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# THE GLOBAL TRADE LAW JOURNAL

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Volume 1, Number 1

January–February 2024

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Publishing Staff

Publisher: Morgan Morrisette Wright

Production Editor: Sharon D. Ray

Cover Art Design: Morgan Morrisette Wright and Sharon D. Ray

This journal's cover features a 1855 depiction of the American clipper ship *Red Jacket* on her journey from Melbourne, Australia, to Liverpool, England. The artwork was originally created by Charles Parsons and Joseph B. Smith, and later lithographed and published by Nathaniel Currier. It is reproduced courtesy of The Met Museum's public domain library.

Cite this publication as:

The Global Trade Law Journal (Fastcase)

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A Full Court Press, Fastcase, Inc., Publication

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729 15th Street, NW, Suite 500, Washington, D.C. 20005

<https://www.fastcase.com/>

POSTMASTER: Send address changes to THE GLOBAL TRADE LAW JOURNAL, 729 15th Street, NW, Suite 500, Washington, D.C. 20005.

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# European Union Trade Sanctions on Russia

Konstantin Bureiko, Alan Kartashkin, Jane Shvets, and Anastasia Magid\*

*Following Russia's invasion of Ukraine on February 24, 2022, the European Union and other nations imposed various sanctions and export controls. This article provides an overview of the trade sanctions imposed by the European Union on Russia.*

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## Export Restrictions

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The European Union implemented a number of sanctions restricting Russian access to EU goods and technologies, including the following groups of export restrictions:

- Energy sector and oil refinery-related products,
- An expansion of the restrictions on dual-use goods and technology,
- Advanced technology,
- Aircraft,
- Goods that contribute to the enhancement of Russian industrial capacities, and
- Luxury products.

## Energy Sector and Oil Refinery-Related Products

The European Union has significantly strengthened restrictions on the provision of certain goods and technology that are suited to certain categories of exploration and production projects to any person or entity in Russia or for use in Russia, in both cases including its Exclusive Economic Zone and Continental Shelf. Since August 1, 2014, the European Union has required exporters to have licenses before exporting these goods and technologies to Russian persons. The new requirements make it a prohibition to sell, supply, transfer, and export these goods and technology except for narrow exemptions and prohibits provision of related

financing or financial assistance. The energy-related prohibition was later extended to also apply to goods and technology suited for oil refining and liquefaction of natural gas.

On June 23, 2023,<sup>1</sup> the European Union extended this restriction to cover the sale, licensing, or transfer of intellectual property rights or trade secrets related to energy sector and oil refining goods to any person or entity in Russia or for use in Russia.

## **Dual-Use Goods**

The sale, supply, transfer, or export to Russia of dual-use goods and technology, including the provision of related technical services, brokering services, financing, or financial assistance is now prohibited (with some exemptions).

The European Union prohibited transit through Russia of EU-exported dual-use goods and technology to avoid circumvention.

On June 23, 2023, the European Union extended this restriction to cover the sale, licensing, or transfer of intellectual property rights or trade secrets related to dual-use goods and technology to any person or entity in Russia or for use in Russia.

## **Advanced Technology and Maritime Technology**

In addition, the sale, supply, transfer, or export to Russia of goods and technology that might contribute to Russia's military and technological enhancement, or the development of the defense and security sector (including semiconductors), including the provision of related technical services, brokering services, financing, or financial assistance is also prohibited (with some exemptions).

The above prohibitions include, among others, the following goods and technology:

- Coal and coke of coal, chemicals, and goods that can be used for capital punishment, torture, or other inhumane treatment;
- Electronics, specialized vehicles, machine parts and spare parts for trucks and jet engines, as well as goods for the construction sector that can be directed to Russia's military, such as antennas or cranes; and
- Electronic components used in Russian weapons systems retrieved on the battlefield, such as drones, missiles, and



helicopters, as well as specific rare earth materials, electronic integrated circuits, and thermal cameras.

