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The EU Increases Sanctions on Russia for “Destabilizing” the Ukraine

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The new sanctions imposed by the EU upon Russia for its supposed involvement in the destabilization of the situation in Ukraine, yet which do not include the harsher terms advocated by some Governments, fall once again on the same sectors already affected by the restrictive measures from last July: dual-purpose products and technologies, technology for the extraction of oil in deep waters, military materials and certain financial services.

Nevertheless, new additions have been made such as the prohibition of the supply of dual-purpose products and technologies to a number of Russian organisations like JSC Kalashnikov and JSC Sirius. Furthermore, it is also prohibited to provide technical support, brokerage services or financial assistance of any kind (subsidies, loans, credit insurance on exports, etc.) for a number of companies.

These prohibitions are not applicable to contracts signed before the 12th of September 2014, nor to supplies for the aviation and space industries. Neither do they affect the maintenance and security of civil nuclear installations existing within the EU.

The Energy Sector

In the field of oil extraction is it prohibited to provide drilling or well testing services, cutting and finishing services, and to provide the specialised floating vessels necessary for the prospection and production of oil in deep waters, in the Arctic or for projects related to shale oil in Russia.

Equally, these new restrictions do not apply to contracts signed before the 12th of September 2014, nor when these services might be necessary for the urgent prevention or mitigation of an event that could have serious or important repercussions on human or environmental health and safety.

Military Equipment

Also introduced was the prohibition of the provision of financing or financial aid in any form (subsidies, loans, insurance on exports, etc.) as well as the insurance and reinsurance of any supply operation to Russian persons or entities, or for its use in Russia in relation to products and materials listed in the Common Military List.

Financial Services

It is this field that has seen a far larger and more significant increase in sanctions. In keeping with prior

limitations, it remains prohibited to purchase, sell, mediate or assist in the issuing - or in any other mode of negotiating - of financial instruments with more than a 30-day maturity issued after the 12th September 2014 by large credit organisations established in Russia, with more than 50% under public ownership or control; and by legal persons, entities or organisations established outside of the EU which are owned directly or indirectly in a capacity of more than 50% by an entity listed in the Annexes of the sanctions resolution, also including intermediaries.

But the sanctions in this field have also been extended to other kinds of businesses. Specifically prohibited are financial transactions with businesses established in Russia which are primarily engaged in activities highly relevant to the design, production, sales or exportation of military services and equipment, except those dedicated to the space or nuclear energy sectors; and entities established in Russia subject to public control or with more than 50% public ownership, possessing assets superior to a value of 1 billion roubles and with over 50% of their incomes deriving from the sale or transportation of oil or oil-bearing products. This measure, which also includes

intermediaries, affects companies such as Rosneft or Gazprom Neft.

Prohibition of loans and credit

Furthermore, it remains prohibited to sign or participate in agreements whose objective is to grant loans or credit with more than a 30-day maturity, excepting those who have a specific and documented aim to finance non-prohibited imports or exports of non-financial goods and services between the Union and Russia, or to provide emergency financing in order to meet liquidity and solvency criteria on behalf of entities established in the EU with rights to more than 50% of the ownership.

It must also be remembered that, in the same sanctions resolution, there appear other provisions that penalize actions allegedly undermining the integrity of Ukraine, and which include, rather surprisingly, amongst other things, the expression of political opinions to more than a dozen physical people of Russian nationality.

We cannot end without highlighting that the EU has taken an important step in its sanctions upon Russia, just when hopeful expectations for peace are starting to emerge in Eastern Ukraine.

FOR MORE INFORMATION

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