

# **THE UNAUTHORISED DRILLING ACTIVITIES IN THE EASTERN MEDITERRANEAN (SANCTIONS) (EU EXIT) REGULATIONS 2020**

## **REPORT UNDER SECTION 2(4) OF THE SANCTIONS AND ANTI-MONEY LAUNDERING ACT 2018**

### **Introduction**

1. This is a report under section 2(4) of the Sanctions and Anti-Money Laundering Act 2018 (“**the Sanctions Act**”) in relation to the Unauthorised Drilling Activities in the Eastern Mediterranean (Sanctions) (EU Exit) Regulations 2020 (“**the Regulations**”). Section 2(4) requires a report to be laid before Parliament which explains why the appropriate Minister making regulations under section 1 considers that the purposes of the regulations meet one or more of the conditions in paragraphs (a) to (i) of section 1(2) of the Sanctions Act<sup>1</sup>; why the Minister considers that there are good reasons to pursue that purpose; and why the Minister considers that the imposition of sanctions is a reasonable course of action for that purpose.
2. Sanctions will continue to contribute to the UK’s efforts to defend the rules-based international order. The UK will continue to be a global leader on sanctions, based on the smart, targeted use of sanctions, as part of wider political and diplomatic strategies. The UK will enhance its leadership role in developing robust evidence to support sanctions regimes and designations – for national and multilateral sanctions. At the international level, the UK will continue to seek multilateral cooperation on sanctions in response to shared threats, given that a collective approach to sanctions achieves the greatest impact.
3. There is an existing EU sanctions regime concerning restrictive measures in view of Turkey’s unauthorised drilling activities in the Eastern Mediterranean. The restrictive measures contained in the EU regime can be applied against persons responsible for, or involved in drilling activities, which have not been authorised by the Republic of Cyprus, within its territorial sea or in its exclusive economic zone or on its continental shelf. This includes, in cases where the exclusive economic zone or continental shelf has not been delimited in accordance with international law with a State having an opposite coast, activities which may jeopardise or hamper the reaching of a delimitation agreement.
4. Bringing this regime into UK law is consistent with UK policy on the importance of those involved in disputes in complying with international law. The Regulations are intended to deliver substantially the same policy effects as the existing EU sanctions regime.

### **Purpose and reasons for pursuing the purpose**

5. The Regulations would allow the UK to impose sanctions against persons or entities that are or have been involved in unauthorised drilling activities in the Eastern Mediterranean, as well as those owned or controlled directly or indirectly by a person who is or has been so involved, those acting on their behalf or at their direction, and those who are members of or associated with an involved person or entity. The sanctions measures in these Regulations consist of an asset freeze and travel ban.

6. The purpose of the sanctions regime, as set out in regulation 4 of the Regulations, mirrors the existing EU regime, and is to discourage any hydrocarbon exploration, production or extraction activities which have not been authorised by the Republic of Cyprus in its territorial sea or in its exclusive economic zone or on its continental shelf including, in cases where the exclusive economic zone or continental shelf has not been delimited in accordance with international law with a State having an opposite coast, activities which may jeopardise or hamper the reaching of a delimitation agreement.
7. Carrying out this purpose meets one or more of the conditions set out in section 1(2) of the Act. In particular, carrying out this purpose would fall within sub-paragraphs:
  - (2)(c) – be in the interests of international peace and security;
  - (2)(d) – furthering a foreign policy objective of the government of the United Kingdom; and
  - (2)(i) – promoting respect for democracy, the rule of law and good governance.
8. The UK continues to recognise the sovereign right of the Republic of Cyprus to exploit the oil and gas in its internationally agreed Exclusive Economic Zone. The position of the UK is that, in line with customary international law as reflected in the UN Convention on the Law of the Sea (UNCLOS), exploratory drilling should not proceed in an area where delimitation has not been agreed between States with opposite or adjacent coasts where that drilling activity could undermine the reaching of a final delimitation agreement. Where appropriate, targeted sanctions can be used to send a clear signal that the UK opposes unauthorised drilling and the violation of other States' sovereignty which creates international tension and may hamper the reaching of final agreement on delimitation of the continental shelf or exclusive economic zone, as set out in the UN Convention on the Law of the Sea.
9. This is consistent with the UK's strong engagement in the region and support for efforts to de-escalate tensions, urging all partners in the Eastern Mediterranean to prioritise opportunities for dialogue and pursue de-escalation. The UK has spoken to all parties in these terms recently and will continue to do so.