There is also a ban on the sale and supply of maritime navigation goods and technology whether or not originating in the European Union to any natural or legal person in Russia, for use in Russia, or for use on Russian-flagged vessels subject to a humanitarian exemption. This ban also applies to the provision of technical assistance, brokering services, provision, manufacture, and maintenance of these goods, as well as financing the sale and supply of these goods or related services.

The sale, supply, transfer, or export of civilian firearms and their components and ammunition, military vehicles and equipment, paramilitary equipment and spare parts is also prohibited.

On June 23, 2023, the European Union prohibited transit via the territory of Russia of goods and technology that contribute to Russia's military and technological enhancement or to the development of its defense and security sector unless certain exemptions apply or licenses are obtained.

Further, the European Union extended this restriction to cover the sale, licensing, or transfer of intellectual property rights or trade secrets related to military and security enhancement goods and technology, maritime equipment, and firearms, to any person or entity in Russia or for use in Russia.

Finally, a new licensing ground allows to request an authorization to deal with military and security enhancement goods intended for the exclusive use and under the full control of the authorizing Member State and in order to fulfill its maintenance obligations in areas that are under a long-term lease agreement between that Member State and the Russian Federation.

## **Aircraft**

There are three restrictive measures currently in place in relation to aircraft and the aviation sector:

1. Prohibition on the sale, supply, transfer, or export of goods and technology suited for use in the aviation and space industry, including the sale of all aircrafts, spare parts, and equipment to Russian airlines, including aircraft and drone engines and their parts;

2. Prohibition on the provision of related technical and financial assistance, including the overhaul, repair, inspection, replacement, modification, or defect rectification of an aircraft or component, with the exception of pre-flight inspection; and
3. Prohibition on the provision of insurance and reinsurance, and maintenance services, related to those goods and technology.

On June 23, 2023, the European Union extended this restriction to cover the sale, licensing, or transfer of intellectual property rights or trade secrets related to aviation goods to any person or entity in Russia or for use in Russia.

The European Union also prohibited the transit of aviation goods and technology through Russia, unless a license is obtained. This includes a new licensing ground that allows requesting an authorization to deal with aviation goods intended for the exclusive use and under the full control of the authorizing Member State and in order to fulfill its maintenance obligations in areas that are under a long-term lease agreement between that Member State and the Russian Federation.

## **Goods That Enhance Russia's Industrial Capacity**

The European Union has banned the sale, supply, transfer, or export, directly or indirectly, of goods that could contribute to the enhancement of Russian industrial capacities to any person or entity in Russia or for use in Russia, including the provision of technical services, brokering services, financing, or financial assistance in relation to the above. The restrictions cover such items as hydrogen, sulphates, nitrites, paints, film, asphalt, synthetic rubber.

On June 23, 2023, the European Union extended this restriction to include the sale, licensing, or transfer of intellectual property rights or trade secrets related to these goods to any person or entity in Russia or for use in Russia.

In addition to the above trade restrictions, on June 23, 2023, the European Union adopted a licensing ground allowing authorization of sale, supply, transfer, export, or transit through Russia of dual-use, military enhancement, maritime goods, and technology or goods and technology enhancing Russia's industrial capacities, or the provision of related technical assistance, brokering services or

other services, financing, or financial assistance, for the operation and maintenance of the Caspian Pipeline Consortium (CPC) pipelines and associated infrastructure. A license also may be obtained to provide auditing services, engineering services, legal advisory services, technical testing, and analysis services for the operation and maintenance of the CPC pipelines and associated infrastructure.

## **Luxury Products**

The sale, supply, transport, or export of luxury products of a value greater than €300 to any person or entity in Russia or for use in Russia is now prohibited, subject to certain diplomatic and consular exemptions. On June 23, 2023, the European Union extended this restriction to include a prohibition on providing technical services, brokering services, financing, or financial assistance, or other services in relation to the provision, manufacture, maintenance, and use of luxury products. Furthermore, it is now also prohibited to sell, license, or transfer intellectual property rights or trade secrets related to luxury goods to any person or entity in Russia or for use in Russia.

