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EU Adopts 12th Package of Sanctions Against Russia

Europe – December 2023

On December 18, 2023, the European Council published the 12th package of sanctions against Russia, concerning restrictive measures in view of Russia's actions in Ukraine.

The primary objective of this package is to enforce supplementary restrictions on imports and exports involving Russia by introducing new bans, addressing the circumvention of sanctions and ending existing ambiguities.

The new sanctions package adds 61 individuals and 86 entities to the list of natural and legal persons subject to asset freezes. It also adds 29 Russian and third-country entities associated with Russia's military-industrial complex, which are subject to tighter export controls .

Furthermore, the new measures strengthen the enforcement of the oil price cap by intensifying scrutiny on the potential misuse of tankers to bypass the cap. It also incorporates more rigorous obligations for tracing assets and implements stringent measures against third-country companies attempting to circumvent sanctions.

The most relevant changes are summarized below.

Asset Freeze Obligations

The new additions to the sanctions list target persons and entities related to the defense and military sectors in Russia, Belarus and the Ukrainian regions currently controlled by Russia. Asset freezes have also been imposed against companies active in the telecommunications, IT and insurance sectors.

Further, the council has endorsed a new listing criterion, encompassing individuals who gain from the forced transfer of ownership or control over Russian subsidiaries of EU companies. This measure aims to prevent individuals from benefiting when EU companies experience losses due to the forced acquisition of their subsidiaries by Russian owners or managers.

Oil Sector and Oil Price Cap

The new sanctions package seeks to reinforce the price cap rules agreed by the G7. Transactions involving tankers owned by EU operators must be reported to national authorities, and any sales to Russian individuals or entities, as well as those intended for use in Russia, will require authorization.

Additionally, member states shall now exchange information among themselves and with the commission, supported by the European Maritime Safety Agency, to identify vessels and entities engaged in misleading practices. These include ship-to-ship transfers employed to hide the origin or destination of cargo and manipulations of the automatic identification system.

The new sanctions also foresee an import ban on liquefied petroleum gas (LPG), with protection of existing contracts for a maximum period of 12 months. This represents approximately 6% of the EU's total LPG intake from Russia in 2023.

Banking Sector

A new measure has been introduced regarding the notification of specific fund transfers out of the EU. This requirement applies to EU entities owned, either directly or indirectly, by more than 40% by Russians or entities established in Russia. Furthermore, a notification procedure is being implemented for Russian citizens or entities based in Russia intending to transfer amounts exceeding €100,000 (US$109,920) out of the EU. The package also aims to limit circumvention of the prohibition on providing crypto-asset wallet, account or custody services to Russian persons and residents, including a prohibition on Russian nationals and natural persons resident in Russia owning or controlling, or holding any position in the governing bodies of, legal persons, entities or bodies providing such services.

Dual-use and Sensitive Goods and Technologies

The new package also compiles measures to restrict Russia's access to these goods and technologies by tightening the existing controls and making EU companies written guarantees that their products will not be re-exported to Russia.

The list of restricted items contributing to the technological enhancement of Russia's defense and security sector has been expanded. The newly included items are chemicals, lithium batteries, thermostats, DC motors and servomotors for unmanned aerial vehicles (UAV), as well as machine tools and machinery parts.

Similarly, the list of items subject to an export ban due to their potential contribution to Russia's industrial capacities has also been expanded to include prepared rubber accelerators, silicones in primary forms, tubes and line pipes, among others.

Additionally, the EU has imposed further restrictions on the import of goods that generate significant revenues for Russia. These restricted items include pig iron and spiegeleisen, copper wires and aluminum wires, among others, amounting to a total annual value of €2.2 billion.

Lastly, EU exporters shall include contractual provisions and wording prohibiting the re-exportation to Russia and use in Russia of highly sensitive goods and technology, which include aviation goods and weapons. This will apply when conducting sales, supplies, transfers or exports to a third country, except for partner countries.

Iron and Steel

The EU has introduced an additional Annex XXXVI to Regulation (EU) 833/2014, enumerating partner nations implementing restrictive measures on Russian iron and steel imports. Notably, Switzerland and Norway are the only countries subject to equivalent import control measures. Consequently, importers are exempt from furnishing proof of origin for iron and steel inputs used in product processing, if originating from these specified nations. Furthermore, the EU has prolonged the wind-down periods for specific steel product imports.

Provision of Certain Services

A new ban on supplying enterprise and design-related software to the Russian government or Russian companies has been introduced. The aim is to weaken Russia's capabilities within its industrial sector.

Diamond Sector

The EU has implemented a restriction on the direct or indirect import, acquisition and transfer of diamonds from Russia. From January 1, 2024, a direct prohibition will be in effect for non-industrial natural and synthetic diamonds, as well as diamond jewelry.

Starting on March 1, 2024, there will be a gradual introduction of an indirect import ban on Russian diamonds that have been processed in third countries. This will be completed by September 1, 2024.

Circumvention

A novel measure mandates the notification of specific fund transfers out of the EU. This requirement applies to EU entities owned, either directly or indirectly, by more than 40% by Russians or entities established in Russia. Furthermore, a notification procedure is being implemented for Russian citizens and entities based in Russia intending to transfer amounts exceeding €100,000 (US$109,920) out of the EU.

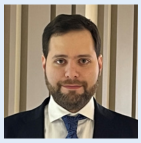
Extensions

The updated sanctions package implements modifications extending the period for operations necessary for the divestment from Russia or the wind-down of business activities in Russia, which now allow EU entities additional time to finalize their operations in Russia.

Contacts

José María Viñals
Partner, Madrid/Brussels
T +34 91 426 4840
T +34 649 133 822
E josemaria.viñals@squirepb.com

Diego Sevilla Pascual
Senior Associate, Brussels
T +322 627 7612
E diego.sevillapascual@squirepb.com



Tigran Piruzyan
Senior Counsel, Madrid, Spain
M +34 618 017 354
E tigran.piruzyan@squirepb.com

María Vara Pitarch
Associate, Madrid
T +34 91 250 0791
E maría.vara@squirepb.com