Title: The Russia (Sanctions) (EU Exit) (Amendment) (No. 11) Regulations 2022 **IA No:** FCDO2204 • **RPC Reference No:** **Lead department or agency:** Foreign, Commonwealth & Development Office **Other departments or agencies:** Department for International Trade	**Impact Assessment (IA)** **Date:** 12 July 2022 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:** Sanctions@fcdo.gov.uk **RPC Opinion:** Awaiting scrutiny

Summary: Intervention and Options

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net direct cost to business per year**	**Business Impact Target Status** Qualifying provision
-£151.4m	-£151.4m	£19.2m	£96.1m

What is the problem under consideration? Why is government action or intervention necessary?

HM Government is continuing to develop an evolving package of high-impact sanctions on Russia. By bringing these measures and designations into force, HM Government hopes to deter further Russian aggression in Ukraine and encourage Russia to the negotiating table.

Russia's assault on Ukraine is an unprovoked, premeditated attack against a sovereign democratic state. Putin's actions are a clear violation of international law and the UN Charter and show flagrant disregard for its commitments. Russia's current behaviour is not only threatening Ukraine's sovereignty, but also destabilising the rules-based international conventions and challenging the values that underpin it.

To deliver the HM Government objectives, we are implementing a new and intensified set of measures to further influence Putin's regime and signal our continued condemnation of Russian military aggression against Ukraine.

What are the policy objectives of the action or intervention and the intended effects?

The policy objectives are:

• to coerce the Russian government into changing policy by targeting its strategic and economic interests;
• to constrain the Russian military-industrial complex, in terms of its ability to maintain the occupation of Ukraine, by influencing decision makers and elites; and,
• to signal to Russia and the wider international community that the UK considers Russia's actions in Ukraine unacceptable.

The measures assessed in this Impact Assessment are additional to the ones previously introduced. However, existing sanctions packages appear to have been insufficient so far in encouraging the Russian government to change course and dissuade decision makers from continuing to take aggressive and destabilising actions against Ukraine.

The measures in this Statutory Instrument will remain in place until HM Government is satisfied with Russia's change of action and intent toward Ukraine. We have aligned with the partners where possible to maximise the impact of these measures on Russia.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: Do nothing. Rely on existing sanctions to erode the financial power of the Russian Government and to constrain the Russian state's ability to destabilise and invade sovereign nations, therefore encouraging them to change course. Continue to act through diplomatic channels and multilateral fora to signal to the Russian Government that such actions are unacceptable and represent serious breaches of international law. Previous sanctions have so far not dissuaded President Putin's regime to halt its military aggression against Ukraine.

Option 1: Implement additional proposed trade sanctions measures [Preferred option]. As part of the UK's deepening pillar of the Russia sanctions strategy implement a new set of trade measures.
We can not determine how long UK business will continue to self-sanction, whether as a direct decision or indirectly through the wider chilling effects that have been seen across global market responses. Implementing no further sanctions would also go against UK objectives to, in coordination as far as possible with a broad coalition of partners:

- Deliver against the **'deepening'** pillar of HMG's Russia sanctions strategy so as to influence Putin's regime and signal the UK's continuing condemnation of Russian military aggression against Ukraine. This a strategic, targeted package of sanctions that delivers against our Russia objectives and is not aimed at overall UK-Russia bilateral trade.
- Complement HMG efforts to **'broaden'** the coalition of partners implementing trade sanctions against Russia. We continue to actively engage and influence a wide set of partners and allies to maximise the impact on Russia.
- Support the **'sharpening'** of trade measures, ensuring enforcement and thorough tracking of measures already implemented by the UK and others.

The new measures in this sanctions package aim to support HMG objectives by prohibiting the export, supply, delivery, making available and transfer of additional categories of goods to, or for use in, Russia. This would apply to:

i. Chemical and biological goods and technology.
ii. Defence and security goods and technology that could be used in Russia or non-government controlled Ukrainian territory occupied by Russia.
iii. Maritime goods and technology.
iv. Jet fuel and fuel additives.
v. Oil refining goods and technology. The UK has already imposed prohibitions for these goods, the amendments will include additional goods.
vi. Banknotes.
vii. Extension of arms embargo to non-government controlled Ukrainian territories.

The set of measures will also cover import bans on goods which generate significant revenues for Russia – for example wood and silver - and ban the provision of ancillary services related to the import of Russian iron and steel.[1] Where appropriate, these measures also target ancillary services - related technical assistance[2], financial services and funds[3], as well as brokering services[4] related to the trade of all products sanctioned. The exception is ancillary services associated with the trade in banknotes, which are not sanctioned.

Will the policy be reviewed? It will be reviewed **If applicable, set review date:** policy constantly under review				
Is this measure likely to impact on international trade and investment?		Yes		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent – not this is for imports only, not estimated for exports)		**Traded:** N/A		**Non-traded:** N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

[1] The UK imported circa £258m of wood from Russia in 2021, as well £157m of silver.
[2] Further details: https://www.legislation.gov.uk/uksi/2019/855/regulation/21/made.
[3] Further details: https://www.legislation.gov.uk/ukpga/2018/13/section/61.
[4] Further details: https://www.legislation.gov.uk/uksi/2019/855/regulation/21/made.

Signed by the Responsible Minister: Lord Ahmad of Wimbledon
Minister of State
Foreign, Commonwealth &
Development Office

Date:

Summary: Analysis & Evidence

Policy Option 1

Description: Sanctions against Russia prohibiting the export and import of certain strategic goods

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years 9	Net Benefit (Present Value (PV)) (£m)		
			Low: -£127.0m	**High:** -£157.4m	**Best Estimate:** -£151.4m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	£4.4m	1	£15.5m	£127.0m
High	£4.7m		£19.5m	£157.4m
Best Estimate	£4.6m		£18.7m	£151.4m

Description and scale of key monetised costs by 'main affected groups'

The primary cost to UK businesses will be the opportunity cost of future profit they may have made from the export or import of goods and services that will be subject to restrictions under the new measures.

Most of the expected costs related to the export measures are in the 'Defence and security goods' group of products (about 70% of the overall total costs in the central estimate), followed by the 'Chemical and biological goods and technology' group (circa 25%).

Around 1,500 traders exported circa £245.8m from the UK to Russia in 2021 in the HS codes covered by this set of regulations. The South East is the region relatively more impacted: around 24% of all the UK exports to Russia in 2021 in the affected codes originated in the region.
Over 200 traders imported from Russia to the UK in sanctioned goods codes in 2021. In total they imported an estimated £585m from Russia in 2021.

UK consumers are not expected to suffer significant impacts due to these measures. In the majority of the imports sanctioned, which would be either domestically consumed or used by businesses, the UK has a low import dependency from Russia. This indicates that UK traders are likely to be able to switch to suppliers of the same products relatively easily and without a significant increase in the price of the products imported. Nevertheless it is possible that UK consumers may be impacted in the short term whilst UK importers search for alternative suppliers. Another possible impact is if companies trading in the products and services sanctioned in this group of measures have to close due to loss of trade. UK consumers would then not be able to purchase the goods or services provided by these companies.

Other key non-monetised costs by 'main affected groups'

The trade measures in scope are likely to have wider impacts on the UK economy. This includes impact on associated services where some goods are sold with a 'package' of services, for example maintenance services, or insurance or other financial products. Following from previous Statutory Instruments related to the conflict these measures are also expected to add to the "chilling effect", whereby there may be an additional cost associated with businesses that trade with Russia due to uncertainty around whether their goods or services are captured by this intervention. This effect is expected to be temporary and to last until the package of measures in this Statutory Instrument is implemented and its consequences are fully absorbed by these traders.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0	0	£0m	£0m
High	0		£0m	£0m

Best Estimate	0		£0m	£0m

Description and scale of key monetised benefits by 'main affected groups'

This analysis has not monetised any benefits to UK business as a result of the export or imports measures. We do not expect UK businesses to directly benefit from the export measures, as in most cases it restricts their abilities to trade goods or services to Russia. Similarly the restrictions on imports from Russia are expected to generate primarily a short term detrimental impact on UK businesses.

Other key non-monetised benefits by 'main affected groups'

These measures are designed to support the restoration of peace, supporting security and economic development. Security and stability, together with upholding international law and the broader rules-based system, also brings longer-term economic benefits. There is a potential positive reputational impact on the UK, demonstrating that we are ready to take principled action in response to violations of international law and human rights.

Additionally this set of measures will protect and advance UK interests by deterring and constraining the capability of Russia to undertake further aggression against Ukraine and undermine Russia's capabilities to take aggressive action against the UK and its partners. It will reinforce the UK's support for democracy, the international rule of law, and peace and security in Europe.

Key assumptions/sensitivities/risks	Discount rate	3.5%

Assumptions for both export and import measures

- In year 1, we assume that there will be regulatory impacts associated with shifting trade away from Russia. This was estimated to take one hour of business time and a value was calculated according to the average hourly wage in the UK and the number of traders impacted by the bans.
- For the central scenario, we have applied the IMF's WEO April 2022 estimates of the growth rate of Russian goods import and export demand to the value of UK's goods exports to, and imports from, Russia
- For the low scenario we have assumed low economic costs, if compared to the central scenario. This was based on applying low growth projections for Russia's goods import and export demand to the value of UK's goods exports to, and imports from, Russia.
- For the high scenario we have assumed high economic costs, if compared to the central scenario. This was based on applying high projections for Russia's goods import and export demand to the value of UK's goods exports to, and imports from, Russia.
- A baseline of 2021 trade values was used.

Assumptions for import measures

- We assume that the one-off adjustment cost to businesses from diverting their trade from Russia is the equivalent to 10% of the 2021 import trade value in the year 1 of this Impact Assessment timeline. The import trade value used represents only the HS codes covered in these measures.
  It is expected that the diversion of the imports trade sanction will be completed in one year. As the UK has a small import dependency from Russia across almost all products sanctioned we have assumed UK importers will be able to import goods from elsewhere with minimal change in the price of any given goods.
  We assume that adjustment costs do not apply for exports. More than 80% of the exports sanctioned by these measures are either a) chemical or biological goods and technology (which could be used for chemical and biological weapons); or b) defence and security goods. Since the invasion of Crimea UK businesses trading with Russia on such goods or services have had reason to expect additional sanctions from HMG on this type of trade and therefore had sufficient time to look for alternative markets.

