

Ukraine Crisis Update: US and EU Expand Sanctions, Restrict Certain Energy-Related Exports to Russia

US extends sanctions to three Russian banks, a shipbuilding company and exports of energy sector items to Russia; EU announces similar measures.

Additional OFAC Designations

On July 29, 2014, the U.S. Department of the Treasury added three Russian banks — Bank of Moscow, Russian Agricultural Bank and VTB Bank OAO — to the [Sectoral Sanctions Identifications List \(SSI\)](#) that the Office of Foreign Assets Control (OFAC) first announced on July 16. Implemented under [Executive Order 13662](#), these “sectoral” sanctions prohibit US persons from transacting in, providing financing for, or dealing in new debt of longer than 90 days maturity or new equity for these financial institutions. As we reported in our July 18 [client alert](#), these restrictions also apply to entities that are owned 50 percent or more by entities on the SSI List. OFAC’s [Frequently Asked Questions](#) provide additional guidance regarding the sectoral sanctions.

Also on July 29, OFAC added another Russian defense company, United Shipbuilding Corporation, to its list of [Specially Designated Nationals](#). This entity joins eight other Russian defense firms that OFAC added to the SDN list on July 16, 2014, pursuant to [Executive Order 13361](#).

New Export Restrictions

The U.S. Department of Commerce’s Bureau of Industry of Security (BIS) also added United Shipbuilding Corporation to its [Entity List](#). This action effectively bars exports and reexports to United Shipbuilding Corporation of items subject to the Export Administration Regulations.

BIS also [announced](#) a policy of licensing denial for exports, reexports, and foreign transfers of “items for use in Russia’s energy sector that may be used for exploration or production from deepwater, Arctic offshore, or shale projects that have the potential to produce oil.” The agency added that these sanctions do not target “the current supply of energy from Russia or prevent Russian companies from selling oil and gas to any country,” but “they make it difficult for Russia to develop long-term, technically challenging future projects.” BIS has indicated that it will publish the list of affected items next week on the agency’s website and in the Federal Register.

European Union Announces New Sanctions

The EU announced this week that it will significantly expand its sanctions in response to the crisis in Ukraine. These further measures will come into force when the corresponding Council Regulations are published in the Official Journal of the EU in the coming days.

On July 30, 2014, the European Council [designated](#) eight persons and three entities under the EU asset freeze. In addition, the EU [prohibited](#) investment in infrastructure in the transport, telecommunications, and energy sectors, or related to the exploitation of oil and gas and mineral resources, in Crimea and Sevastopol, and prohibited the export of certain key equipment and technology in these sectors to, or for use in, Crimea and Sevastopol.

These actions follow the European Council's July 29, 2014 [statement](#) indicating the EU will soon adopt further "sectoral" or "Stage 3" sanctions. Although the European Council has not yet released the details, these sanctions are expected to include:

- A prohibition on the purchase of debt, equity, or other financial instruments with a maturity exceeding 90 days in Russian state-owned banks
- A prohibition on exports of military items to Russia, applying to future contracts only
- Restrictions on exports of "dual-use" items to Russian companies in the defense industry
- Controls on exports of certain products and technologies relating to the oil sector

Potential for Additional Sanctions

We are continuing to monitor the implementation of these new measures and the potential for additional sanctions — as well as possible Russian countermeasures — in the coming days.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

[Les P. Carnegie](#)

les.carnegie@lw.com
+1.202.637.1096
Washington, D.C.

[William M. McGlone](#)

william.mcglone@lw.com
+1.202.637.2202
Washington, D.C.

[Robert E. Sims](#)

bob.sims@lw.com
+1.415.395.8127
San Francisco

[John David Stewart](#)

j.david.stewart@lw.com
+7.495.644.1927
Moscow

[Eric S. Volkman](#)

eric.volkman@lw.com
+1.202.637.2237
Washington, D.C.

[Charles Claypoole](#)

charles.claypoole@lw.com
+44.20.7710.1178
London

[Jeffrey R. Lord](#)

jeffrey.lord@lw.com
+1.202.637.2380
Washington, D.C.

[Annie E. S. Froehlich](#)

annie.froehlich@lw.com
+1.202.637.2375
Washington, D.C.

You Might Also Be Interested In

[Ukraine Crisis Update: US Imposes New Sanctions on Major Russian Banks and Energy Companies](#)
(July 18, 2014)

[Ukraine Crisis Update: US and EU Expand Sanction Lists; US Imposes Export Restrictions](#)
(April 29, 2014)

[Ukraine Crisis Update: US and EU Expand Sanctions](#) (March 18, 2014)

[Ukraine Crisis: US and EU Respond with Targeted Sanctions](#) (March 7, 2014)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's *Client Alerts* can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit <http://events.lw.com/reaction/subscriptionpage.html> to subscribe to the firm's global client mailings program.