

**EXPLANATORY MEMORANDUM TO**  
**THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) (NO. 16) REGULATIONS**  
**2022**

**2022 No. 1122**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by The Foreign, Commonwealth and Development Office ('FCDO') and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 This instrument is made under the Sanctions and Anti-Money Laundering Act 2018 ('the Sanctions Act') (c. 13) to make amendments to the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ('the 2019 Regulations'). These amendments will apply to a UK person anywhere in the world or any person in the UK and UK territorial waters (henceforth "affected persons"). The amendments will ban the supply or delivery by ship of 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country, as well as the provision of related ancillary services (including brokering services and financial assistance).<sup>1 2</sup> The purpose of the amendments will be to encourage Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, as stated in regulation 4 of the 2019 Regulations.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 This instrument, which is subject to the made affirmative procedure, is laid before Parliament on 3rd November 2022 under section 55 (3) of the Sanctions Act and comes into force on 5th December 2022. Bringing the instrument into force just over one month after it has been laid is necessary to give industries affected by the measure sufficient notice to adjust to the new measures and ensure that the UK acts in alignment with international allies to take further action to encourage Russia to cease its actions destabilising Ukraine.

**4. Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is the same as the territorial extent of the instrument which it amends: that is, the whole of the UK.

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<sup>1</sup> Product code 2709 refers to petroleum oils and oils obtained from bituminous minerals, crude.

<sup>2</sup> Product code 2710 refers to petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils.

4.2 Subject to paragraph 4.3, the territorial application of this instrument is also the same as the territorial application of the instrument that it amends. That is, it applies to the whole of the UK.

4.3 This instrument also applies to conduct by UK persons where that conduct is wholly or partly outside the UK, it also applies to conduct by any person in the UK and its territorial sea.

## **5. European Convention on Human Rights**

5.1 Anne-Marie Trevelyan MP, Minister of State at the Foreign, Commonwealth and Development Office, has made the following statement regarding human rights:

“In my view the provisions of the Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022 are compatible with the Convention rights.”

## **6. Legislative Context**

6.1 The Sanctions Act establishes a legal framework which enables His Majesty’s Government to impose sanctions for a number of purposes, which include that it is in the interests of international peace and security and furthers a foreign policy objective of the government of the UK.

6.2 This instrument makes amendments to the 2019 Regulations, which were made under the Sanctions Act for discretionary purposes within section 1(2) of the Sanctions Act.

## **7. Policy background**

### *What is being done and why?*

7.1 This instrument amends the 2019 Regulations to prohibit the provision by affected persons of the supply or delivery by ship of 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country, together with related ancillary services, including brokering services and financial services.

7.2 Following its illegal annexation of Crimea in 2014, Russia continued a pattern of aggressive action towards Ukraine that culminated in the invasion of Ukraine’s sovereign territory on 24 February 2022. This was announced by President Putin as a “special military operation”, and included recognising the ‘Donetsk People’s Republic’ and ‘Luhansk People’s Republic’ as independent States, and the deployment of Russian military forces across Ukraine. Subsequently Russia held sham referenda on sovereign Ukrainian territory and has attempted to illegally annex Ukraine’s Luhansk, Donetsk, Kherson and Zaporizhzhia regions, in flagrant violation of international law, including the UN Charter.

7.3 The UK has called on Russia to cease its military activity, withdraw its forces from the entire territory of Ukraine within its internationally recognised borders and fulfil its international commitments including under the 1975 Helsinki Final Act, and the 1994 Budapest Memorandum and the UN Charter. The UK continues to reiterate its commitment to provide the support Ukraine needs to uphold its independence, sovereignty, and territorial integrity.

7.4 UK policy is focused on ending Russia’s illegal war in Ukraine and ensuring Ukraine can defend itself against Russian aggression in the future and build a stable,

prosperous and democratic future for all its citizens. The UK is unwavering in its support for the country's independence, territorial integrity and sovereignty.

