

EU and U.S. Sanctions against Russia

The EU's 16th Sanctions Package and the Outlook for U.S. Sanctions

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On the third anniversary of Russia's large-scale invasion of Ukraine, the EU has once again tightened its sanctions regime against Russia and Belarus. The most important amendments concern Regulation (EU) No 833/2014 (*the Russia Regulation*) and Regulation (EC) No 765/2006 (*the Belarus Regulation*). The respective amending Regulation (EU) 2025/395 and Regulation (EU) 2025/392 introduce additional and largely parallel restrictions on Russia and Belarus. While the extension of sanctions against the Russian "shadow fleet" or the import ban on Russian aluminium was already reported in the press, the sanctions package includes additional measures that deserve closer attention. We detail the most important aspects of these changes below.

Up until this point, there has been a strong emphasis on collaboration and unison for the EU and U.S. sanctions issued to address Russia's aggression towards Ukraine. Now, while U.S. sanctions will not disappear overnight, there appears to be some increasing daylight in the approaches taken by the U.S. versus the EU, chiefly due to the new Trump administration's dramatic shift in foreign policy and diplomacy. We provide highlights of the changed dynamics and potential trajectory for U.S. sanctions with respect to Russia below.

Overview of EU's 16th Sanctions Package

Trade restrictions

The amendments to the Russia and the Belarus Regulations include the adoption of further restrictions on the trade of goods and services. In particular, the **purchase and import ban** has been expanded to **unwrought aluminium** (CN code 7601). The prohibitions are, when it comes to Russian aluminium, subject to a quota regulation (Article 3i (3cg) of the Russia Regulation) and a transitionary period for pre-established contracts (Article 3i (3ch) of the Russia Regulation and Article 1ra (9a) of the Belarus Regulation).

The 16th package further includes a tightening of the restrictions on **dual-use items** through the following changes:

- Annex VII to the Russia Regulation and Annex Va to the Belarus Regulation have been **expanded** to include certain chemical precursors to riot control agents, software related to numerical control machines, chromium compounds and video-game controllers used to pilot drones.

- In addition, the amendments reformed the **exemptions and derogations** with respect to dual-use trade restrictions (Article 2/2a (3) and (4) of the Russia Regulation, Article 1e/1f (3) and (4) of the Belarus Regulation). Specifically, transactions for medical or pharmaceutical purposes are now only exempt when it comes to items that are not listed as common high priority items. Further, the previous exemptions for **software updates and consumer communication devices** have been turned into derogation provisions subject to authorisation. Common high priority items for medical or pharmaceutical purposes may only be provided to Russia or Belarus with authorisation as well. Finally, other exemptions and derogations were deleted completely, including those for temporary exports for use by news media and transactions for the personal use of natural persons.
- It is now prohibited to provide dual-use goods to entities listed in Annex IV to the Russia Regulation and Annex V to the Belarus Regulation, irrespective of whether (as previously required) these goods are for use in Russia and Belarus (Article 2b of the Russia Regulation, Article 1fa of the Belarus Regulation). Annex IV to the Russia Regulation has, in turn, also been broadened to include 53 new companies.

Additional restrictions arise from the expansion of the list of sanctioned **industrial goods** to, *inter alia*, certain chemicals, fireworks, paper, and safety glass (Annex XXIIID to the Russia Regulation, Annex XVIII to the Belarus Regulation) and from the introduction of a new prohibition to provide listed **software used in oil and gas exploration** to anyone in or for use in Russia and Belarus (Article 3 (1a) of the Russia Regulation and Article 1gd of the Belarus Regulation).

The service bans have also been expanded to cover **construction services**, including civil engineering works (Article 5n (2) of the Russia Regulation and Article 1jc (2) of the Belarus Regulation).

Additional trade-related restrictions include, for example, a prohibition on the temporal storage of Russian crude oil or petroleum products in EU ports, the extension of broad prohibitions in relation to crude oil projects in Russia, the potential extension of a flight ban to third-country airlines, and the introduction of a new transaction ban on listed Russian ports, locks and airports.

Measures concerning the financial sector

With respect to the financial sector, three non-Russian banks are now subject to the transaction ban under Article 5ac of the Russia Regulation for having used the Russian system for Transfer of Financial Messages (SPFS) to circumvent EU sanctions. This concerns Bank BelVEB and Belgazprombank (both Belarus) and VTB Bank (PJSC) Shanghai Branch.

The SWIFT ban has been expanded to thirteen additional Russian banks, who are now listed in Annex XIV to the Russia Regulation.

Due diligence and reporting requirements

The due diligence obligations for EU persons who trade in common high priority items under Article 12gb of the Russia Regulation and Article 8ga of the Belarus Regulation have been extended to goods listed in Annex XLVIII. Those selling, supplying, transferring or exporting certain generating sets or switches (CN codes 8502 20 and 8536 50) shall, as of 26 May 2025, conduct a risk assessment and implement appropriate measures to reduce the risk of sanctions circumventions. This also applies with respect to subsidiaries in third countries.

