EU Extends Sanctions Relating to Crimea and Russia

June 23, 2015

International Trade Controls

On 19 June 2015, the Council of the European Union (the "EU Council") determined to extend existing sanctions relating to the Russian financial, energy and defence sectors until 31 January 2016. It also extended existing sanctions measures targeting dealings with Crimea and Sevastopol until 23 June 2016. The foregoing sanctions restrictions had been due to expire in the coming weeks, pursuant to sunset measures set forth in earlier EU Council Decisions under which the sanctions were issued.

Last week's actions have no impact on the substantive scope of the Russia or Crimea sanctions - they serve only to extend the applicability of those pre-existing EU measures to January and June 2016, respectively.[1]

Extension of Russia Sanctions

The financial services and trade controls sanctions against Russia, which are set forth in EC Regulation 833/2014, first came into effect on 1 August 2014 and were subsequently amended in September and December 2014. As discussed in our alerts dated 30 July, 13 September, and 24 December, the sanctions implemented in Regulation 833/2014 include a range of goods and services restrictions focusing on the Russian military and oil and gas sectors, as well as restrictions against dealings in certain types of securities and money market instruments issued by, or the provision of new loans or credits to, designated Russian parties and certain of their affiliates.

Notably, the extension of Regulation 833/2014 will have no impact on existing grandparenting provisions implemented in the original regulation in August 2014, which allow the continued performance of certain obligations arising from contracts concluded prior to 1 August 2014.

The extension of Regulation 833/2014 to January 2016 follows a political declaration made at the EU Summit in Brussels, held in March 2015, where the EU Member States signaled that they would maintain sanctions against Russia for a further six months beyond the July 2015 sunset period that was originally applicable to Regulation 833/2014, in order to promote the effective implementation of the Minsk Agreement. The Minsk Agreement, which Ukraine, Russian, Germany and France entered into in February 2015, specifies a package of measures intended to contain and ultimately resolve the crisis in Eastern Ukraine. The EU has stated in

[1] The decision to extend the Crimea sanctions has been codified in Council Decision (CFSP) 2015/959 (19 June 2015). A similar Council Decision is expected to be published in the EU Official Journal with regard to the extension of the Russia sanctions.

recent press releases that it is prepared to maintain current sanctions and impose additional restrictive measures, beyond those reflected in Regulation 833/2014, if Russia does not fulfill its commitments under the Minsk Agreement.

Extension of Crimea Sanctions

The EU has also agreed to extend trade sanctions against Crimea, which are currently reflected in EC Regulation 692/2014 and were implemented in light of the European Union's decision not to recognize the Russian annexation of Crimea from Ukraine. As described in our client alert dated 24 December, Regulation 692/2014 imposes a range of financial services and trade controls restrictions, including measures targeting imports from Crimea, investments in Crimea, and trade controls restrictions relating to Crimea's tourism, transport, telecommunications, and energy sectors (these measures are also applicable to Sevastopol, which had maintained a special status under international law prior to the Russian annexation of Crimea given Russia's long-standing maintenance of a naval base in that city).

Similar to the extension of Regulation 833/2014, the decision of the EU Council to extend Regulation 692/2014 does not impact the grandparenting provisions in the regulation, which provide exemptions for certain activities pursuant to contracts entered into prior to 20 December 2014.

Finally, we note that the EU has also maintained asset freezing measures in relation to the Eastern Ukraine and Crimea crises, which block the assets of 150 individuals and 37 entities, as well as any entities that those listed parties own or control. Those measures, which are set forth in EC Regulations 208/2014 and 269/2014, have been extended previously by the EU. Certain of the designations are due to be reconsidered by the EU in September and October 2015, while others are scheduled to remain in effect until they are considered for renewal in March 2016.

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We are following Russian and Crimea sanctions developments closely and will provide further updates as the EU and U.S. sanctions policies continue to evolve.

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