

14th EU sanctions package, 24.06.2024

SECTORAL SANCTIONS

Import and export prohibitions and restrictions

Russian revenues from liquefied natural gas (LNG) will be limited in three ways: 1) prohibiting transport of LNG to third countries via the EU. This ban will apply in practice to transfers from ship to ship and from ship to terminal, and to reloading and related services. Imports into the EU for use by Member States will continue to be permitted. 2) banning imports through terminals that are not connected to the European gas network. This will affect off-network terminals in Finland and Sweden. There are two such terminals in Finland. 3) banning new investment and the provision of goods, technology and services to ongoing Russian LNG projects, such as Arctic LNG 2 and Murmansk LNG. This ban will not apply to purchasing and importing of LNG from Russian terminals, or to financial services for these projects.

The EU will prohibit the export of certain machine tools and electrical equipment to Russia. Restrictions will also be introduced on the export of ATVs, chemicals such as manganese, rare earth mixtures, plastics, excavators, displays and electrical equipment.

The EU is adding a total of 61 Russian and third-country undertakings to its *export embargo list*. These undertakings have been involved in sanctions circumvention or in the procurement of sensitive products, such as the production of unmanned aerial vehicles, or in support of Russian military operations. The practical consequence of inclusion in the export ban list means that an export licence cannot be granted to an EU enterprise for the export of products, technologies or services to the said undertaking in a third country.

The European Union is broadening its import bans by adding helium and helium-3 substances to the sanctions list.

It will also be prohibited to purchase, import, transport or export items related to the Ukrainian cultural heritage and archaeology where there is cause to suspect that those items have been unlawfully exported from Ukraine.

The ban on the import of diamonds that was introduced in the 13th package will be more clearly defined, with an expansion of the list of partner countries implementing export or import control measures that are similar to those of EU Member States, including measures restricting imports of iron and steel.



Restrictions on the financial sector

Sanctions will limit use of the *Russian System for Transfer of Financial Messages* (SPFS) and other similar messaging services created by the Russian Central Bank. The bans will apply both to directly connecting to this system, and to transactions with listed entities that use the system outside of Russia. While all businesses operating in Russia, including subsidiaries of EU companies, may still be contacted if they are not sanctioned, EU banks may not become system users. The system may be used in certain exceptional cases.

EU operators will be prohibited from engaging in transactions with any non-EU credit and financial institutions or cryptocurrency service providers that the Council has found to be promoting transactions in support of the Russian defence industry defined in the Regulation as including the export, supply, sale, transfer or transportation of sanctioned products or technologies to Russia.

Transport sector restrictions to prevent sanctions circumvention

The EU will create a new mechanism, seeking to tackle circumvention of the oil price cap and other actions that support Russia in its war of aggression. The EU is listing a number of ships included in the so-called *shadow fleet* of ships that transport goods for use by the Russian arms industry, or that carry Russian oil and oil products and fail to comply with shipping recommendations adopted by the International Maritime Organization (IMO). These vessels will be denied services such as port financing, registration, insurance, maintenance and similar services within the territory of the EU.

The ban on flights within the EU will be extended to cover non-scheduled flights to, from or across the EU when a Russian party determines the place and time of take off and landing. Such flights may be holiday flights requested by a Russian citizen, or a request by a Russian undertaking to carry its staff to business meetings in the Union, or its customers to tourist destinations. National public authorities will have the right to request details of the owner of an aircraft, and also of persons travelling on a flight when they suspect circumvention of the flight ban. The flight ban will not apply to private flights taken within the EU for recreational and educational purposes aboard aircraft with no more than four seats and a maximum take-off mass of 2,000 kg.

The road transport ban will also be tightened by limiting Russian ownership of road haulage companies (operators). A company with Russian ownership of 25 per cent or more will not be permitted to engage in road haulage operations within the Union (including transit traffic). The ban will not apply to haulage



businesses that are owned by dual citizens, or by Russian citizens holding a residence permit in a Member State. Transport companies will be required to submit details of their ownership structure to public authorities on demand.

Seeking compensation on termination of business operations related to Russia

Amendments to the Sectoral Sanctions Regulation will enable the citizens and undertakings of Member States to seek compensation in their courts from Russian businesses and individuals in sanctions-related cases. A condition of such actions will be that damage was caused to EU undertakings, or to businesses that they own or control, in the context of some contract or transaction, and that no compensation may be claimed on some other basis, such as a bilateral investment agreement. Situations eligible for compensation will include those in which Russia has unlawfully taken "temporary control" of businesses owned by Member States.

An exemption may be sought in certain cases of divestment from Russia for the purpose of satisfying claims of Russian individuals and businesses in order to enable the termination of business operations and the sale of the undertaking.

Prohibition of registration of intellectual property rights

Following the 14th sanctions package, Russian citizens, residents and undertakings will no longer be permitted to register intellectual property rights (such as patents) within the EU. The ban would not apply to EU-Russia dual citizens or to individuals with a residence permit.

Tightening corporate responsibility to prevent sanctions circumvention

The new sanctions regime requires EU undertakings to use their best endeavours to ensure that their subsidiaries (or other entities owned or controlled by EU undertakings) outside the EU do not participate in activities that undermine EU sanctions. Undertakings must implement appropriate and feasible policies, controls and procedures to manage risks.

EU undertakings must ensure that entities that they own or control in third countries prohibit the re-exporting to Russia of certain sanctioned products and technology – including common high priority items and firearms and ammunition – in their agreements with third country partners (see details in Annexes



XI, XX, XXXV and XL to Regulation (EU) No. 833/2014 and Annex I to Regulation (EU) No. 258/2012). Undertakings must immediately notify the authorities of any breach of contract that comes to their knowledge.

EU undertakings must implement due diligence procedures with respect to common high priority products (Annex XL) to identify and assess the potential risk of re-exporting to Russia. Undertakings must also ensure in their trade agreements with third-country operators that trade secrets or information protected by intellectual property rights related to common high priority products do not end up in Russia. These breaches of contract must be reported to the relevant authorities immediately.

If a natural person or undertaking voluntarily reports a violation of sanctions promptly and in full, then authorities may take the notification into account when imposing fines or other penalties on the said entity for sanctions violations.

Prohibition of receiving political funding

The sanctions will prohibit political parties, foundations, trade unions, civic organisations (including think tanks), and media service providers from receiving funding, donations or other financial benefits or support from Russia, either directly or indirectly. This measure seeks in particular to influence Russian propaganda and disinformation operations within the Union.

INDIVIDUAL SANCTIONS

The sanctions package will enable a non-recurrent transfer of funds (including repatriation) by special dispensation in situations where the funds are transferred between non-sanctioned entities, but the intermediary is the sanctioned bank on account of which the funds have been frozen.

Corporate responsibility will also be stressed in relation to personal sanctions. EU operators may not, for example, plead ignorance of sanctions or difficulties in complying with sanctions. Due diligence procedures will mostly be based on simple audits and investigations. Operators should be aware of the potential risks of sanctions circumvention.



The Personal Sanctions Regulation also enables applications for the compensation referred to in the Sectoral Sanctions Regulation from Russian undertakings and individuals through the courts of a Member State in cases related to sanctions.

With respect to enforcement of sanctions, Member States must report the penalties (e.g. judgements and fines) arising from infringements of sanctions. The authorities may take voluntary reports of infringement into account when imposing penalties.