

# **Western sanctions. Recent developments and application.**

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# Western sanctions. Recent developments and application.

## **Sanctions**

- Political and economic restrictions

## **Introduced by:**

- USA, European Union, Canada, Australia, Japan

## **Reason:**

- Russian position on referendum in Crimea
- Reunification with Crimea
- Crisis in Eastern Ukraine

## **First introduced in:**

- March, 2014

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## Recent developments in EU

- Updating «sanctions lists»:
  - ✓ State Duma Deputies from Crimea and Sevastopol were included in the sanctions list (November 2016)
  - ✓ supply of Siemens gas turbines to Crimea (August 2017)
- Extension of terms of:
  - ✓ sectoral sanctions until January 31, 2018 (June 2017)
  - ✓ visa bans and asset freeze until March 15, 2018 (September 2017)

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## Recent developments in U.S.

- Extension of sanctions terms:
  - ✓ U.S. President's Order on extension of the term of Russia-related sanctions for 1 year (January 2017)
- Updating «sanctions lists»:
  - ✓ A number of Russian citizens and companies connected with persons already being on sanctions lists or affiliated with major Russian state owned corporations or financial institutions
  - ✓ 81 companies from Russia, Hong Kong and India, 51 of which are directly or indirectly connected with Gazprom PJSC
  - ✓ supply of Siemens gas turbines to Crimea (August 2017)

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## **New American sanctions:**

- H.R.3364 - Countering America's Adversaries Through Sanctions Act
- Passed in House of Representatives on 07/25/2017, passed in Senate on 07/28/2017, signed by U.S. President on 08/02/2017
- Title II covers Russia-related sanctions

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## Scope of application

- Wide range of operations in various fields including:
  - ✓ cybersecurity
  - ✓ arms transfers to third countries (Syria)
  - ✓ transactions with Russian defense or intelligence sectors
  - ✓ Russian export pipelines
  - ✓ privatization of state-owned assets

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## Personal scope of application

- Provisions of the new Law are binding upon both the “U.S. persons” (individuals and companies (U.S. companies and foreign companies carrying out activities in the U.S) within the U.S.) and “foreign persons” (non-U.S. citizens and companies, i.e., not necessarily carrying out activities in the U.S.)

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## **Correlation with existing sanctions, introduction of new sanctions, alteration and lifting**

- Existing sanctions:
  - ✓ remain in force
  - ✓ become tougher (financing restrictions; deepwater, Arctic offshore, and shale projects limitations)
  - ✓ do not require annual renewal



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## Correlation with existing sanctions, introduction of new sanctions, alteration and lifting

- Tightening of existing sanctions:
  - ✓ before October 1, 2017, provision of financing with the maturity period of over 14 days (previously 30 days) to Russian financial institutions shall be prohibited
  - ✓ before October 1, 2017 - in the energy sector - prohibition on provision of financing to major Russian oil and gas corporations for a period exceeding 60 days (previously 90 days)

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✓ before November 1, 2017 - in the sphere of exploration or production for new deepwater, Arctic offshore, or shale projects – competent U.S. authorities shall modify the provisions prohibiting the provision, exportation, or reexportation, directly or indirectly, of goods, services, or technology in support of exploration or production for new deepwater, Arctic offshore, or shale projects that have the potential to produce oil and are under control (at least 33%) of a person being under sanctions

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## **Correlation with existing sanctions, introduction of new sanctions, alteration and lifting**

- Alteration and lifting procedures become more complicated:
  - ✓ coordination with both Houses of the U.S. Congress
  - ✓ proving alteration or lifting reasonableness
  - ✓ relevant decision may be ultimately blocked

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## **Correlation with existing sanctions, introduction of new sanctions, alteration and lifting**

- U.S. President may and in some cases shall impose new sanctions after enactment of the Law:
  - ✓ Shall: cybersecurity – upon expiration of 60 days (at any time after expiration of this term), operations involving Russian defense and intelligence sectors – upon expiration of 180 days
  - ✓ May: construction of Russian energy export pipelines – limitation of operations any of which has value of \$1,000,000 or more, or that, during a 12-month period, have an aggregate fair market value of \$5,000,000 or more.

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## Application and consequences

- Termination of projects
- Including not only separate persons but also particular projects and oil fields in the sanctions lists (Yuzhno-Kirinskoye oil field)
- Investigation of violations of the sanctions legislation, imposition of fines, putting those committed violations on sanctions lists (fine imposed on ExxonMobil)
- “Siemens case”

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## Sanctions and LNG projects

- LNG projects are not subject to direct prohibitions