Risks

There is a risk that the policy discourages trading activity in firms who are not in scope of the policy and has a wider chilling effect on UK trade. There is risk of asymmetric Russian retaliation.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs:	**Benefits:**	**Net:**	
£19.2m	£0	£19.2m	£96.1m

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1 Rationale

1.1 Policy background

1) Following its illegal annexation of Crimea in 2014, Russia has continued to pursue a pattern of aggressive action towards Ukraine. This has included use of military force, announced by Putin on 24 February 2022 as a “special military operation”, the recognition of the ‘Donetsk People’s Republic’ and ‘Luhansk People’s Republic’ as independent states, and the deployment of Russian military to those regions. The UK has called on Russia to cease its military activity, withdraw its forces from Ukraine and Crimea and fulfil its international commitments including under the 1975 Helsinki Act, the Minsk Protocols and 1994 Budapest memorandum.

2) The UK continues to reiterate its support for Ukraine and in addition to withdrawing its troops from Ukrainian soil, has called on Russia to end its support for the separatists, and enable the restoration of security along the Ukraine-Russia border under effective and credible international monitoring. UK policy is focused on ending the crisis in Ukraine and on assisting Ukraine to secure its borders against Russia’s aggressive actions, ensuring a stable, prosperous and democratic future for all its citizens. The UK has been unwavering in its support for Ukraine’s territorial integrity and sovereignty.

3) Change is therefore being sought through diplomatic pressure, and other measures, supported by implementing sanctions in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine. Sanctions are an important national security and foreign policy tool.

4) . HM Government has previously introduced trade measures under the Sanctions and Anti-Money Laundering Act (SAMLA) covering a range of products including:
- Quantum computing and advanced materials goods and technology
- Luxury consumer goods
- Iron and steel products.
- dual-use goods, technology and related activities
- critical industry items to Russia

These sanctions are part of a broader policy of measures which includes diplomatic pressure; other trade sanctions; economic and financial sanctions and designations

5) UK sanctions action, in concert with the US, EU and G7 partners (so as to complement HM Government efforts to broaden the coalition of partners implementing trade sanctions) also sends a strong signal to the Russian government that failure to respect the territorial integrity of and sovereignty of Ukraine, and conform to the international rules-based conventions, incurs significant costs to both the government and any entities linked to this malign behaviour. More broadly, it also demonstrates the UK’s willingness to stand-up for the international rules-based system and to take action against transgressors, sending a deterrent signal to others.

1.1.1 Problem under consideration and rationale for intervention

6) Whilst some businesses might choose to reduce economic ties with Russian individuals or entities in response to its invasion of Ukraine, this would happen in an uncoordinated and incomplete manner. More generally, the private benefit accruing to UK businesses from trading with Russia does not factor in the wider societal cost to the Ukraine, nor the costs of such violations of international law. Without intervention, it is likely a level of economic activity would continue – directly or indirectly – enabling the Russian government and entities to continue to benefit from access to goods, services and finance.

7) Given the nature of the issue, there is no appropriate non-governmental or private sector solution to the issue at hand. HM Government intervention in the form of these trade prohibitions is necessary to reconcile the disparity between the private costs and benefits found in trading the listed goods with Russia, and the wider societal costs. This will ensure UK businesses cannot directly or indirectly provide these goods, technical assistance or financing to the Russian government military and strategic sectors helping to support destabilising activities in Ukraine. Failure to join the international community and impose sectoral sanctions would also undermine the UK's reputation as an upholder of international law, human rights, freedom of expression and democracy.

1.2 Policy objectives

8) HM Government's overall objectives on democracy and human rights are to protect and promote human rights, democracy, good governance and the rule of law, including by assisting those who uphold or seek to promote these principles and using the UK's leverage against those who violate and abuse human rights or the rule of law.

9) HM Government's objectives of the Russia (Sanctions) (EU Exit) (Amendment No. 11) Regulations 2022 are to:

   a. **Coerce** the Russian government into changing policy by targeting its strategic and economic interests, and by influencing decision makers and elites.

   b. **Constrain** the Russian military-industrial complex, in terms of its ability to maintain the occupation of Ukraine and its future technological ambitions.

   c. **Signal** to Russia and the wider international community that the UK considers Russia's actions in Ukraine unacceptable.

10) These measures are designed and intended to constrain the destabilising behaviour of the Russian government and are not designed to have a detrimental impact on the Russian population. We aim to limit the direct impact on the people of Russia, the UK and its partners. We seek to align closely with partners to achieve maximum impact on the Russian government, and associated individuals and entities.

1.3 Description of options under consideration

1.3.1 Option 0: Do nothing counterfactual

11) In this option HM Government would rely on existing sanctions by both the UK and our partners to erode the financial power of the Russian Government to constrain the Russian state's ability to destabilise and invade sovereign nations, as well as to force them to change course. Continue to act through diplomatic channels and multilateral forums to signal to the Russian Government that such actions are unacceptable and represent serious breaches of international law. However, existing sanctions packages appear to have been insufficient so far to coerce the Russian government to change course and dissuade decision makers from taking aggressive and destabilising actions against Ukraine and it is not clear how much longer UK businesses will continue to self-sanction.

12) Not implementing any further sanctions will also go against UK objectives to align our package with those of a broad coalition of partners in order to maximise the impact of sanctions taken and avoid creating opportunities for circumvention of sanctions. For example we wish to remain in step with the EU's extant ban on the export of maritime goods and technology (Article 3f of Regulation (EU) No 833/2014) as closely as possible within our own legal framework. The Russia regulations will make reference to the goods captured in chapter 4 (Navigation Equipment) and chapter 5 (Radio-Communication Equipment) of Annex 1 of the Merchant Shipping Notice 1874 (MSN).
Similarly to maximise impact of our sanction we also wish to align with the EU's extant ban on the export of banknotes to Russia (see Article 5i, Regulation (EU) 833/2014) as closely as possible within our own legal framework.

1.3.2 Option 1: Implement trade sanction measures [Preferred option]

13) These trade sanctions aim to prohibit the export, supply, delivery, making available or transfer of additional categories of goods, technology and services to, or for use in, or to a person connected with, Russia and non-government controlled Ukrainian territories. Where appropriate, these measures also target related technical assistance, financial services, funds and brokering services. This would apply to:

   a. Chemical and biological goods and technology.

   b. Defence and security goods and technology that could be used in Russia or non-government controlled Ukrainian territory occupied by Russia, including internal repression and surveillance equipment.

   c. Maritime goods and technology (communication and navigation equipment), as per chapters 4 and 5 of the Merchant Shipping Notice 1874 Amendment 5 ("the marine list"). (Conducting these activities with the intent or result of the restricted items being placed on board a Russian-flagged vessel is also prohibited)

   d. Jet fuel and fuel additives.

   e. Oil refining goods and technology. The UK has already imposed prohibitions for these goods (Amendment 8) (Part 5), the amendments will include further goods into Schedule 2D.

   f. Banknotes

   g. Extension of arms embargo to non-government controlled Ukrainian territories. There has been an arms embargo against Russia since 2014. The amendments will extend the prohibitions on exporting arms and further defence and security related goods and technology to non-government controlled Ukrainian territories.

14) This set of measures will also cover other outstanding areas where we are not currently aligned with allies, such as import bans on goods which generate significant revenues for Russia. Bringing the UK into alignment on these areas will protect our security interests by maximising the effectiveness of sanctions through joint action, ensuring where possible a consistent baseline with allies before taking further steps and supporting our co-operation with the EU.

15) This package of measures is targeted to ensure that they have maximum impact on Russia's strategic economic interests and its armed forces while minimising direct harmful impact on the Russian civilian population. Some measures can also be subject to licensing and exceptions to enable otherwise prohibited activities to continue where they are in line with the objectives of UK sanctions on Russia.

16) Having considered the costs and benefits of all options, HM Government believes that Option 1 is appropriate and will best support UK domestic objectives with regard to Russia's military aggression in Ukraine. Option 1 will deliver against the 'deepening' pillar of HM Government's Russia strategy, implementing a new and intensified set of trade measures, to influence President Putin's regime and signal the UK's continuing condemnation of Russian military aggression against Ukraine.

2 Implementation Plan

2.1 Secondary legislation

17) The Government intends to make secondary legislation under the Sanctions and Anti-Money Laundering Act 2018 (referred to in this Impact Assessment as "the new regulations"). Orders in Council will be made by the Privy Council to extend these amendments to the Overseas Territories. Gibraltar and Bermuda make their own legislative arrangements, as do the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey. The arrangements will come into effect on 15 July 2022.

2.2 Licensing and exceptions

18) The new regulations will provide for certain exceptions to the new prohibitions they introduce. The new regulations will also provide for the relevant Secretary of State (depending upon the type of sanctions) to grant licences that permit certain otherwise prohibited activities. The Export Control Joint Unit (ECJU) administers the UK's system of export controls and licensing in relation to trade sanctions. The Department for International Trade's Import Licensing Branch implements licensing relating to import sanctions. The licensing powers would include a power to enable General Licences to be introduced to authorise specific activities.

2.3 Enforcement

19) It will be a criminal offence to contravene the new trade sanctions, as well as to enable or facilitate a contravention of, or to circumvent them. This is in line with what is currently provided in relation to the existing measures. Breaches of sanctions are a serious criminal offence. Offences of breaching the new trade sanctions measures will be triable either way and carry a maximum sentence on indictment of 10 years' imprisonment or a fine (or both).

3 Assessment of costs and benefits

3.1 Background to assessment of the costs and benefits of both exports and imports measures

3.1.1 Types of impacts assessed

20) This assessment focuses on the costs and benefits of the regulations in the associated Statutory Instrument, with an indicative assessment of the marginal changes based on 2021 levels of trade. After a background summary of the UK – Russia trade, three types of impacts are assessed, for both exports and imports:

    a. **Economic impacts:** The reduction in the value of UK trade as a result of the prohibition of affected trade with Russia and the resulting impact to the profitability of UK firms.

    b. **Regulatory impacts:** The cost to UK firms to comply with the proposed measures.

    c. **Administrative and enforcement impacts:** The cost to HM Government of processing licence applications and enforcing these under the updated regulatory framework.

3.1.2 Proportionality approach

21) Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

    a) Given the nature of international events related to Ukraine, this policy was developed against a backdrop of constantly changing developments. In addition, the requirement to keep discussion of potential policy responses secure (to avoid indicating to Russia how we might respond and thus allow them to take advance steps to mitigate the impact on its economy) has limited the extent to which HM Government has been able to consult with external stakeholders.

    b) There are challenges associated with estimating the impact of sanctions that are often multilateral in nature. This Impact Assessment focuses on the impact of UK sanctions only.