It is also worth noting that, in their recitals, the amending regulations clarify that the reporting obligations to the Member States' Financial Intelligence Units (FIUs) also extend to suspected violations of EU sanctions. The same obligation applies under Article 6b of the Russia Regulation. The Council clarified that Member States can decide that it is not required to report the same information to both the FIUs and the competent sanctions authorities to avoid double reporting.

Additional measures

To combat media manipulation and distortion of facts by Russia, further restrictive measures concern the broadcasting activities of certain media outlets. Annex V to the Russia Regulation has been amended to list additional media outlets whose broadcasting is suspended.

The Russia and Belarus Regulations already provided for provisions that seek to protect EU companies from the effects of legal disputes initiated by Russians or Belarusians. This protection has been strengthened. Among others, EU companies are now entitled to recover damages incurred indirectly, namely by their subsidiaries, due to claims lodged in Russia or Belarus. Such claims may also be made before an EU Member State court even if that court has no jurisdiction according to general rules (see Articles 11a to 11d of the Russia Regulation).

Finally, the EU has sanctioned 83 persons and entities under Regulation (EU) 269/2014 through Implementing Regulation (EU) 2025/389 and introduced further restrictions on the Russian-controlled areas of Ukraine.

Sanctions concerning the Ukrainian territories under Russian occupation

Additional changes concern the sanctions imposed with a view to Crimea and Sevastopol (Regulation (EU) 2025/401 amending Regulation (EU) No 692/2014) on the one hand, and to the non-government controlled areas of the Donetsk, Kherson, Luhansk and Zaporizhzhia oblasts (Regulation (EU) 2025/398 amending Regulation (EU) 2022/263) on the

other hand. These amendments introduce restrictions that are already imposed on Russia, such as further restrictions on the export of goods and banknotes or the provision of services and certain software. They also provide for a best effort obligation, requiring EU persons to undertake their best efforts to ensure that any non-EU company, which they own or control, does not participate in activities that undermine the respective sanctions.

Outlook of U.S. Sanctions on Russia

U.S. Approach Towards Russia Under Biden Administration

During U.S. President Biden's administration, U.S. and EU authorities strove to present a unified front towards Russia after its February 2022 invasion, collaborating on the development of sanctions packages and issuing the sanctions in close coordination. At the very end of his term, U.S. authorities released two extensive new packages of sanctions on Russia. First, on January 10, 2025, the U.S. Department of the Treasury (*Treasury*) and the U.S. Department of State (*State*) imposed sanctions on over 200 entities and individuals, particularly targeting Russia's oil production and exports as well as its metals and mining sectors. This package had certain similarities with the EU's 16th package, including targeting an unprecedented number of oil-carrying vessels involved in the "shadow fleet" and a new prohibition on U.S. petroleum services related to the extraction and production of crude oil and other petroleum products. Then on January 15, 2025, *Treasury* and *State* designated over 250 entities and individuals with sanctions in what the U.S. described as an effort targeting Russia's sanctions evasion schemes.

In a move seemingly aimed to make the Russia sanctions **more immune to abrupt changes** in foreign policy, Treasury's January 15 sanctions included the redesignation of nearly 100 entities that were already sanctioned under Executive Order 14024, the primary authority used to impose Russia-related sanctions since the February 2022 invasion. These entities were redesignated under Executive Order 13662, which was issued in 2014 in response to Russia's annexation of Crimea and which has not been utilized as much after February 2022. The legal effect of this redesignation under Executive Order 13662 was to trigger additional restrictions under the Countering America's Adversaries Through Sanctions Act (*CAATSA*), which did not apply to sanctions issued solely under Executive Order 14024. CAATSA contains provisions that prevent the executive branch from unilaterally lifting the sanctions without notice and some form of approval (or non-veto) from the U.S. Congress. In addition, designation under Executive Order 13662 implicates secondary sanctions risk for persons that engage in "significant" transactions with these entities, which is broader than the secondary sanctions that might apply under Executive Order 14024.

Change in Course under New Trump Administration

When President Trump took office on January 20, 2025, there were signs that the Russia-related sanctions might increase in the short term to incentivize negotiations and provide the U.S. with leverage in peace negotiations. Thus, in the first few days of his second term, President Trump indicated in a news conference that he would likely apply **more sanctions** on Russia if President Putin would not engage in negotiations to end the war. Shortly thereafter, President Trump posted on social media that if Putin would not make a deal soon, Trump would impose **“high levels” of sanctions**, along with tariffs and taxes, against Russia. In addition, President Trump’s new Secretary of State Marco Rubio spoke with EU representatives a few days later, reportedly “welcom[ing] the **extension of EU sanctions** against Russia for its war against Ukraine” and discussing “ways to deepen U.S.-EU cooperation on common priorities.”

