" will constitute circumvention activities under Article 12 of Regulation 833/2014. The same change has been made to Regulation 269/2014.

LNG Measures

Thematically, these introduce new prohibitions on:

- reloading services relating to Russian LNG in the EU for the purpose of transshipment operations to non-EU countries;
- investments or the provision of goods, technology services for the completion of relating to LNG projects under construction such as Arctic LNG 2 and Murmansk LNG; and
- purchase, import or transfer Russian LNG through LNG terminals in the Union that are not connected to the interconnected natural gas system.

We will discuss these measures in greater detail in a separate client alert.

Import / Export Measures

The EU also expanded the list of goods that cannot be exported, sold or transferred to Russia (or Russian persons) under Article 3k, which now includes an extensive list of chemicals, manganese ores

and compounds of rare-earths, plastics, excavating machinery, monitors and electrical equipment. In relation to the recently added restricted goods, there are wind-downs as follows:

- Manganese Ores (CN Code 2602) – for any contracts concluded before 25 June 2024, such contracts (and the ancillary contracts necessary for the execution of such contracts) can be performed until 26 July 2024;
- Goods falling under CN codes 8481 80 and 8708 99 – for any contracts concluded before 25 June 2024, such contracts (and the ancillary contracts necessary for the execution of such contracts) can be performed until 26 December 2024;
- All other recently added restricted goods under Article 3k – for any contracts concluded before 25 June 2024, such contracts (and the ancillary contracts necessary for the execution of such contracts) can be performed until 26 September 2024.

There are also further restrictions on the import, purchase or transport of helium from Russia.

New Articles 12ga and 12gb have also been introduced, which is conceptually similar to the previous Article 12g. This requires EU operators, when selling, supplying, transferring or exporting common high priority items listed in Annex XL, or related intellectual property rights or trade secrets as well as granting rights to access or re-use any material or information protected by intellectual property rights or protected as trade secret related, to insert contractual clauses to prohibit their non-EU counterparties from selling, supplying, transferring or exporting such items to Russia or for use in Russia. These restrictions apply from 26 December 2024.

Article 3g(d) – Partner Countries

Liechtenstein has been added as a “partner country” which means that any product otherwise caught by Article 3g(d), that is being imported from Liechtenstein no longer requires evidence of the country of origin and iron and steel inputs used in the processing of the imported product.

Article 3l – Road Transport Undertakings

As an extension to the previous restrictions on road transport undertakings, the new measures prohibit any entities in the EU that is owned 25% or more by Russian interests that are not EU nationals or who do not have temporary or permanent residence permits to in an EU Member State, to be admitted to become a “road transport undertaking”.

Further, as of 26 July 2024, any such entities that were established in the EU after 8 April 2022, are prohibited to transport goods by road within the EU, including in transit.

Financial Restrictions

As part of the efforts to limit the access to financial markets, the EU has imposed prohibitions relating to Russia’s “System for Transfer of Financial Messages” for any activity outside of Russia.

Combating Russia’s Boycott Legislation

As has been widely reported in major news sources, many international companies with assets in Russia have been placed in a catch-22 situation where such companies are required to (and are contractually

permitted to) suspend their contracts with their Russian counterparts (who are often subject to asset freeze restrictions) but Russian law prohibits their Russian counterparts from accepting Western sanctions as the reason for non-performance. Often, the result is that judgments are made in favour of the Russian counterpart, who then has the ability to seek enforcement of that order against the international company's assets in Russia – which are often devalued by virtue of local laws.

The new measures under Articles 5ab and Article 11 set the framework to respond to this situation, which include the imposition of transaction bans on Russian entities that are listed in Annex XLIII, and the procedure to recover compensation in judicial proceedings in before the competent courts of an EU Member State.

Other Amendments

The above sets out a thematic summary of the new headline restrictions. We set out a brief summary of the other amendments contained in Regulation 2024/1745:

- Expansion in scope of the flight ban
- Expansion of the diamond ban
- A new Article 3v with the intent to prevent unconsented or unlawful expropriation of Ukrainian cultural property goods and other goods of archaeological, historical, cultural, rare scientific or religious importance.
- Restrictions on new applications for registration of trademarks, patents, industrial designs, utility models, protected designations of origin and geographical indications, by Russian nationals or persons or entities in Russia.
- Prohibition on political parties, non-governmental organisations (including think tanks or media services) accepting funding from the Russia state or its proxies
- General tidy up amendments including but not limited to the deletion of expired wind-down provisions.
- Recast of the exemptions relating to goods and services necessary for civil nuclear activities or capabilities, medical radioisotopes and similar medical applications, critical technology for environmental radiation monitoring, as well as for civil nuclear cooperation, in particular in the field of research and development.
- Recast of the exemptions on certain goods that are components of medical devices.

Round Up: Recent U.S. and UK Sanctions Restrictions

The EU's 14th sanctions package was introduced following new restrictions by OFAC and OFSI that were introduced on 12 June 2024 and 13 June 2024 respectively.

On the U.S.-side, the most pertinent restrictions are the following:

- The U.S. designated over 300 new entities and individuals for operating in various sectors of the Russian Federation economy. Some notable designations include the Moscow Exchange, Gas Industry Insurance Company Sogaz, four Sovcomflot LNG tankers currently under construction, LLC Murmansk LNG, Novatek-LNG Fuel Kashira LLC and Penglai Jutal Offshore Engineering Heavy Industries Co Ltd. The State Department and OFAC press releases may be found [here](#) and [here](#).

- The expansion by OFAC of the basis upon which OFAC can impose secondary sanctions on Foreign Financial Institutions engaging in transactions involving Russia's military industrial base by expanding the definition of Russia's military industrial base to include any person designated pursuant to Executive Order 14024.
- A new prohibition on providing IT consultancy and design services as well as certain types of IT support services to Russia.

On the UK-side, OFSI introduced several new asset freeze targets, most of which mirrored the designations made by OFAC in February of this year. The following entities were designated for "carrying on business in a sector of strategic significance to the Government of Russia.

- Red Box Energy Services Pte Ltd. EKO Shipping LLC, LLC Novatek Murmansk, LLC Modern Marine Arctic Transport SPG, Murmansk LNG, LLC Ruschemalliance, as well as multiple Sovcomflot vessels.
- Ingosstrakh Insurance Company

A key takeaway from the UK and U.S. designations is that hindering certain Russian LNG projects will be a priority of the UK and the U.S. going forward.