3.1.3 Data availability

22) Data sources do not yet demonstrate the reduction in trade occurring as a direct result of existing sanctions measures. Hence this assessment focuses on the costs and benefits of the measures in this Statutory Instrument with an indicative assessment of the marginal changes based on 2021 levels of trade. As a bellwether of the changes in trade patterns table 1 below shows the UK – Russia and UK – Ukraine overall goods trade in March 2021 (prior to the Russian invasion) and March 2022 (the first full calendar month after the invasion).

23) Total UK goods trade with both countries more than halved compared to before the invasion. The largest driver of decreases in UK-Russia trade were UK imports from Russia, which were £812m lower in March 2022 than a year before.[5]

[5]HMRC Overseas Trade Statistics: https://www.uktradeinfo.com/trade-data/overseas/. Note that these figures from HMRC are reported on a physical movement basis and are not directly comparable to trade data from ONS which are reported on a change of ownership basis.

24) It is expected that most of this reduction in trade was due to UK traders self-sanctioning in addition to compliance with new sanctions. It is not known yet if this trend will continue or how long it would last in the absence of action from HM Government.

Table 1: Total value of UK goods trade with Russia and with Ukraine, before and after the invasion

UK total trade with partner country	March 2021 (pre-invasion)	March 2022 (post invasion)
Russia	1,548	575
Ukraine	110	50

Source: HMRC Overseas Trade Statistics, extracted in June 2022.

3.1.4 Assessment period

25) The standard period for assessing the economic impact of regulatory measures is 10 years. However, given the unpredictability of the situation which has led to this package of measures being proposed, it is impossible and would be unwise to put a time limit on how long these measures might or should remain in effect. The appraisal period chosen for this assessment is the nine years 2022 to 2030 inclusive, with the end-date aligning with the projections presented in the Global Trade Outlook (GTO).[6] Although this Impact Assessment replaces the GTO projections (which were published prior to the invasion) with the IMF's WEO April 2022 projections (which incorporate the IMF's views on the early stages of the conflict), we retain this timeline so as to maintain consistency with the Impact Assessments published on similar measures that have been recently announced.[7] For similar reasons the appraisal incorporates the full 2022 year, even though the invasion started at the end of February.

3.1.5 Harmonized system (HS) codes and statistical threshold

26) While the operationalisation of the legislation will not necessarily be on the basis of commodity codes, commodity codes have been used to proxy the value of trade that may be disrupted. The true value may differ from these estimates. For the purposes of the analysis, the relevant commodity codes, when possible to the 8-digit Combined Nomenclature (CN8) level for each product, have been identified. However, due to the specificity of the items under consideration, even these granular commodity codes capture some items that may fall outside the scope of policy. Codes that were in scope for previous Statutory Instruments are assumed to have zero import or export value. This analysis has been undertaken based on trade figures that follow HS 2017 goods classification nomenclature, as that was the nomenclature in effect in 2021. Trade values may differ under an HS 2022 goods classification nomenclature, which entered into force in January 2022.[8]

27) The statistical threshold for recording a customs declaration is defined in UK legislation as £873 (in value) or 1,000kg (in net mass). Transactions below these thresholds may not be recorded in the relevant data sources. As such, some transactions below these thresholds will not appear in the data 2021 trade data used for this analysis.

[6] Department for Trade and Industry (September 2021), Global trade outlook – September 2021 report, https://www.gov.uk/government/publications/global-trade-outlook-september-2021-report
[7] For example the Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 available here https://www.legislation.gov.uk/uksi/2022/452/impacts
[8] http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs-nomenclature-2022-edition/amendments-effective-from-1-january-2022.aspx

3.1.6 Methodology note on calculations on Net Present Social Value for export and import measures

28) The following assumptions and methodology were followed to develop a Net Present Social Value:

a. To estimate how future Russian trade will evolve we use the IMF's WEO April 2022 percentage estimates (which incorporate the IMF views on the impact of the early stages of the conflict) of both the import and export demand projections for Russia. We use the disaggregated 'goods only' demand to align with the 'goods only' analysis captured in the valuation.

b. Given the Covid-19 pandemic has led to considerable disruption in recent global trade we avoid using past growth rates in Russian demand and use instead projections for the 2022-30 growth rate based on the IMF's forecasts.

c. As the IMF projections only extend to 2027, this growth rate was extended to 2030, using a flat rate of 2%. The 2% rate was based on the IMF's GDP forecast for Russia for the 2022 to 2027 period, and the OECD's GDP forecast for Russia in the 2028 - 2030 period. Together they suggest a broadly flat 2% GDP trend post 2025.

d. The projected growth rates from 2022-2030 act as our central scenario. In order to carry out sensitivity analysis, high and low scenarios were constructed.
For the low scenario various estimates of Russian GDP projections from international organisations were used. The highest estimation was the IMF's (expectation of a GDP decrease of 7% in 2022), while the lowest estimation was the Institute of International Finance's 15% drop in Russian GDP in 2022. We took the spread between the two as being 7 percentage points and divided this by 2. We used the value of 3.5% and applied it to the central scenario, to revise the low scenario downwards by 3.5 percentage points.
For the high scenario we applied a 10% uplift on the central scenario, based on the IMF's forecasts for export and import demand from Russia.
The high scenario is not symmetric to the low scenario. Instead, it is more conservative than a symmetric sensitivity would be (e.g. if we had increased the IMF's estimates for Russian import and export demand by 3.5%). This is based on current expectations of the performance of the Russian economy - which tend to lean towards the downside. For example, the IMF's WEO April 2022 GDP forecasts for Russia indicates an expectation of a sharp economic contraction in 2022; followed by a smaller contraction in 2023; and then a small and broadly flat growth up to 2027.[9]

e. This analysis focusses on the various groups of commodity codes identified above. Codes that were in scope for previous Statutory Instruments are assumed to have zero import or export value.

f. Using 2021 trade values for these codes, and the projected central, high and low scenarios growth rates, a series of trade values were calculated for 2022-2030. There were put into the RPC's BIT calculator. These trade values have a price base year of 2019, and a present value base year of 2020. 2021 trade data was used as baseline. This approach assumes that UK exports would grow in tandem with the growth in Russian goods import demand; and that UK imports would grow in tandem with Russian exports demand.

g. The proposed measures are expected to have an impact on the profitability of UK companies that currently trade with Russia. We apply the ONS' profitability gross annual rate of return for the manufacturing sector private non-financial corporations

[9] https://www.imf.org/en/Publications/WEO/weo-database/2022/April

(estimated to be 10.8% in the four quarters up to Q3 2021) to the appraisal period chosen for this assessment 2022 to 2030 inclusive) to calculate an estimate of profit lost.[10]

h. Two additional 'one-off' costs were added to the year 1 trade costs, as transition costs. The first was to reflect regulatory impact costs, defined as the cost to UK firms to comply with the proposed measures. The approach taken for both exports and imports was to see these impacts as primarily a one-off familiarisation cost with the new regulations. We used the RPC's note on implementation costs for guidance.[11] The calculations assume that one hour is required for this familiarisation per company; we then multiply the number of traders exporting or importing to Russia on the HS codes covered by the sanctions by the average UK wage for one hour (based on the ONS median weekly pay in 2021, rebased to 2019 prices).[12] The calculations also assume a 35 hour weekly number of hours worked. This approach produces a combined regulatory impact value for all traders affected by this regulation, broken down by exporters and importers. These values were taken as the entire regulatory impact cost and implemented as an upfront cost applied to businesses that export and import in 2022 only.

i. The second one-off cost results only from the import ban. Across most of the products covered by the imports ban the UK has a small import dependency from Russia i.e. only a small percentage of the UK imports from the world originate in Russia (see table 2 below). In this situation it is reasonable to assume that UK importers would relatively easily be able to source the same imports with minimal change in price. Therefore, we assume that the cost of this trade diversion is a one-off transitional cost and apply it in 2022 only. To reach the 2022 equivalent we applied the same assumptions utilised to construct the high / central / low scenarios estimates. The 2022 equivalent of the 10% of the imports 2021 trade is seen a better reflection of the cost of the import bans as these sanctions are expected to enter into effect in 2022.

j. The transitory cost approach was not adopted for the exports sanctioned. More than 80% of the products sanctioned in these measures are either a) chemical or biological good and technology (which could be used for chemical and biological weapons); or b) defence and security goods. It is assumed that since the invasion of Crimea UK businesses trading with Russia on such goods or services have had reason to expect additional sanctions from HMG on this type of trade and therefore had sufficient time to look for alternative markets.

k. The initial 2021 trade figures are based on a nominal estimation. The nominal 2021 figures are used as a starting point upon which the IMF's WEO April 2022 real rates for expected Russian import and export demand are applied.

l. We selected the default discount rate of 3.5%, as suggested in HMTs green book. The annuity rate for the NPSV calculation is calculated using the 3.5% discount rate to calculate the discount factor through the appraisal periods and adding the inverse of the discount factor year on year.

29) As Table 2 indicates, across most of the products where import bans are introduced via the set of measures covered in this Impact Assessment the UK either imports a relatively small

[10] ONS Profitability of UK companies: October to December 2019. ONS Profitability of UK companies: October to December 2019.
[11] https://www.gov.uk/government/publications/rpc-short-guidance-note-implementation-costs-august-2019
[12] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021.

amount from Russia; or it has a small import dependency from Russia i.e. only a small percentage of the UK imports from the world originate in that country.

Table 2 – Share of sanctioned imports sourced from Russia[13]

Associated product codes	UK Imports from Russia 2021 (£m)	UK Imports from World 2021 (£m)	Share of UK imports sourced from Russia (2021)
Fish	c. 0	395	0.00%
Cement	c. 0	615	0.00%
Hydrazine and Hydroxylamine	0	55	0.00%
Phosphinates	c. 0	66	0.20%
Hydrocarbons	5	308	1.70%
Alcohols	1	659	0.20%
Potash	21	209	10.00%
Polymers of Propylene	5	629	0.80%
New Pneumatic Tyres	5	2,121	0.30%
Wood	258	7,456	3.50%
Wood Pulp	0	5	0.00%
Uncoated Kraft Paper/Paperboard	8	357	2.30%
Glass	16	909	1.80%
Silver	157	4,487	3.50%
Aluminium	3	1,176	0.20%
Unwrought Lead	0	385	0.00%
Turbojets	101	10,769	0.90%
Ships	0	259	0.00%
Furniture	6	4,183	0.20%
Machinery parts	c. 0	1,546	0.00%

Source: HMRC Trade Statistics 2021 data.

