The latest sanctions on trade with goods and services against Russia – an overview

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Over the past two weeks, the EU has adopted various far-reaching sanctions against Russia, the areas of the Donetsk and Luhansk oblasts of Ukraine, and Belarus. We have kept you updated of these developments in previous briefings. However, the large number of recent regulations and the resulting various amendments they have brought to the sanctions regime make it difficult not to lose track. Against this backdrop and following our <u>latest briefing on financial sanctions</u>, the following concise overview serves to provide guidance on the restrictions concerning the trade with goods and services.

1. Sanctions against Russia

Regulation (EU) 833/2014 is the key instrument on trade restrictions against Russia. The Regulation has been amended several times in the past weeks, but the changes relevant to trade with goods and services are so far confined to Regulation (EU) 2022/328. They provide for wide-ranging restrictions on the sale, supply, transfer, or export, directly or indirectly, of certain goods and technologies as well as the provision of related services to anyone in Russia or for use in Russia:

- Amended Article 2 of Regulation (EU) 833/2014 prohibits the trade with dual-use goods and technology as listed in Annex I of Dual-use Regulation (EU) 2021/821.
- Newly inserted Article 2a of Regulation (EU) 833/2014 establishes a parallel prohibition with respect to high technology items which "might contribute to Russia's military and technological enhancement, or the development of the defence and security sector". The goods and technologies concerned are listed in Annex VII of the Regulation and belong to the categories of electronics, computers, telecommunications and information security, sensors and lasers, navigation and avionics, marine, as well as aerospace and propulsion.
- Further restrictions apply, under Article 3b and 3c of amended Regulation (EU) 833/2014, with respect to goods and technology suited for use in oil refining as well as aviation or the space industry as listed in Annexes X and XI of the Regulation, respectively.
- Each of these prohibitions also extends to **technical assistance**, **brokering services** as well as **financing and financial assistance** related to the goods and technologies concerned.

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The prohibitions on dual-use and high technology goods are subject to narrowly confined exceptions (e.g., for medical purposes or software updates). In other cases, relevant trading for non-military use and a non-military end-user may be authorised by competent authorities. Such authorisation will only be granted if goods or services are intended for specific purposes or if they fall under a grandfathering clause. The latter applies to contracts concluded before 26 February 2022, provided that an authorisation is requested before 1 May 2022. In case of trading with entities of Russia's defence and intelligence sector as listed in Annex IV of amended Regulation (EU) 833/2014, specialised rules enshrined in Article 2b apply. With respect to oil refining, aviation or the space industry, separate exceptions and transitional rules exist.

2. Sanctions against Donetsk and Luhansk

Newly enacted <u>Regulation (EU) 2022/263</u> of 23 February 2022 establishes trade restrictions with respect to the areas of Donetsk and Luhansk. They concern the import as well as the export of goods and technologies:

- Article 2 of Regulation (EU) 2022/263 establishes a general import ban with respect to goods originating in Donetsk and Luhansk. Related financing, financial assistance, or (re-)insurance is prohibited as well.
- Article 4 of Regulation (EU) 2022/263 prohibits to sell, supply, transfer or export goods and technology suited for use in key sectors as listed in Annex II to anyone in Donetsk and Luhansk or for use there. This concerns the sectors of transport, telecommunications, energy, and the prospecting, exploration and production of oil, gas and mineral resources. The prohibition also applies to related technical and financial assistance.
- Articles 5 and 6 of Regulation (EU) 2022/263 further ban technical assistance, or brokering, construction or engineering services directly relating to infrastructure as well as services directly related to tourism activities, respectively.

Each of these prohibitions is flanked by transitional provisions with diverging cut-off dates and reporting requirements.

3. Belarus

As response to the involvement of Belarus in the Russian aggression against Ukraine, the EU has also tightened its sanctions against Belarus with <u>Regulation (EU) 2022/355</u> of 2 March 2022, which amends <u>Regulation (EC) 765/2006</u>:

 Under Articles 1e and 1f of the amended Regulation, trade restrictions apply with respect to dual-use goods and technology as listed in Annex I of Dual-use Regulation (EU) 2021/821 as well as high technology as listed in Annex Va of amended Regulation (EC) No 765/2006. These prohibitions to sell, supply, transport or export

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listed goods to anyone in Belarus or for use there and to provide related services largely correspond to those applicable to Russia.

- In addition, Article 1s of Regulation (EC) No 765/2006 prohibits the sale, supply, transfer and export of **machinery** as listed in Annex XIV of the Regulation.
- Finally, under Articles 10 to 1r of amended Regulation (EC) No 765/2006 import bans apply with respect to wood, cement, iron and steel, as well as rubber products (as listed in Annexes X to XIII of the Regulation), which also prohibit the provision of related services.

For each of these provisions, exceptions may apply in the individual case, especially with a view to the execution of pre-existing contracts.

We are at your disposal at any time to answer questions on the practical implementation as well as on the scope of application of these sanctions. Please do not hesitate to contact <u>Pascal Friton</u>, <u>Roland M. Stein</u>, <u>Florian Wolf</u>, <u>Laura Louca</u> or <u>Tobias Ackermann</u>.