On June 23, 2023, the European Union imposed a prohibition to sell, supply, transfer, or export, directly or indirectly, listed sensitive goods and technology to any natural or legal person, entity, or body in one of the specifically determined third countries, as well as a prohibition to provide technical assistance, brokering services, or other services, financing, or financial assistance, or transfer intellectual property or trade secrets in respect of such goods or technology. The European Union promised to impose these sanctions on third countries that systematically and persistently failed to prevent the sale, supply, transfer, or export to Russia of such sensitive goods and technology. The European Union has not yet identified any third countries or goods and technology as the target of these restrictions.

## **Import Restrictions**

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The European Union implemented a number of sanctions restricting Russia's ability to receive revenues from selling goods produced or extracted in Russia to the European Union, including the following groups of import restrictions:

- Iron and steel products,
- Goods that generate significant revenues for Russia,
- Coal or other fossil fuels,
- Oil and petroleum products, and
- Gold.

## **Import of Iron and Steel Products and Coal**

The European Union prohibited the import and transport of iron and steel products, coal, and other fossil fuels<sup>2</sup> that originate in Russia or have been exported from Russia, as well as the purchase of iron and steel products that are located or originate in Russia. This includes a ban on providing related technical assistance, brokering services, financing, or financial assistance.

## **Goods That Generate Significant Revenues for Russia**

The European Union banned the purchase, import, and transfer, directly or indirectly, of goods that generate significant revenues for Russia and originate in Russia or are exported from Russia. This includes a ban on providing related technical assistance, brokering services, financing, or financial assistance.

On September 12, 2023, the EU Commission clarified that the prohibition on import of revenue-generating goods from Russia to the European Union applies to personal items and vehicles of persons temporarily traveling from Russia to the European Union. The EU Commission urged EU Member State authorities to pay particular attention to motor vehicles registered in Russia, as they are goods prone to circumvention and, otherwise, apply import restrictions to personal items of the travelers in a proportionate and reasonable manner.<sup>3</sup> Poland, Finland, Estonia, Latvia, and Lithuania announced that they will ban vehicles with Russian license plates from entering their territories.<sup>4</sup>

## **Oil and Petroleum Products**

The European Union has imposed a prohibition on the import or transfer, directly or indirectly, of crude oil or petroleum products

if they originate in Russia or are exported from Russia. This includes a prohibition on an EU Member State selling crude oil delivered by pipeline from Russia to Member States or third parties. Importantly, EU Commission guidance has clarified that this general prohibition only applies when the relevant crude oil or petroleum is being imported into, or is destined for, the European Union.

The ban applies from December 5, 2022, to one-off transactions for near-term delivery, concluded and executed before that date, or to the execution of contracts for the purchase, import, or transfer of crude oil-related goods concluded before June 4, 2022, provided the relevant national competent authority has been notified. The ban applies from February 5, 2023, for similar transactions for petroleum-related products on the same terms.

The ban does not apply to seaborne crude oil and petroleum products, provided that they originate from outside Russia, are not owned by a Russian person, and are only loaded in or transported through Russia. Further, the ban does not apply to crude oil that is delivered by pipeline from Russia to Member States.

The ban contains provisions to allow seaborne crude oil from Russia to be imported if the supply of crude oil by pipeline from Russia to a landlocked Member State is interrupted for reasons outside the control of that state, until the supply is resumed or crude oil delivered by pipeline is sanctioned. The oil exploration ban, ban on energy sector investments, ban on port access, ban on road transport, and the public concession contract ban were also all amended to specify that they do not apply to crude oil or petroleum products already prohibited by this new ban.

## **Gold**

The European Union imposed a ban on imports of gold if it originates in Russia and it has been exported from Russia into the European Union or to any third country after July 22, 2022. This includes a prohibition on importing certain gold products processed in third countries if the gold used was exported from Russia after July 22, 2022. There are exemptions for gold necessary for official diplomatic missions or personal use. This prohibition also includes a ban on providing related technical assistance, brokering services, financing, or financial assistance.