A caveat to the one-off transitory import cost assumption is that partner countries are currently enacting similar import bans. These countries will also look for alternative suppliers for the products banned – and existing non-Russian associated supply may not be sufficient to meet this additional demand. It has not been possible to carry out an analysis of this risk.

3.2 UK – Russia trade

30) The figures below illustrate Russian levels of trade prior to the onset of the current escalation of the conflict in February 2022:[14]

a. As a destination for global imports, the Russian economy was worth $469.7 billion in 2013. Following subsequent rounds of sanctions, Russia's imports of goods and services from the world declined to less than $300 billion in 2015. They then recovered gradually, reaching $352.9 billion prior to the onset of the Covid-19 pandemic.

b. As a source of global exports, the Russian economy was worth $592.0 billion in 2013. Following subsequent rounds of sanctions, Russia's exports of goods and services to

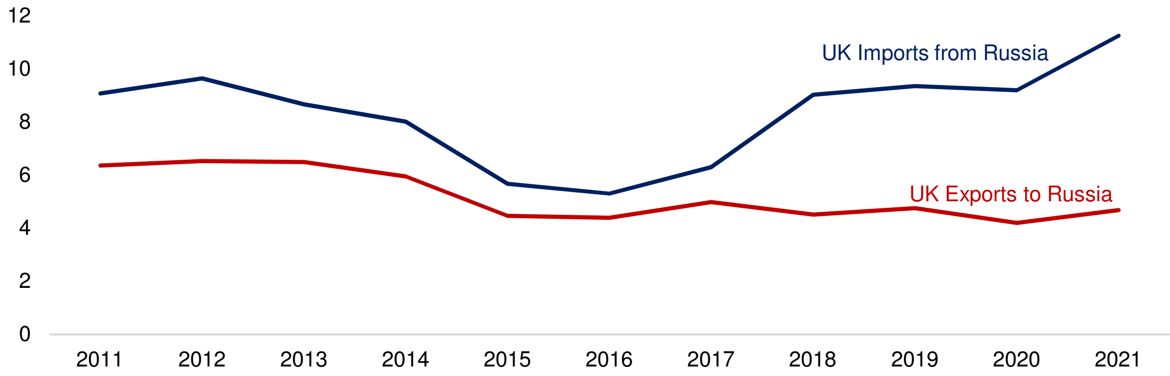
[13] Import sectors and values taken from HM Treasury analysis, using HMRC 2021 data. HS codes covered may be to differing levels (e.g. HS2, HS4 and CN8).

[14] DIT Trade and Investment Factsheets, based on United Nations Conference on Trade and Development (UNCTAD) data sources for trade: Goods and Services (BPM6): Exports and imports of goods and services, annual.

the world declined to less than $400 billion in 2015 and then increased subsequently, reaching $482.5 billion prior to the onset of the Covid-19 pandemic.

31) UK trade with Russia has been relatively volatile over the last 10 years. UK exports to Russia fell by over 25% between 2014 and 2015, from just under £6.0 billion to £4.5 billion, when previous sanctions were implemented. Prior to the onset of the pandemic, UK exports to Russia had increased slightly to £4.8 billion. Following a drop in 2020, UK exports to Russia amounted to £4.7 billion in the four quarters to the end of Q4 2021, making it the UK's 26th largest export market accounting for 0.7% of total UK exports. Of all UK exports to Russia in the four quarters to the end of Q4 2021, £3.0 billion (63.0%) were goods and £1.7 billion (37.0%) were services.[15]

Figure 1: UK Trade in Goods and Services with Russia, £ Billion



Source: Office of National Statistics (ONS): UK total trade data (seasonally adjusted).

32) Since 2014, the UK market share of Russian import demand has fallen by 0.6 percentage points, from 2.3% to 1.8% in 2020. This was driven by a decrease in the UK's share of Russian imports of goods, which fell by 0.7 percentage points.[16] Over the same period, Russia's share of UK imports has increased, albeit marginally: in 2020, Russia accounted for 1.0% of UK imports[17], compared to 1.4% in 2014. This growth was driven by an increase in Russia's share of UK goods imports.

33) It is estimated that around 94,500 UK workers were supported by exports to Russia in 2018, representing 0.3% of total UK employment (or 1.4% of total UK employment supported by exports).[18] Conversely, it is estimated that around 356,400 Russian workers were supported by exports to the United Kingdom in 2018.

3.2.1 Nations and regions trade with Russia

34) The UK exported about £2.8bn to Russia in 2021.[19] Table 3 shows a breakdown of these exports across UK nations and regions. The West Midlands had the greater relative share of the trade with Russia – 19% of all the UK exports to Russia in 2021 came from the region. 9%

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[15] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted
[16] UK market share: imports from the UK as a percentage of all the goods and services imported by Russia. These market share statistics are derived by the Department for International Trade using publicly available data from the ONS (value of imports from the UK) and UNCTAD (total imports) and are converted from US Dollars to Pounds Sterling using the annual average spot exchange rate (Bank of England). Latest market share information can be found on gov.uk: https://www.gov.uk/government/collections/trade-and-investment-factsheets
[17] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted
[18] OECD (2021) Trade in Employment (TiM) 2021 ed, available from: https://stats.oecd.org/Index.aspx?DataSetCode=TIM_2021# [Accessed 24/05/2022]. These figures include both those whose jobs are supported directly by exports to Russia (I.e. in the export industry) and those whose jobs are supported indirectly by exports to Russia (I.e. in supply chains).
[19] HMRC overseas trade data for 2021, accessed in April 2022, available on https://www.uktradeinfo.com/trade-data/ots-custom-table/

of the UK businesses trading with Russia in that year were located in the region as well.[20] The South East had the greatest share of businesses trading with Russia – 18% of all the UK exporters to the country in 2021 were located in the region.

Table 3: UK Nations and Regions' exports trade with Russia in 2021[21]

UK Region or Nation	Russia Exports Value	Russia Exports Value (%)	Russia Exporters Population[22]	Russia Exporters Population (%)
West Midlands	£522.7m	19%	459	9%
South East	£445.8m	16%	893	18%
North West	£284.5m	10%	539	11%
East of England	£252.6m	9%	579	11%
London	£175.1m	6%	710	14%
Scotland	£173.4m	6%	289	6%
North East	£170.2m	6%	126	2%
South West	£155.6m	6%	378	7%
East Midlands	£150.3m	5%	359	7%
Yorkshire & the Humber	£143.9m	5%	390	8%
Wales	£109.2m	4%	144	3%
Other[23]	£101.8m	4%	137	3%
Northern Ireland	£52.2m	2%	58	1%
N/A[24]	£40.3m	1%	N/A	N/A

Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021).

35) The UK imported an estimated £18bn from Russia in 2021.[25] Table 4 shows a breakdown of these imports across UK nations and regions. 34% of the value of all UK imports from Russia were assigned to London – more than double the share of the next region (the South East). Nevertheless the percentage of the overall number of UK traders importing from Russia is broadly the same across these two regions (16% of these traders are located in London and 17% in the South East).

[20] A trader is here defined as a business or private individual uniquely identified via their VAT number. The regional information for each trader and its export value has been identified generally using its registered head office address.
[21] Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021).
[22] This data is using the proportion method, where a business will be counted as a fraction in each region they trade based on the proportion of their employees in each region.
[23] Traders not registered to a UK region, including Isle of Man, Channel Islands and non-UK addresses.
[24] Trader details, including registered address, are not provided for these traders.
[25] HMRC overseas trade data for 2021, accessed in April 2022, available on https://www.uktradeinfo.com/trade-data/ots-custom-table/

Table 4: UK Nations and Regions' imports trade with Russia in 2021[26]

UK Region or Nation	Russia Imports Value	Russia Imports Value (%)	Russia Importers Population[27]	Russia Importers Population (%)
London	£2,375.5m	34%	227	16%
South East	£1,087.5m	16%	243	17%
Yorkshire & the Humber	£831.7m	12%	116	8%
North West	£543m	8%	141	10%
Other	£376.4m	5%	53	4%
East of England	£365.9m	5%	160	11%
Wales	£354m	5%	44	3%
Scotland	£331.8m	5%	90	6%
West Midlands	£283.4m	4%	104	7%
South West	£194.4m	3%	98	7%
North East	£116.3m	2%	35	2%
East Midlands	£79.7m	1%	104	7%
Northern Ireland	£58.6m	1%	38	3%
N/A	£5.2m	0%	N/A	N/A

Source: HMRC Regional Trade Statistics, using 2021 figures

3.2.2 UK trade with Russia by business size

36) In terms of the exposure of the business population to trade with Russia, in 2020, around 3,800 UK VAT-registered businesses exported goods to Russia, down from 5,500 in 2014. Almost 67% of goods exports, by value, came from businesses with over 250 employees. These large firms only accounted for 14% of businesses that exported goods to Russia in 2020, suggesting that this fewer number of firms account for the bulk of high value trade.[28]

37) Tables 5 and 6 illustrate the change from 2014 to 2020 on the number and type of businesses trading with Russia. Tables 7 and 8 cover 2020 only but display a more detailed breakdown of the companies trading with Russia in that year (for example including micro companies, which have 1 – 9 employees).

38) Over half of businesses exporting goods to Russia in 2020 employed fewer than 50 employees. Since the imposition of sanctions on Russia in 2014, this is also the group which has already experienced the greater proportional reduction in number of businesses exporting

[26] Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021).
[27] This data is using the proportion method, where a business will be counted as a fraction in each region they trade based on the proportion of their employees in each region.
[28] HMRC data source for VAT-registered businesses trading goods: HMRC Trade in Goods by Business Characteristics. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics

to Russia and greater relative decline in value of goods exports to Russia. The proportion of value of goods trade accounted for by businesses with fewer than 50 employees has already fallen from 29% in 2014 to 9% in 2020.

39) Around half of businesses importing goods from Russia in 2020 also employed fewer than 50 employees. Unlike exporters, the total number of UK importers importing from Russia has increased between 2014 and 2020, although given disclosure issues it is not possible to determine the growth in the number of trading firms by size.

