

# CLIENT UPDATE

## EU EXPANDS SANCTIONS IN RESPECT OF UKRAINE

### LONDON

Lord Goldsmith QC  
phgoldsmith@debevoise.com

Matthew Howard Getz  
mgetz@debevoise.com

Jessica Gladstone  
jgladstone@debevoise.com

Jane Rahman  
jrahman@debevoise.com

### MOSCOW

Natalia A. Drebezgina  
nadrebezgoma@debevoise.com

Alan V. Kartashkin  
avkartashkin@debevoise.com

Alyona N. Kutcher  
ankutcher@debevoise.com

Dmitri V. Nikiforov  
dvnikiforov@debevoise.com

### NEW YORK

Carl Micarelli  
cmicarelli@debevoise.com

### WASHINGTON, DC

Satish M. Kini  
smkini@debevoise.com

On 16 July, the same day that the United States introduced significant new sanctions in respect of the situation in Ukraine (see [Client Update](#) dated July 16, 2014), the European Union announced it was expanding its own Ukraine-related sanctions and taking further steps in anticipation of additional expansion.<sup>1</sup>

The six steps announced by the EU, which do not include targeted, sector-wide, sanctions, are as follows:

*First*, the EU has agreed to impose asset freezes on entities, including from the Russian Federation, that “are materially or financially supporting actions undermining or threatening Ukraine’s sovereignty, territorial integrity and independence.” Previously, only individuals responsible for such actions had been targeted. The only two entities previously listed by the EU – PJSC Chernomorneftegaz, a gas company, and Feodosia, an oil supplier – had been designated because their ownership had been “transferred contrary to Ukrainian law”.<sup>2</sup> The new designations will come by the end of July.

The EU will also consider imposing asset freezes on additional entities and individuals that “actively provide material or financial support to the Russian decision-makers responsible for the annexation of the Crimea or the destabilisation of Eastern-Ukraine”. No deadline has

---

<sup>1</sup> Conclusions of the Special Meeting of the European Council dated 16 July 2014.

<sup>2</sup> Council Implementing Regulation (EU) No. 477/2014 of 12 May 2014 O.J. L137/3.

been given as to when any decision may be made, and it is not known if any persons will be listed.

*Second*, the EU has acted to impede the flow of public money into Russia by directing the European Investment Bank (“EIB”) to suspend new financing in Russia. Such a step is not without significance. In 2013, the EIB provided EUR 7.6bn to projects outside of the EU, with roughly 14% of that amount, EUR 1bn, going to Russia.<sup>3</sup>

*Third*, EU Member States will coordinate their positions within the Board of the European Bank for Reconstruction and Development (“EBRD”) with a view to suspending financing new operations in Russia. The likely outcome of these efforts is unclear. The EBRD, unlike the EIB, is not an EU institution and many other countries, including Russia, are shareholders and Board members. Nonetheless, the EU is also represented both at shareholder and Board level.

*Fourth*, in line with the EU policy of non-recognition of the annexation of Crimea and Sevastopol, the European Council has asked the European Commission and the European External Action Service to present proposals for further restricting investments in Crimea and Sevastopol. This follows last month’s prohibition on imports from Crimea and Sevastopol.<sup>4</sup>

*Fifth*, the European Council stated that it “*expects*” international financial institutions to refrain from financing projects that recognise the annexation of Crimea and Sevastopol. But it has not explicitly prohibited such financing, so it is unclear what effect this expectation will have.

*Sixth*, the European Council has invited the European Commission to re-assess EU-Russia cooperation programmes.

As noted above, the EU has not introduced “targeted measures”, which could affect entire sectors of the Russian economy. EU bodies have been preparing these measures, at the European Council’s request, since March, but none have been implemented with this latest announcement.

We will continue to provide updates as the situation develops. For updates on Ukraine related sanctions and other sanctions developments, please subscribe to the Debevoise &

---

<sup>3</sup> 2013 Report on Results of EIB Operations Outside the EU at <http://www.eib.org/infocentre/publications/all/eib-rem-annual-report-2013.htm>.

<sup>4</sup> Council Regulation (EU) No. 692/2014 and see Debevoise Client Update: European Union Bans Import of Goods from Crimea.

Plimpton LLP Sanctions Alert. The Sanctions Alert is a free, semi-monthly e-mail summary of developments in the area of economic and trade sanctions in the United States, the European Union and around the world. If you would like to subscribe, please e-mail [sanctions@debevoise.com](mailto:sanctions@debevoise.com) with a request to be added to the Sanctions Alert mailing list or sign-up [here](#). The Firm's sanctions-related publications can also be found at [The Sanctions Resource](#) page of our website.

\* \* \*

Please do not hesitate to contact us with any questions.

July 17, 2014