## Non-Government Controlled Areas of Ukraine

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The European Union has imposed trade restrictions on the DPR, LPR, Zaporizhzhia, and Kherson regions of Ukraine. These restrictions broadly mirror the wide-ranging trade sanctions that affect the Crimea and Sevastopol and consist of:

- Import bans on goods from these territories, including a prohibition on ancillary services such as insurance for such imports;
- Investment restrictions relating to this region;
- Restrictions on the provision of certain listed transport, telecommunications, energy, and oil and gas-related goods, and any associated technical or financial services;
- A ban on certain services for the construction and engineering services industries in the region; and
- A prohibition on providing service directly related to tourism in this region.

## Oil Price Cap

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EU sanctions prohibit maritime transport and related technical assistance, brokering services, or financial assistance for maritime transport of Russian crude oil (as of December 5, 2022) or Russian petroleum products (as of February 5, 2023) (the EU Third Country Shipment Restriction) to third countries or between third countries.

The European Union introduced a “price cap derogation” allowing the provision of Russian crude oil or petroleum products otherwise restricted under the EU Third Country Shipment Restriction if these are purchased at or below the G7 pre-established price cap.

From December 5, 2022, the European Union capped the price of crude oil, petroleum oils, and oils obtained from bituminous minerals that originate in or are exported from Russia at \$60 per barrel.<sup>5</sup> From February 5, 2023, the European Union capped the price of petroleum products traded at a discount to crude oil at \$45 per barrel and the price of petroleum products traded at a premium to crude oil at \$100 per barrel. As described above, crude oil or petroleum products that originate in or are exported from Russia and are purchased at or below the agreed price cap are exempted from prohibitions in place. The functioning of the

price cap mechanism will be reviewed every two months to respond to developments in the market, and the price cap will be set at least 5 percent below the average market price for Russian oil and petroleum products, calculated on the basis of data provided by the International Energy Agency.

The EU Oil Price Cap determines three “tiers” of actors in the oil supply chain depending on whether they routinely know the price paid in their ordinary course of business and their role in the oil supply transactions. The three “tiers” have different scope of price attestation, due diligence, and reporting requirements in accordance with the EU Oil Price Cap.

The Council also introduced an emergency clause allowing the transport of oil and petroleum products beyond the price cap or the provision of technical assistance, brokering services, or financing or financial assistance related to the transport, when these are 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. A further exemption covers trading in Russian-origin oil and petroleum products that originate in a third country and are only being loaded in, departing from, or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

## **Transport Restrictions**

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The European Union imposed a ban on Russian air carriers and non-Russian aircrafts owned, chartered, or otherwise controlled by any Russian entity or individual from landing, taking off, or flying over EU territory.

Starting from June 24, 2023, the European Union will stop providing access to ports and locks in the territory of the European Union by any vessel (1) performing ship-to-ship transfers in violation of the oil import restrictions and oil price cap, or (2) illegally interfering with, switching off, or otherwise disabling its shipborne automatic identification system at any point of the voyage.

The European Union also imposed a ban on Russian vessels accessing EU ports and locks, subject to certain exemptions. This includes a ban on vessels that changed their flag or registration from Russia to another nation after February 24, 2022.

Road transport undertakings established in Russia are prohibited from transporting goods by road within the European Union (except between Kaliningrad and Russia), except for mail transport, and certain other exemptions. On June 23, 2023, this restriction was extended to apply to trailers or semi-trailers registered in Russia, including where those trailers or semi-trailers are hauled by trucks registered in other countries.