However, less than a month later, the U.S. seemed to abruptly change course. A few days after President Trump held a phone call with President Putin on February 12, 2025, the U.S. announced that it would unilaterally engage in preliminary peace negotiations with Russia. Senior officials from Russia and the U.S., including Secretary Rubio, then met in Riyadh, Saudi Arabia to discuss working together to end the war in Ukraine and reestablish normal relations. Based on these reported discussions, it appears that the U.S. and Russia intend to work towards not only reestablishing diplomatic ties and ending the war but also exploring new partnerships in geopolitics and in business. Russia particularly emphasized the opportunity for the U.S. to profit from Russia’s natural resources, specifically noting that U.S. oil majors historically had “very successful business in Russia.” These comments suggest that the U.S. may roll back sanctions, particularly on the **energy sector** which was targeted by both the U.S. and EU including with the oil price caps, designations for blocking sanctions, export controls, and prohibitions on certain services. At the end of President Biden’s term, these energy sanctions against Russia increased substantially, perhaps suggesting an immediate focus for a roll back.

Potential Trajectory for U.S. Easing the Russia Sanctions

As explained above, there are certain regulatory hurdles that the U.S. executive branch will face if it begins to significantly ease the Russia sanctions, particularly the designations of entities and individuals designated under Executive Order 13662. Indicating a concern that President Trump could seek to take unilateral action to ease the Russia sanctions during his *first* term, Congress emphasized in Section 212 of Title II.A of CAATSA, which was passed in 2017, that the President should “continue to uphold and seek united with European and other key partners on sanctions implemented against the Russian Federation” and “should engage to the fullest extent possible with partner governments with regard to closing loopholes...in...restrictive measures against the Russian Federation...”

In apparent effort to prevent an abrupt and unilateral change in sanctions policy, Title II.A of CAATSA requires the President to submit reports to Congress prior to taking actions that would, *inter alia*, terminate certain sanctions with respect to Russia or issue a license that significantly alters U.S. foreign policy with regard to Russia. The sanctions subject to this reporting requirement primarily relate to Russia's 2014 annexation of Crimea, including Executive Order 13362. Upon receipt of such a report, Congress has 30 days to review the report, during which time it may hold hearings and briefings, and the President cannot take the proposed action during the review period unless Congress issues a joint resolution of approval. If Congress passes a joint resolution disapproving the proposed action, the President is prohibited from taking that action for a period of at least 10 to 12 days after that disapproval. Thus, President Trump may face challenges to lifting sanctions imposed on any entities or individuals under Executive Order 13662, including those on January 15, 2025.

Notably, however, sanctions issued pursuant to Executive Order 14024 and other more recent sanctions measures would not be subject to this reporting requirement under CAATSA, and so the Trump administration undoubtedly has latitude to ease numerous sanctions with respect to Russia at will, including the various oil and energy related sanctions measures. If the Trump administration does so, there is some precedent it could follow based on the U.S. approach to the Venezuela sanctions. In the Venezuela sanctions context, the U.S. provided limited sanctions relief in exchange for the Maduro regime and opposition resuming negotiations about elections. Specifically, a temporary general license was issued in October 2023 authorizing certain oil and gas transactions in order to incentivize the Maduro regime to follow an agreed upon roadmap for elections. In that case, when the Maduro regime failed to comply, the license was allowed to expire without renewal (though it could also have been withdrawn). Sanctions thus returned to the status before October 2023.

Similarly here, it is possible that the U.S. could agree to ease the Russia related sanctions in tranches as progress in negotiating and implementing a peace deal is made, with the ability to reimpose such sanctions if Russia fails to fulfil its commitments. Based on the reported Riyadh discussions, easing the oil and energy sanctions may be the most persuasive carrot for Russia. It remains to be seen whether and to what extent the U.S. would coordinate with the EU in considering such relief. While it is theoretically possible that the U.S. Congress could take legislative action, as it did in 2017 with the passage of CAATSA, to limit President Trump's ability to act unilaterally in easing the more recent Russia sanctions, in reality, if President Trump is successful in brokering a peace deal that Russia complies with, Congress may have little impetus to do so.

We continue to follow developments in EU and U.S. sanctions against Russia closely. BLOMSTEIN and Miller & Chevalier are at your disposal at any time to answer questions on the practical implementation as well as on the scope of application of these measures. Please do not hesitate to contact Roland M. Stein, Florian Wolf, Laura Louca

or Tobias Ackermann at BLOMSTEIN concerning EU sanctions questions. For more information concerning U.S. sanctions, please do not hesitate to contact Timothy P. O'Toole, Caroline J. Watson, Melissa Burgess, or Manuel Levitt at Miller & Chevalier.
