

CLIENT MEMORANDUM

EU Russian Sanctions Update

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1. Summary

On 31 July 2014 EU Regulation [833/2014](#) (the “Regulation”) came into effect imposing sanctions in view of Russia's actions in destabilising the situation in the Ukraine. In summary, and we have expanded upon this below, the sanctions impose restrictions on:

- the supply of certain specific technology for use in Russia's oil industry and related services;
- access to capital markets for certain Russian banks; and
- the supply of certain military and dual-use goods and technology that are or may be intended for military use and on the provision of related services.

This follows additional restrictions on activities in or linked to Crimea and Sevastopol, which came into force the day before and are also summarised below.

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2. Sectoral Sanctions on Russia

a. Oil Industry Restrictions

The Regulation sets out a list of specific technology that cannot be sold, supplied, transferred or exported, directly or indirectly, to anybody in Russia, or to a person in another country where it is intended for use in Russia. Limited exceptions may be available from the competent authorities in a member state where an export is linked to a contract agreed before 1 August 2014.

The technology listed specifically covers technologies for use in:

- deep water oil exploration and production;
- Arctic oil exploration and production; and
- shale oil projects.

In addition, authorisation is required in order to provide the following services, when linked to these technologies:

- technical assistance (broadly defined to include services such as repairs, maintenance and testing);
- brokering services (broadly, arranging transactions in those goods or services); or
- financing and financial assistance (such as grants, loans and export credit insurance, for example).

Interestingly, the Regulation notes that no licence will be granted for the export of this technology where it is for projects pertaining to Arctic oil exploration “in Russia”. Given the lack of clarity over what may be considered the “Russian Arctic” this gives some doubt as to how the provision will be interpreted.

b. Access to Capital Markets for Russian Banks

It is prohibited to directly or indirectly purchase, sell, provide brokering or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments with a maturity exceeding 90 days issued after 1 August 2014 by:

- Sbarbank;
- VTB Bank;
- Gazprombank;

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- Vnesheconombank (VEB); or
 - Rosselkhozbank;
- together, the “Restricted Banks”.

This prohibition also applies to any entity which acts on behalf or at the direction of a Restricted Bank, or in which a Restricted Bank owns more than 50% of the proprietary rights.

c. Dual-Use and Military Goods

The Regulation prohibits the sale, supply, transfer or export, directly or indirectly, of dual-use goods and technology to anybody in Russia, or to a person in another country where it is intended for use in Russia, if those items are or may be intended for military use. Limited exceptions may be available from the competent authorities in a member state where an export is linked to a contract agreed before 1 August 2014.

The provision of technical assistance, brokering services, financing and financial assistance (see brief definitions above) related to dual-use goods to anybody in Russia, or for use in Russia, is also prohibited. Additional restrictions have also been added to prohibit the provision of technical assistance, brokering services, financing and financial assistance related to goods and technology on the EU’s Common Military List to anybody in Russia, or for use in Russia. However, there is an exemption for obligations arising under contracts concluded before 1 August 2014, and to the provision of assistance necessary to the maintenance and safety of existing capabilities within the EU.

3. Additional Restrictions Imposed on Crimea and Sevastopol

On 30 July 2014 the EU published Council Regulations No [825/2014](#) (the “Crimea Regulation”) and [826/2014](#). These further restrict activities in or linked to Crimea and Sevastopol by restricting investment and participation (including export controls) in the transport, energy, telecoms, oil, gas and mineral sectors. They also add three entities and eight individuals to the asset freeze/travel ban list.

a. Export Controls

The following has been prohibited:

- to sell, supply, transfer, export, directly or indirectly, key equipment and technology for use in the transport, energy, telecoms, oil, gas and mineral sectors (as specifically listed in the annex to the Crimea Regulation) to any person in Crimea or Sevastopol or for use in Crimea or Sevastopol; or
- to provide, directly or indirectly, technical assistance, brokering services, financing or financial assistance related to that equipment and technology to any person in Crimea or Sevastopol or for use in Crimea or Sevastopol.

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b. Investment Activities

The following has been prohibited in relation to the creation, acquisition or development of infrastructure in the areas of transport, telecommunications or energy, or the exploitation of oil, gas or mineral resources in Crimea or Sevastopol:

- the granting of any financial loan or credit facility;
- the acquisition or extension of a participation, including the acquisition in full and the acquisition of shares and securities of a participating nature, in enterprises established in Crimea or Sevastopol and involved in such activities; and
- the creation of any joint venture involved in such activities.

It is also prohibited to provide, directly or indirectly, technical assistance or brokering services related to the investment activities referred to above.

If you have any questions regarding this memorandum, please contact Peter Burrell (+44 20 3580 4702, pburrell@willkie.com), Michael Thorne (+44 20 3580 4730, mthorne@willkie.com) or the Willkie attorney with whom you regularly work.

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