Table 5: UK exports of goods to Russia by firm size

Business Size (No. of Employees)	Number of businesses		Percentage change between 2014 and 2020		Share of business exporting goods to Russia in 2020
	2014	2020	Number of business exporting goods to Russia	Value of goods exports to Russia	
0 to 49	3,056	1,970	-36%	-83%	52%
50 to 249	1,340	985	-26%	-31%	26%
250 +	713	547	-23%	-34%	14%
Unknown	342	280	-18%	-16%	7%
Total	5,451	3,782	-31%	-47%	100%

Source: HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases

Table 6: UK Imports of goods from Russia by firm size

Business Size (No. of Employees)	Number of businesses		Percentage change between 2014 and 2020		Share of business importing goods to Russia in 2020
	2014	2020	Number of business importing goods to Russia	Value of goods imports to Russia	
0 to 49	467	626	34%	Supressed	50%
50 to 249	204	252	24%	19%	20%
250 +	225	236	5%	301%	19%
Unknown	55	128	133%	Supressed	10%
Total	951	1,242	31%	196%	100%

Source:
Notes: HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. Note some data is supressed due to disclosure issues. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases.

40) As table 7 illustrates although almost 70% of the value of the UK exports to Russia in 2020 originated from large (250+ employees) companies, more than half of the companies exporting to Russia were either small (10 to 49 employees – 31% of all companies exporting) or medium (50 to 249 employees – 26% of exporters population).

Table 7: Percentage of export value and number of exporters to Russia in 2020 by business size[29]

Business Size[30]	Russia Exports Value	Russia Exports Value (%)	Russia Exporters Population	Russia Exporters Population (%)
Large	£1,436.8m	67%	547	14%
Medium	£330.6m	15%	985	26%
Small	£144.1m	7%	1,185	31%
Micro	£58.3m	3%	772	20%
Zero	£0.1m	0%	13	0%
Unknown[31]	£175.8m	8%	280	7%

Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures**.**

41) The concentration of the value of the trade around large companies is even larger in the imports trade. 91% of all the value of the imports from Russia in 2020 associated with large businesses.

Table 8: Percentage of import value and number of importers from Russia in 2020 by business size[32]

Business Size	Russia Imports Value	Russia Imports Value (%)	Russia Importers Population	Russia Importers Population (%)
Large	£17,407m	91%	236	19%
Medium	£522.9m	3%	252	20%
Small	£222.7m	1%	272	22%
Micro	£340.6m	2%	342	28%
Zero	£0.1m	0%	12	1%
Unknown	£549m	3%	128	10%

Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures.

3.3 Impacts specific to export measures

3.3.1 Economic impacts of export measures aimed at Russia

42) This section of the Impact Assessment covers the wider context of the UK exports to Russia in the products covered by this Statutory Instrument. For the estimates of the Net Present Social Value and Equivalent Annual Net Direct Cost to Business please see section 3.5.2 (Aggregated monetised impacts of proposed measures).

[29] Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures (https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2020-data-tables).
[30] Business size groups are based on IDBR employee data and represent the size of the business based on its number of employees: (0='Zero Employees', 1 to 9='Micro', 10 to 49='Small', 50 to 249='Medium', 250+='Large').
[31] Trader details, including business size, are not provided for these traders.
[32] Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures (https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2020-data-tables).

43) In 2021, the total value of UK goods exports to Russia under the commodity codes covered by the proposed measures in the legislation was £791m, representing 28% of all UK goods exports to Russia in 2021[33] are as follows:

Table 9: Total value of UK goods exports to Russia under the commodity codes covered by the proposed measures (2021)

Measure	Value of goods exports to Russia (2021, £m)	Proportion of goods exports to Russia relative to total goods exports to Russia (2021, %)
Defence and security goods	682.0	24.6%
Chemical and biological goods and technology	98.7	3.6%
Banknotes	0.0	0.0%
Maritime goods and technology	3.5	0.1%
Oil refining goods and technology	5.1	0.2%
Jet fuel and fuel additives	2.3	0.1%

Source: DIT analysis based on HMRC data.

44) Nevertheless, some of the HS codes covered in this set of measures have been sanctioned in previous sets of regulations. Where there are measures applied to a code which has been referenced in previous sanction measures, we assume the value of trading activity in this code is zero. Table 10 below shows the trade in table 9 excluding codes already covered in previous Impact Assessments.

Table 10: Value of UK goods exports to Russia under the commodity codes covered by the proposed measures (2021), excluding codes already subject to whole or partial measures

Measure	Value of goods exports to Russia, excluding previously sanctioned items (2021, £m)	Proportion of goods exports to Russia relative to total goods exports to Russia (2021, %)
Defence and security goods	188.7	6.8%
Chemical and biological goods and technology	68.9	2.5%
Banknotes	0.0	0.0%
Maritime goods and technology	0.5	0.0%
Oil refining goods and technology	3.4	0.1%
Jet fuel and fuel additives	2.3	0.1%

[33] HMRC Overseas Trade Statistics: https://www.uktradeinfo.com/trade-data/overseas/

Total[34]	**245.8**	**8.8%**

Source: DIT analysis based on HMRC data.

45) Around 1,500 traders exported circa £245.8m from the UK to Russia in 2021 in the HS codes covered by this set of regulations. This represented about 9% of the overall UK exports to Russia in that year. Table 11 below provides further information on their breakdown across UK nations and regions. The South East is the region relatively more impacted - 24% of all the UK exports to Russia in 2021 in these codes originated in the region (£173.9m). The South East also had the highest number of traders affected – which together represent about 19% of all the traders exporting to Russia under these codes.

Table 11: Export Value and Number of Exporters to Russia in 2021 in HS codes Sanctioned, by region[35,36]

UK Region or Nation	Value (£m)	Share of value (%)	No. of Traders	Share of number of traders (%)
West Midlands[37]	*	*	181	11%
South East	£173.9m	24%	320	19%
North West	£72.2m	10%	185	11%
East of England	£19.3m	3%	195	12%
London	£25.1m	3%	135	8%
Scotland	£35.8m	5%	108	7%
North East	£40m	5%	42	3%
South West	£12.6m	2%	127	8%
East Midlands	£21.9m	3%	112	7%
Yorkshire & the Humber	£25.2m	3%	142	9%
Wales	£13.4m	2%	42	3%
Other	*	*	28	2%
Northern Ireland	£2.3m	0%	20	1%
N/A[38]	£1.2m	0%	17	1%

Source: derived from analysis of HMRC microdata on 2021 trade data.

46) Table 12 presents details on the business size of the traders that exported to Russia in these codes in 2021. Similar to table 8 above, the largest share of the value of the exports in these codes originates from large businesses. Nevertheless approximately 50% of the businesses which exported to Russia in these codes was either small (10 to 49 employees - 33%) or micro (1 to 9 employees - 17%).

47) It is possible that these sanctions will affect SMEs disproportionately. Nevertheless, excluding SMEs from this set of regulations could significantly undermine the purpose and intent of the sanctions, which is to increase the cost to Russia of its actions and to prevent that country obtaining goods and services that would further their military operations. HM Government would need to prohibit the supply of certain goods and services to Russia so as to avoid enhancing its military capabilities with the exception of when these goods and services are provided by SMEs. There is also a risk of circumvention of the measures as well as difficulty

[34] The total value in table 10 does not double count codes. Therefore it does not equal the sum of the six measures included in the table.
[35] When a small number of traders or high concentration of trade in a few traders is associated with a category, providing the value of the trade in that category could be disclosive. In other words it would be possible to identify the company using the information on the table. When that is the case an asterisk was used instead of the value of exports.
[36] Source: derived from analysis of HMRC microdata on 2021 trade data.
[37] * Suppressed for confidentiality.
[38] Trader details, including registered address, are not provided for these traders.

in policing which traders would or would not be able to trade with Russia. A mitigating effect is that it is reasonable to expect that all UK businesses with trade associated with Russia have been aware of the possibility of sanctions being imposed on UK – Russia trade for a number of months, giving them time to prepare for the potential loss of trade (e.g. by looking for alternative markets and/or suppliers).

Table 12: Export value, business size and number of exporters to Russia in 2021 in HS codes covered in this regulation [39,40]

Business Size	Value (£m)	Share of value (%)	No. of Traders	Share of number of traders (%)
Large	£582.1m	79%	250	15%
Medium	£86.8m	12%	481	29%
Small	£33.8m	5%	539	33%
Micro	£11.6m	2%	288	17%
Zero	*	*	*	*
Unknown[41]	*	*	*	*

Source: derived from analysis of HMRC microdata on 2021 trade data.

3.3.2 Regulatory impact of export-related measures aimed at Russia

48) Regulatory impacts are defined as the cost to UK firms to comply with the proposed measures. As the measures are a set of bans on imports and exports, supply of and making available, the regulatory cost is seen as primarily a one-off familiarisation cost with the new regulations

49) The Impact Assessment FCDO2201 [The Russia (Sanctions) (EU Exit) (Amendment) (No.3)] outlined an estimated regulatory cost for the proposed measures in that Statutory Instrument.[42] To reach that estimate a number of assumptions were used:

   a. That the regulations proposed allowed for certain exceptions.

   b. UK business would need to apply for additional licences when exporting.

   c. Annual average of all types of licences – including licences that were both issued and refused - for exports to Russia.

   d. Estimated cost of application for a licence.

50) The total regulatory cost of the preferred option was the product of the number of additional licences processed annually and the unit cost of an individual licence.

51) The set of proposed measures in this Statutory Instrument are also subject to exceptions and licences.[43] But they are expected to be minimal (see section 3.3.3) and non-significant.

[39] Business size groups are based on IDBR employee data and represent the size of the business based on its number of employees: (0='Zero Employees', 1 to 9='Micro', 10 to 49='Small', 50 to 249='Medium', 250+='Large').
[40] Source: derived from analysis of HMRC microdata on 2021 trade data.
[41] Trader details, including business size, are not provided for these traders.
[42] https://www.legislation.gov.uk/uksi/2022/195/impacts.
[43] These exceptions and licences are in addition to the statistical threshold below which transactions may be aggregated in UK trade statistics. This statistical threshold is currently defined in legislation as '£873 (in value) or 1,000kg (in net mass). https://www.uktradeinfo.com/news/statistical-threshold-sterling-figure-to-apply-for-2021/.

52) To calculate regulatory impacts this Impact Assessment based its approach on the RPC's guidance on implementation costs.[44] Familiarisation costs - incorporating the potential dissemination of information throughout the business, IT system changes or possible training costs - are estimated.