#### **Why sanctions are a reasonable course of action**

10. The imposition of financial sanctions (including asset freezes) and immigration sanctions (travel bans) of the kind imposed by the Regulations is a reasonable course of action for the purposes of deterring, and providing accountability for, unauthorised drilling activities in the Eastern Mediterranean.
11. Sanctions can be used to change behaviour; constrain damaging action; or send a signal of condemnation. The UK believes sanctions can be an effective and reasonable foreign policy tool if they are one part of a broader foreign policy strategy for a country or thematic issue, and are appropriate to the purposes they are intending to achieve.
12. There are two principal kinds of prohibition in the Regulations: those relating to financial sanctions and those relating to immigration sanctions. These restrictions include an asset freeze (prohibiting a designated person's funds and economic resources from being dealt with, and ensuring that funds and economic resources are not made available, directly or indirectly, to or for the benefit of a designated person) and a travel ban. These restrictions can only be imposed upon specified persons who meet the criteria set out in the Regulations. This is in order to ensure that the sanctions are

clearly targeted at those who fulfil the stated purpose of the sanctions. The Regulations allow for exceptions to the travel ban and also provide for the financial sanctions to be subject to certain exceptions and a licensing framework. The exceptions and licensing provisions support the reasonableness of imposing these sanctions measures on designated persons, as they mitigate any possible negative or counter-productive impacts.

13. These sanctions are not an end in themselves. They are one element of a broader strategy to achieve the UK's foreign policy goals around supporting efforts to reach delimitation agreements and regional stability. We have and continue to engage bilaterally with all partners in the Eastern Mediterranean. The UK will continue to work alongside international partners, including the EU, to support efforts to de-escalate international tensions in the Eastern Mediterranean.
14. The Regulations also impose supplemental prohibitions and requirements, in particular those relating to the disclosure of confidential information, the reporting of information by relevant firms, and the holding of records. These kinds of prohibitions and requirements ensure that certain information is appropriately held by those involved with the operation of the sanctions regime, and that certain information is provided to authorities, and ensure that certain sensitive information is treated securely. These kinds of prohibitions and requirements enable the government to properly operate and enforce the sanctions regime, and therefore their imposition is also considered a reasonable course of action for the purpose of the Regulations.

### **Conclusions**

15. The purpose of these Regulations is to discourage any hydrocarbon exploration, production or extraction activities which have not been authorised by the Republic of Cyprus in its territorial sea or in its exclusive economic zone or on its continental shelf including, in cases where the exclusive economic zone or continental shelf has not been delimited in accordance with international law with a State having an opposite coast, activities which may jeopardise or hamper the reaching of a delimitation agreement. For the reasons set out in this report, carrying out this purpose meets conditions in section 1(2) of the Sanctions Act. As set out in this report, there are good reasons for pursuing this purpose, and the imposition of the kinds of prohibitions and requirements imposed by these Regulations is a reasonable course of action for this purpose.

**Lord Ahmad of Wimbledon  
Minister for South Asia and the Commonwealth,  
on behalf of the Secretary of State for Foreign, Commonwealth and Development Affairs**

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<sup>i</sup> Section 1(2) states:

*"A purpose is within this subsection if the appropriate Minister making the regulations considers that carrying out that purpose would –*

- a) further the prevention of terrorism, in the United Kingdom or elsewhere,*
- b) be in the interests of national security,*
- c) be in the interests of international peace and security,*
- d) further a foreign policy objective of the government of the United Kingdom,*
- e) promote the resolution of armed conflicts of the protection of civilians in conflict zones,*
- f) provide accountability for or be a deterrent to gross violations of human rights, or otherwise promote –*

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- (i) compliance with international human rights law, or
    - (ii) respect for human rights,
  - g) promote compliance with international humanitarian law,
  - h) contribute to multilateral efforts to prevent the spread and use of weapons and materials of mass destruction, or
  - i) promote respect for democracy, the rule of law and good governance."