The European Union banned the direct or indirect provision of technical assistance, brokering services, or financing or financial assistance related to the transport (including through ship-to-ship transfers) to third countries of crude oil or petroleum products that originate in Russia or that have been exported from Russia. The prohibition does not apply to the transport of crude oil or petroleum products that originate from a third country and are only being loaded in, departing from, or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

## **Media Restrictions**

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The European Union imposed specific Russia-related restrictions related to broadcasting. Specifically, it is prohibited for operators to broadcast or to enable, facilitate, or otherwise contribute to the broadcasting of any content by the listed legal persons, entities, or bodies, including through transmission or distribution by any means such as cable, satellite, IP-TV, internet service providers, internet video-sharing platforms, or applications, whether new or pre-installed. It is also prohibited to advertise products or services in any content produced or broadcast by the media outlets listed below. In addition, any broadcasting license or authorization, transmission, and distribution arrangement with the following entities must be suspended:

- RT-Russia Today English
- RT-Russia Today UK
- RT-Russia Today Germany
- RT-Arabic
- NTV/NTV Mir
- Rossiya 1
- RT Balkan



- Tsargrad
- Katehon
- RT-Russia Today France
- RT-Russia Today Spanish
- Sputnik
- Sputnik Arabic
- REN TV
- First Channel
- Oriental Review
- New Eastern Outlook

## Services Restrictions

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The European Union imposed a prohibition on directly or indirectly providing the following services to the government of Russia or to legal persons, entities, or bodies established in Russia:

- Accounting, auditing, bookkeeping, or tax consulting services;
- Business and management consulting or public relations services;
- Architectural and engineering services;
- IT consultancy services;
- Legal advisory services;
- Advertising, market research, and public opinion polling services; and
- Technical testing and analysis services.

The ban does not apply to the provision of services that are (1) strictly necessary for the exercise of the right of defense in judicial proceedings and the right to an effective legal remedy, or (2) intended for the exclusive use of legal persons, entities, or bodies established in Russia that are owned by, or solely or jointly controlled by, a person from the European Union, EEA, Switzerland, or one of the “partner countries” (i.e., United States, Japan, United Kingdom, Australia, Canada, New Zealand, Norway, South Korea, and Switzerland). National competent authorities may make exceptions where these services are necessary for humanitarian purposes or for civil society activities that directly promote democracy, human rights, or the rule of law in Russia.

## Trusts-Related Services

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The European Union prohibited the registering, providing a registered office, business, or administrative address and providing management services to a trust or similar legal arrangement: where the trustor or beneficiary is a Russian national, resident, or entity or is more than 50 percent owned by a Russian national, resident, or entity; or where the entity or person is acting under the control or at the direction of a Russian national, resident, or entity. This prohibition includes a prohibition to act as, or arrange for another person to act as, a trustee, nominee shareholder, director, secretary, or a similar position, for a trust or similar legal arrangement.

National competent authorities may authorize a person to act as a trustee nominee, shareholder, director or secretary for a trust or similar legal arrangement provided that the service provider does not accept or make available any funds or economic resources or otherwise provide benefits from assets placed in a trust, to those the ban applies to. If Member States grant such an authorization they must notify the EU Commission of it.

On June 23, 2023, the European Union also expanded the notification requirements for trade sanctions. EU Member States now need to inform other EU Member States about denial of authorizations. If any Member State faces a request for license for an essentially identical transaction, it has to consult with the Member State that issued the original denial. A divergent decision on such authorization should be explained in detail to other EU Member States. Further, any EU natural or legal persons shall supply any information that would facilitate the implementation of the relevant sanctions to the competent authority of the Member State where they are resident or located within two weeks of acquiring this information. Such person also is required to cooperate with the competent authority in any verification of the provided information.

## Notes

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1. Council Regulation (EU) 2023/1214 of June 23, 2023, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.LI.2023.159.01.0001.01.ENG&toc=OJ%3AL%3A2023%3A159I%3ATOC>.

2. On June 23, 2023, restrictions on coal and other fossil fuels were consolidated within the restrictions on goods that generate significant revenues for Russia.

3. EU Commission, Frequently Asked Questions, “Import, Purchase & Transfer of Listed Goods” (Sept. 12, 2023), [https://finance.ec.europa.eu/system/files/2023-09/faqs-sanctions-russia-listed-goods\\_en\\_0.pdf](https://finance.ec.europa.eu/system/files/2023-09/faqs-sanctions-russia-listed-goods_en_0.pdf).

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