53) As it is expected that companies will only need to check if the product(s) that they are trading with Russia falls under these regulations it is assumed that one hour will be required for this familiarisation per company. This relatively small amount of time also reflects UK companies' actual behaviours – as table 1 suggests many UK companies are self-embargoing their trade with Russia. Factors such as the chilling effect described in section 3.5.1 also contribute to the expectation that UK – Russia trade will be significantly reduced if compared to 2021 and we assume that many companies expect that the products they trade with Russia could be sanctioned soon if that has not already taken place.

54) Regulatory impacts are calculated by multiplying the number of traders exporting to Russia in 2021 on the HS codes covered by the measures covered in this Impact Assessment (over 1,500) by the UK average wage for one hour (based on the ONS' provided median weekly pay in April 2021 - £611 – rebased to 2019).[45,46] A 35-hour weekly number of hours worked is assumed.

55) Additionally, a 22% uplift is added to the labour cost mentioned above. Labour costs consist mainly of wage and salaries but also non-wage labour costs, such as employers' National Insurance contributions. This uplift is included to ensure that the full cost to the employer of an employee's time is accounted for.

56) Overall regulatory costs for the group of exporters affected by these measures are £36,743.

3.3.3 Administrative and enforcement impacts of export measures aimed at Russia

57) Administrative and enforcement impacts are defined as the cost to HM Government of processing licence applications and enforcing these under the updated regulatory framework.

58) The set of proposed measures in this Statutory Instrument are subject to exceptions and licences.[47] They are necessary to reduce unintended consequences, bring the presumed impact on the UK of the associated sanctions measures into tolerable bounds, support wider HM Government interests overseas and mitigate risks of divergence with partners. Further information on the licences and exceptions can be found in the statutory guidance.[48]

59) Nevertheless, the cost of processing and enforcing potential licences for the set of export prohibitions proposed in this set of measures – or the associated exemptions – is not expected to be significant.

60) Primarily this is because HMG does not expect a large number of requests for licences on the export measures covered in this Statutory Instrument. Rationale for this expectation include:

    a. As table 1 (with a comparison of the March 2021 Vs March 2022 UK – Russia trade) indicates, there has been a significant reduction in UK trade with Russia since the

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[44] https://www.gov.uk/government/publications/rpc-short-guidance-note-implementation-costs-august-2019
[45] Source for number of traders: derived from analysis of HMRC microdata on 2021 trade data.
[46]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021
[47] These exceptions and licences are in addition to the statistical threshold below which transactions may be aggregated in UK trade statistics. This statistical threshold is currently defined in legislation as '£873 (in value) or 1,000kg (in net mass). https://www.uktradeinfo.com/news/statistical-threshold-sterling-figure-to-apply-for-2021/.
[48] https://www.gov.uk/government/publications/russia-sanctions-guidance/russia-sanctions-guidance.

invasion – which also decreases the number of licences that would be required. Reasons for this reduction in trade include companies' self-embargos and the 'chilling effect' (see section 3.5.1).[49]

b. If such requests are received it is expected that they would be very specific and limited in number. E.g. a licence to trade a particular chemical.

c. It is also expected that licences on humanitarian grounds, if received, would be few.

61) Nevertheless, it is possible that there may be a learning cost for companies that decide to apply for exports licences against the set of proposed measures, as such companies may have limited experience in licensing. Such cost would be incorporated in the one-off regulatory impact outlined in section 3.3.2.

3.3.4 Economic impacts of export measures aimed at non-government controlled Ukrainian territory (NGCUT)

62) The set of measures assessed in this Impact Assessment will also extend the prohibitions on arms and dual use goods for military purposes to the non-government controlled Ukrainian territories.[50]

63) The primary costs to UK businesses come from no longer being able to trade with or invest in these territories. There is no available data on trade with the non-government controlled areas of Donetsk and Luhansk oblasts either with the UK or with the rest of the world. By way of context, the UK bilateral trading relationship with Ukraine was worth £1.6bn in 2019, but these statistics only refer to territory controlled by the government of Ukraine.[51] However, there is reason to believe that very little trade takes place between the non-government controlled areas of Ukraine and the UK. This is because:

a. Much of the area has been an active conflict-zone since 2014.;

b. Since 2017, Ukrainian forces have restricted the flow of goods into these territories by land from Ukraine;

c. Most Ukrainian exports are shipped via ports on the Black Sea. Since 2014, the non-government controlled areas of Donetsk and Luhansk oblasts have had no access to these ports, further complicating any trade with the UK;

d. It is likely that many UK businesses trading with these areas prior to the onset of war in 2014 ceased doing so thereafter.

64) As per the currently fluid territorial situation in Ukraine - and as parts of the NGCUT were not controlled by Ukraine in 2021 (the year for the trade data used in this Impact Assessment) - it was not considered robust to estimate a net present social value specific to these territories. For example we would not be able to identify the exports that went to parts of the Ukraine territory in 2021 that are now in the NGCUT. Instead we provide the UK – Ukraine trade in 2021 on the codes used for the prohibitions that are being extended to NGCUT.

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[49] It is worth noting that the primary cost of these measures to UK businesses will be the opportunity cost of future profit they may have made from the export or import of goods and services covered in these measures. This level of profit loss is reduced by self-sanctioning and the chilling effect. Therefore it is reasonable to expect that the NPSV figures presented in this Impact Assessment may be an overestimate.

[50] For a definition of ngcUt see https://www.legislation.gov.uk/uksi/2019/855/regulation/2

[51] Source of trade data: DIT Trade & Investment Ukraine factsheet, available at https://www.gov.uk/government/statistics/trade-and-investment-factsheets-partner-names-beginning-with-t-to-v. Note that this figure includes goods and services and is calculated on a different basis to the HMRC data that is used for most of this Impact Assessment.

65) Table 13 below displays the UK exports to Ukraine on these codes. Only a part of that trade would be with areas of Ukraine that are now in the NGCUT.

Table 13 – UK goods exports to Ukraine in 2021[52]

Measure	Export value (£m)
Chemical and biological goods and technology	22.6
Defence and security goods	199.7
Arms embargo	138.0

Source: HMRC overseas trade statistics, released March 2022.

3.3.5 Regulatory impact of export measures aimed at non-government controlled Ukrainian territory (NGCUT)

66) Due to the reasons outlined in section 3.34 it has not been possible to robustly estimate the regulatory impacts associated with the export measures aimed at NGCUT.

3.3.6 Administrative and enforcement impacts for export measures aimed at non-government controlled Ukrainian territory (NGCUT)

67) Similarly it has not been possible to robustly estimate the administrative and enforcement costs to HM Government related to the export measures aimed at NGCUT.

3.3.7 Additional factors to consider on export measures

68) DIT has liaised with the Bank of England (BoE) on the measures regarding banknotes incorporated in this Statutory Instrument. The BoE's view is that UK legislation to restrict the sale, supply, transfer or export of sterling denominated banknotes to Russia would offer additional reassurance that flows of banknotes to Russia are prevented but may in practice have limited impact. That is because direct flows from individuals and entities subject to the UK sanctions regime to Russia are likely to be small and sales of notes via foreign intermediaries would likely only be captured where the UK person was aware that the notes would ultimately be used in Russia.[53]

69) UK consumers are not expected to suffer significant impacts due to these measures. Nevertheless, if companies trading in the products sanctioned in this group of measures have to close due to loss of trade, UK consumers would then not be able to purchase the goods or services provided by these companies.

70) BEIS' analysis of the potential market impact of the sanctions related to oil refining goods and technology indicates that:[54]
- In general most UK companies have limited activity on intellectual property related to this area. The ones with relatively greater involvement already shared their intentions to exit Russia.
- The UK is not a large exporter of physical refining equipment or catalysts.
- Not having access to catalysts would decrease Russia's ability to manufacture useable products such as petrol and diesel.
- Sanctions related to refining technology may further limit Russia's refinery operations over a longer period of time.
- The ban on ancillary services associated with oil refining goods and technology may have a

[52] HMRC overseas trade statistics, March 2022
[53] Bank of England analysis.
[54] BEIS analysis.

greater and immediate impact on further limiting Russia's ability to export oil and oil products.

The overall expectation is that the impact of this sanction on UK businesses will be relatively low. It is possible that some smaller manufacturers may be affected but it has not been possible to assess the extent of this risk.

3.4 Impacts specific to import measures

71) Similar to section 3.3 (Impacts specific to export measures) this segment covers the wider context of the UK imports to Russia in the products covered in this set of measures. Section 3.5.2 presents the aggregated (exports and imports) impacts.

72) Two sets of import-related measures are covered in this Impact Assessment. The first is an import ban on certain goods (e.g. wood and silver), prohibiting the acquisition, import, or supply and delivery of goods that originate in Russia or are consigned from Russia. The objectives of this measure are to deprive Russia of a key export market for these goods and prevent revenue generation.

73) The second set of measures relates to iron and steel ancillary services. The Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 introduced a ban on imports of a list of HS iron and steel codes. The regulations covered in this Impact Assessment extend that ban to the provision of ancillary services related to the import of Russian iron and steel. The purpose of this measure is to limit key ancillary services associated with a major exporting market for Russia.

74) None of the import-related measures covered in this impact assessment are aimed at non-government controlled Ukrainian territories (NGCUT). There is already an import ban in place on all imports from NGCUT introduced via the Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022.[55]

75) The UK has already banned iron and steel imports from Russia to deprive the Russian state of a key revenue stream in a key strategic industry. Denying the Russian state this revenue is likely to further disrupt their capability to intervene militarily in conflicts. The ban on ancillary services related to iron and steel is a key contribution to this objective.

3.4.1 Economic impacts of ban on goods imports

76) This section of the Impact Assessment covers the wider context of the UK imports from Russia in the products covered by this Statutory Instrument. For the estimates of the Net Present Social Value and Equivalent Annual Net Direct Cost to Business please see section 3.5.2 (Aggregated monetised impacts of proposed measures).

77) Over 200 traders imported from Russia to the UK in sanctioned codes in 2021.In total they imported an estimated £585m from Russia in 2021. This represented about 3% of the overall UK imports from Russia in that year.

78) When a small number of traders or high concentration of trade in a few traders is present, providing the value of the trade in that trade area could be disclosive. In other words it would be possible to identify the company using the information on the table. Due to this limitation - and the small number of traders importing from Russia in 2021 - it has not been possible to provide a more detailed breakdown similar to the one presented on exporters on section 3.3.1.

[55] https://www.legislation.gov.uk/uksi/2022/395/contents/made

79) Similar to the export measures, the calculation of the NPSV of the import measures use the IMF's World Economic Outlook projected growth rates (in this case the future projections of Russia's global exports, which are applied to UK imports from Russia).

80) The NPSV calculations for import measures also incorporated sensitivity analysis, with a low-, central- and high-impact estimates. Further details on the section 3.1.6 (methodology note on calculations on Net Present Social Value for export and import measures).

3.4.2 Regulatory impacts of the import measures

81) Using the same approach outlined in section 3.3.2 above (Regulatory impact of export measures aimed at Russia); and the number of traders which imported from Russia in 2021 on the codes sanctioned by this set of regulations, it is estimated that the combined regulatory cost to companies associated with the import measures is £5,354.

3.4.3 Administrative and enforcement impacts of import measures

82) Similar to the situation with export measures (see section 3.3), the combined administrative and enforcement costs to HM Government related to the import measures covered in this Statutory Instrument are expected not to be significant. The rationale for this expectation is the same one outlined regarding the export measures.

83) It is possible that there may be enforcement costs associated with the identification, disruption and disposal of banned imports at the UK border. It has not been possible to make a reliable assessment of the potential enforcement costs attached to the preferred option.

3.4.4 Additional factors to consider on import measures

84) Most of the HS codes utilised in the estimation of the imports trade associated with these measures between UK and Russia in 2021 had not been covered in previous Statutory Instruments. Nevertheless, many of the codes being sanctioned for imports into the UK in this set of measures were already subject to additional tariffs implemented in previous Statutory Instruments associated with the conflict.

85) UK consumers are not expected to suffer significant impacts due to these measures. In the majority of the imports sanctioned, which would be either domestically consumed or used by businesses, the UK has a low import dependency from Russia. This indicates that UK traders are likely to be able to switch to suppliers of the same products relatively easily and without a significant increase in the price of the products imported.[56] Nevertheless it is possible that UK consumers may be impacted in the short term whilst UK importers search for alternative suppliers. Another possible impact could be if companies trading in the products and services sanctioned in this group of measures have to close due to loss of trade. UK consumers would then not be able to purchase the goods or services provided by these companies.

[56] As per section 3.1.6 a caveat to this assumption is that partner countries are currently enacting similar import bans and existing non-Russian associated supply may not be sufficient to meet this additional demand.

3.5 Assessment of costs and benefits of aggregated (exports and imports) measures

3.5.1 Assumptions and caveats

86) This analysis is subject to a number of assumptions and caveats:

a. Currently many UK businesses are embargoing their own exports but we do not have as yet full data to evidence this. Nevertheless as table 1 above indicates UK – Russia goods trade has already reduced significantly when comparing March 2021 (prior to the Russian invasion) against March 2022 (the first full calendar month after the invasion). Therefore it is more likely that growth of UK exports, if any, would be below the growth in Russian import demand.

b. It is assumed that the embargoes will last for the full duration of the appraisal period, which may not be the case if Russian aggression ends and sanctions are lifted.

c. Profitability only considers the profit impact to the final supplier in the supply chain. There may be further profit loss to firms, both in the UK and overseas, producing inputs to the final product that have not been captured in these estimates.[57]

d. The commodity codes used to analyse the impact of Russian sanctions reflect our best understanding of the goods that are in scope for these measures but may not exactly reflect the Statutory Instrument. Reflecting data available the analysis has to assume that all the trade associated with a code is subject to the sanctions, when in reality only a part of it may be so.[58] This is likely to lead to an overestimation of the economic impact.

e. As mentioned above, this analysis has been undertaken based on trade figures that follow HS 2017 goods classification nomenclature. Trade values may differ under an HS 2022 goods classification nomenclature.

87) All associated economic costs from this set of measures are assumed to be direct costs to business and no indirect costs have been identified. There may be wider economic impacts on the UK and there are some specific secondary impacts that are excluded from this analysis, but which are believed to add a substantial additional non-monetised cost to this intervention:

a. **Associated services:** Some goods are sold with a 'package' of services, for example maintenance services, or insurance or other financial products. Data from the OECD shows that in 2018 15.9% of the value of UK exports to the world were driven by indirect domestic value add from the UK services industry.[59] It has not been possible to identify the value and volume of the indirect services contribution that might be affected by this intervention.

b. **Supply chain effects:** Given the UK is aligning with partner countries to impose these measures we recognise there may be both positive and negative ramifications for UK businesses via their integration into complex multinational

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[57] Office for National Statistics. Profitability of UK companies data – rates of return January 2022: https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompanies.

[58] The analysis is carried out using HS codes up to and including 8 digits.

[59] OECD Trade in Value Added (TiVA) 2021 ed: Principal Indicators, EXGR_IDC: Indirect domestic value added content of gross exports.

supply chains. For example, where UK goods and services may feed into the production of these goods within a country that has also deployed sanctions to prevent exports to Russia. It is known though that, in 2018, 1.5% of the value of Russian imports from the EU-27 and 0.4% of Russian imports from the United States was derived from value add generated in the UK. Further detail on the potential impact via supply chains is outlined in the wider impacts section below.

c. **Displacement and potential business closure:** It is possible that the inability to export to - or import from - Russia due to these sanctions (directly or indirectly) may lead to the closure of some UK businesses. For example, the number of businesses exporting to Russia in 2020 was 31% fewer than the number of businesses exporting to Russia in 2014, when previous sanctions were applied.[60] Businesses may have to look for alternative suppliers for their current imports from Russia, which could add costs to their transactions and reduce their profits. Similarly they may seek to shift their exports to other markets or to domestic consumption to mitigate against the loss of export value. It is not possible to make robust assumptions on which of these may prove to deliver the greater impact other than that the potential closure of businesses is likely to happen in the shorter term, while the diversion of trade to other countries (or to the domestic market) would likely happen over a longer time frame (but within the appraisal period). This is because it may take time for UK businesses to identify and establish new export or import partners.

d. **"Chilling effect":** Whilst many businesses have elected to embargo exports to Russia beyond the formal sanctions in response to the invasion of Ukraine, there may be some residual exports that are stopped due to uncertainty around whether their goods or services are captured by this set of measures. Similarly, some businesses may be uncertain if their trade associated with Russia is captured in previous regulations related to the invasion; or will be covered in forthcoming measures by HM Government. It is not possible to disaggregate this impact from the wider declining risk appetite of businesses caused by the situation that has precipitated this intervention to use additional trade sanctions against Russia.
UK trade with Russia fell by 30.6% between 2014 and 2016 following the imposition of sanctions resulting from the Russian annexation of Crimea.[61] In the following period, a decrease was seen across almost all goods exported to Russia, demonstrating the possible scale of the chilling effect.
We might expect a similar chilling effect to occur now, both as a result of the situation in Ukraine and also following the imposition of sanctions. As table 1 above shows total UK goods trade with Russia has already more than halved when comparing pre- and post-invasion periods.
Such effects may come from wider uncertainty and risk aversion associated with trading with Russia, plus additional impacts may materialise through global market movements (for example, energy or specific commodity markets); or via exchange rate movements, as markets adjust to internalise new assessments of relative risk between countries.
This effect is expected to be temporary and to last until the package of measures in this Statutory Instrument is implemented and its consequences are fully absorbed by UK traders.

88) This is an assessment of the direct economic cost for the UK economy, but these sanctions are not being deployed in isolation. Instead they further the existing measures that the UK has put in place, the impacts of which are yet to be seen in data. Additionally the UK, in acting with partner countries, is part of a much larger group of measures which, cumulatively, are

[60] HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases.
[61] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted.

designed to impact the Russian economy. However, this assessment does not seek to quantify to impact of partners' actions on UK exporters.

89) An estimation of the emissions impact of the proposed set of export measures was not seen as robust. It is possible that the products previously produced in the UK and exported to Russia would be produced elsewhere, leading to the risk of carbon leakage. On the other hand it is possible that consumption patterns in Russia for these products will change due to the sanctions being imposed by the UK and its broad coalition of partners.

3.5.2 Aggregated monetised impacts of proposed measures

90) This Statutory Instrument bans ancillary services related to the trade of all goods and technology sanctioned. Ancillary activities includes services such as technical assistance[62], financial services and funds[63], as well as brokering services[64]. Due to limited data availability, it was not possible to include a robust estimate for the measures associated with these ancillary services.

91) The primary cost to UK businesses will be the opportunity cost of future profit they may have made from the export or import of goods and services that will be subject to restrictions under the new measures. Table 14 below presents an estimate of the profits associated with the trade in goods affected by this set of measures. As there are no monetised benefits associated with this Statutory Instrument the costs that incorporate profitability ("Average annual cost (2022-2030) incl. profitability" and "Total cost (2022-2030) incl. profitability" columns) are also an estimate of the profits.

92) As table 14 indicates most of the expected costs are in the 'Defence and security goods' group of products (about 70% of the overall total costs in the central estimate), followed by the 'Chemical and biological goods and technology' group (circa 25%).

Table 14: Aggregate economic costs of measures (£m)[65]

(£m, 2019 prices)		Average annual cost (2022-2030) excl. profitability	Average annual cost (2022-2030) incl. profitability[66]	Total Cost (present value) excl. profitability	Total cost (present value) incl. profitability	EANDCB incl profitability
Total	**Low**	£143.5m	£15.5m	£1,175.7m	£127.0m	
	High	£180.3m	£19.5m	£1,457.2m	£157.4m	
	Central	£173.2m	£18.7m	£1,401.5m	£151.4m	-£19.2m
Export-related Measures						
Bank notes	**Low**	£0.0m	£0.0m	£0.0m	£0.0m	
	High	£0.0m	£0.0m	£0.0m	£0.0m	
	Central	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m
Jet fuel and fuel additives	**Low**	£1.3m	£0.1m	£9.9m	£1.1m	
	High	£1.6m	£0.2m	£12.3m	£1.3m	
	Central	£1.5m	£0.2m	£11.9m	£1.3m	-£0.2m
Defence and security goods	**Low**	£102.7m	£11.1m	£811.8m	£87.7m	
	High	£129.0m	£13.9m	£1,011.3m	£109.2m	
	Central	£123.9m	£13.4m	£972.1m	£105.0m	-£13.3m
Chemical and biological goods and technology	**Low**	£37.5m	£4.0m	£296.4m	£32.0m	
	High	£47.1m	£5.1m	£369.2m	£39.9m	
	Central	£45.2m	£4.9m	£354.9m	£38.3m	-£4.9m
	Low	£0.3m	£0.0m	£2.0m	£0.2m	

[62] Further detail defined here https://www.legislation.gov.uk/uksi/2019/855/regulation/21/made.
[63] Further detail defined here https://www.legislation.gov.uk/ukpga/2018/13/section/61.
[64] Further detail defined here https://www.legislation.gov.uk/uksi/2019/855/regulation/21/made.
[65] There are very small costs for the export measures on bank notes, which are associated with the regulatory costs for businesses.
[66] Average annual cost incl. profitability is equivalent to profitability as there are no benefits.

Maritime goods and technology	**High**	£0.3m	£0.0m	£2.5m	£0.3m	
	Central	£0.3m	£0.0m	£2.4m	£0.3m	-£0.0m
Oil refining goods and technology	**Low**	£1.8m	£0.2m	£14.6m	£1.6m	
	High	£2.3m	£0.3m	£18.2m	£2.0m	
	Central	£2.2m	£0.2m	£17.5m	£1.9m	-£0.2m
Import-related Measures						
Import Ban	**Low**	£0.0m	£0.0m	£41.0m	£4.4m	
	High	£0.0m	£0.0m	£43.7m	£4.7m	
	Central	£0.0m	£0.0m	£42.8m	£4.6m	-£0.6m

Source: DIT analysis based on HMRC data.

93) This analysis has not monetised any benefits to UK business as a result of the export or imports measures. We do not expect UK businesses to directly benefit from the export measures, as in most cases it restricts their abilities to export goods or services to Russia.

94) A benefit that has not been monetised is that this set of measures will protect and advance UK interests by deterring and constraining the capability of Russia to undertake further aggression against Ukraine and undermine Russia's capabilities to take aggressive action against the UK and its partners. It will reinforce the UK's support for democracy, the international rule of law, and peace and security in Europe.

3.6 Wider impacts of trade measures

3.6.1 Supply chains and employment

95) The impact of the proposed set of measures on trade and supply chains would not be limited to those exporting directly to Russia and would vary across sectors of the UK economy. Using Trade in Value Added (TIVA) data from the OECD reveals how UK industries are connected to consumers and businesses in Russia, including even when no direct trade relationship exists. Analysis using the OECD's TiVA dataset allows identification of the UK sectors that are most integrated into value chains with Russia and, therefore, those that are potentially vulnerable to disruption caused by export or import controls as well as the ongoing conflict. These are shown in Table 15. TiVA data offers advantages over traditional ways of measuring trade and are complementary to conventional trade statistics.

96) According to OECD TIVA data, 109,200 UK persons' employment[67] and $9.2 billion (approximately £6.9 billion[68]) of UK value add was embodied in Russian final demand in 2018 (3.1% of total foreign value add embedded in Russian final demand).[69] This is equivalent to around 1.6% of total UK employment – and 1.6% of total UK value add – embedded in final demand from all international trade partners. Due to data limitations, we cannot identify the proportion of trade in value added that would be impacted by UK sanctions of the export of goods in scope. However, the table below identifies the UK sectors where UK value add in Russian final demand is greatest.

[67] OECD Trade in employment (TiM) Principal indicators for UK employment embodies in Russian final demand. FFD_DEM: Domestic employment embodied in foreign final demand.
[68] Value was converted from US Dollars to Pounds Sterling using the 2018 annual average spot exchange rate (Bank of England).
[69] OECD Trade in Value Added (TiVA) ed: Principal Indicators for UK share of foreign value add in Russian final demand. Data for 2018 are latest available. FFD_DVA.

Table 15: UK exports supply chain linkages with Russia's final demand[70]

TiVA industry	UK value add as a share of foreign value add in Russia final demand (2018)	UK value in Russian final demand ($USD millions, 2018)	UK employment embodied in Russian final demand (Persons, Thousands, 2018)
DTOTAL: TOTAL	3.1%	$9,245	109.2
D21: Pharmaceuticals, medicinal chemical and botanical products	3.8%	$185	0.5
D29: Motor vehicles, trailers and semi-trailers	3.0%	$295	1.7
D22: Rubber and plastics products	2.1%	$102	1.5
D28: Machinery and equipment, nec	2.0%	$231	1.9
D20: Chemical and chemical products	1.6%	$163	1
D23: Other non-metallic mineral products	1.1%	$29	0.3
D19: Coke and refined petroleum products	0.8%	$27	0
D26: Computers, electronic and optical equipment	0.8%	$92	0.6
D27: Electrical equipment	0.7%	$39	0.5
D07T08: Mining and quarrying, non-energy producing products	0.3%	$8	0.1

Source: OECD Trade in Value Added (TiVA) 2021 ed: Principal Indicators for UK share of foreign value add in Russian final demand. Data for 2018 are latest available. FFD_DVA. OECD Trade in employment (TiM): Principal indicators for UK employment embodies in Russian final demand. FFD_DEM: Domestic employment embodied in foreign final demand. 2015 data are latest available

97) TiVA data also allows identification of the share of value added in Russian exporting industries accounted for by exports from the UK[71]. It shows that of the subsectors captured by the export ban, none contribute more than 5% of value added to any given Russian sector. The UK's pharmaceuticals, medicinal chemical and botanical products subsector does

[70] The OECD calculates final demand as a combination of Household consumption, Consumption expenditure of non-profit institutions serving households (NPISH), Direct purchases by non-residents, Government Final Consumption, Gross Fixed Capital Formation (GFCF) and changes in inventories, see: https://www.oecd-ilibrary.org/science-and-technology/guide-to-oecd-tiva-indicators-2021-edition_58aa22b1-en

[71] The OECD refers to exporting industries as those industries of origin of the exports from a country or imports to a country, see https://www.oecd-ilibrary.org/science-and-technology/guide-to-oecd-tiva-indicators-2021-edition_58aa22b1-en .

however contribute at least 2% of value added to 61 of 70[72] Russian sectors. The UK motor vehicles, trailers and semi-trailers sector contributes at least 2% of value added to 16 of 70 Russian sectors.

98) TiVA also allows us to look at concentrations of Russian value added in UK industries, accounted for by UK imports from Russia. The two sectors of the UK economy with the greatest value add input from Russia were coke and refined petroleum products, and mining and quarrying of non-energy producing products. These Russian sectors contributed at least 5% of value added to 67 of 70, and 15 of 70 UK sectors respectively.

3.6.2 Impact on protected groups

99) It is not possible to make a robust assessment of the impact of the measures in this Statutory Instrument on protected groups (in relation to age, sex, ethnicity and disability) in the UK labour market.[73]

100) It is possible that any potential impact would be more likely to affect male workers, who are disproportionally concentrated in sectors where employment is associated with international trade.

101) The potential impact on male workers is based on experimental analysis by DIT and the Fraser of Allander Institute showing that, in 2016, 64% of jobs directly and indirectly involved in exports were held by males, with the remaining 36% filled by females.[74]

102) Background information: UK employment broken down by protected groups:

a. Sex: 47% of those in employment in the UK are female and 53% are male.[75]
b. Ethnicity: 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.
c. Age: 12% of those in employment in the UK are aged 16-24, 84% are 25-64, and 4% are over 65.
d. Disability: Around 13% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).[76]

4 Risks and assumptions

103) There is a risk that the policy discourages exporting activity in firms who are not in scope of the policy. There is a cost associated with businesses that stop trading with Russia due to uncertainty around whether their goods or services are captured in the sanctions package - the so-called “chilling effect”. It is not possible to disaggregate this impact from the declining risk appetite of businesses caused by the Russian invasion. Following the imposition of sanctions resulting from the Russian annexation of Crimea[77] a decrease in trade was seen across almost all goods exported to Russia demonstrating the possible scale of tis chilling effect. To what extent this chilling effect is persistent over time and trade rebounds is uncertain.

[72] The OECD TiVA database covers 70 sectors, some of which are subsectors, in total.
[73] Race is a protected characteristic under the Equality Act 2010. For the purposes of this analysis, we utilise data regarding ethnicity to consider this protected characteristic.
[74] Evaluating the impact of exports on UK jobs and incomes
[75] According to DIT Analysis of the ONS three-year pooled Annual Population Dataset (2016-2018).
[76] It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.
[77] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted.

5 Monitoring and evaluation

104) A number of Departments are working in conjunction to develop a monitoring and evaluation framework to assess the impact of the packages of sanctions – including the ones covered in this Statutory Instrument – adopted by HM Government.

105) The Economic Crime (Transparency and Enforcement) Act 2022 has amended the Sanctions and Anti-Money Laundering Act 2018 and removed section 30 of the Sanctions Act requiring review of the measures on an annual basis.

106) While FCDO does not intend to undertake a formal post-implementation review, all sanctions are kept under continuous review and will be adapted when the context changes. FCDO is developing a monitoring and evaluation framework to assess how sanctions meet UK objectives. Such assessment will aim to include the continued collection of open source and classified information to monitor the political and economic situation in Russia as well as any unintended impacts, including on UK businesses that come to light. Assessments of the regulatory and administrative impacts of the sanctions package could for instance draw on the Office of Financial Sanctions Implementation (OFSI)'s and Export Control Joint Unit (ECJU)'s reporting and on the number of licences applied for.

107) Published data from both the ONS and HMRC now covers the period since the invasion, and by autumn, published data will cover the period following the introduction of these measures. Bilateral trade between the UK and sanctioned nations since the invasion of Ukraine will then form a central pillar of the monitoring framework for these measures. Additional use of HMRC microdata could allow for impacts to be monitored at a business level and identify any disproportionate impacts across business characteristics. HM Government also has regular engagement with UK businesses. This will provide another channel through which information on the impact of the sanctions on UK businesses is fed back to HM government.

108) Several economic assumptions have been made in this impact assessment. Therefore, it is important that an economic evaluation of the estimated economic impact on the UK takes place when possible to do so. This type of evaluation could include more in-depth analysis using econometric models or robust business surveys to understand the impact on various parts of the UK economy and its businesses. It should be noted that it may not be possible to separate the impacts of sanctions from the overall impact of the war when undertaking these analyses.

109) The policy intention is to keep sanctions on Russia in place until Russia has ended its occupation of Ukraine, withdrawn its troops from Ukrainian soil, ended its support for the separatists, and enabled the restoration of peace and security along the Ukraine-Russia border, and HM Government is assured that Russia's current behaviour of threatening Ukraine's sovereignty and destabilising the rules-based international conventions has ceased. The FCDO will continue to coordinate with international partners, including on the future of the regime.