- 7.5 These sanctions are part of a broader policy of measures which include: diplomatic, military, financial and humanitarian support; trade sanctions; financial sanctions; and designations. Change will therefore be sought through diplomatic pressure, and other measures, supported by implementing restrictive measures in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine.
- 7.6 This instrument amends Part 5 in particular of the 2019 Regulations as set out in regulations 3 to 17, which contains trade sanctions measures, and makes related consequential amendments. Previous trade sanctions include prohibitions on the import, the acquisition, and the supply and delivery of Russian oil and petroleum products into the UK. This measure seeks to further constrain the revenue Russia earns from exporting oil by prohibiting the supply or delivery of 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country and the services required to facilitate that supply or delivery.
- 7.7 This instrument provides for a number of trade restrictions to build on those already in place. These are:
- amending the implementation date for the prohibitions relating to the import of all Russian oil and oil products into the UK from 31st December 2022 to 5th December 2022.
  - prohibitions on the supply or delivery by ship of certain 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country. The aim of this measure is to exert pressure on Russia by preventing the Russian state from generating revenue to finance its military action in Ukraine by denying Russian businesses access to UK vessels to facilitate the transportation of certain Russian oil and oil products.
  - prohibitions on affected persons from providing financial services, including insurance, to facilitate the supply or delivery of 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country. The aim of this measure is to further prevent the Russian state from generating revenue to finance military action in Ukraine and to put more economic pressure on the Russian regime to encourage the government to change policy.
- 7.8 The instrument also confers on the Office of Financial Sanctions Implementation (OFSI) the power to impose civil monetary penalties on a person who fails to comply with these new trade measures. Existing criminal penalties for breaches of trade sanctions also apply.
- 7.9 A General Licence will be introduced to allow a price cap exception where the supply or delivery by ship of 2709 and 2710 oil and oil products and the provision of related ancillary services will be available to third country importers, so long as they purchase oil below an agreed price. This is in line with previous commitments made by the UK and our G7 partners to introduce a price cap on Russian oil.
- 7.10 Further licences will be introduced in certain circumstances to permit supply or delivery by ship of 2709 and 2710 oil and oil products and related services in respect of specific activities critical to energy security.

- 7.11 The instrument also makes amendments to the 2019 Regulations to provide for exceptions from these measures, including;
- where a person provides justification to the Treasury within the relevant period that the act is an act dealing with an emergency; and
  - where 2709 and 2710 oil and oil products originate in a country that is not Russia, are not owned by a person connected with Russia and are only being loaded in, departing from or transiting through Russia.

## **8. European Union Withdrawal and Future Relationship**

- 8.1 This instrument itself does not relate to withdrawal from the European Union ('EU') / trigger the statement requirements under the European Union (Withdrawal) Act. The 2019 Regulations related to the withdrawal of the UK from the EU because they replaced, with substantially the same effect, the previous EU Russia and Ukraine related sanctions regimes.

## **9. Consolidation**

- 9.1 The 2019 Regulations have been amended by S.I. 2020/590, S.I. 2020/951, S.I. 2022/123, S.I. 2022/194, S.I. 2022/195, S.I. 2022/203, S.I. 2022/205, S.I. 2022/241, S.I. 2022/395, S.I. 2022/452, S.I. 2022/477, S.I. 2022/792, S.I. 2022/801, S.I. 2022/814, S.I. 2022/850, S.I. 2022/1110 and by the Sentencing Act 2020 (c. 17). This instrument does not consolidate previous instruments. The Foreign, Commonwealth and Development Office will keep the need for consolidation under review.

## **10. Consultation outcome**

- 10.1 No consultation has been carried out on this instrument. The Explanatory Memorandum to the 2019 Regulations explains the [consultation](#) that has been carried out in relation to the Sanctions Act.
- 10.2 There is neither a requirement in the Sanctions Act for public consultation on instruments made under the Sanctions Act, nor is there any other legal obligation to consult in respect of this instrument. His Majesty's Government will continue engagement with stakeholders on the implementation of UK sanctions.

## **11. Guidance**

- 11.1 In accordance with section 43 of the Sanctions Act, guidance has been published in relation to the prohibitions and requirements under the 2019 Regulations. This guidance will be updated to reflect the amendments to the 2019 Regulations made by this instrument.

## **12. Impact**

- 12.1 A full Impact Assessment for this instrument will be published alongside the Explanatory Memorandum on the [legislation.gov.uk](https://www.legislation.gov.uk) website.
- 12.2 The Foreign, Commonwealth and Development Office and HM Treasury assess that the key cost to UK business will be the opportunity cost from prevented provision by affected persons of the supply or delivery by ship and provision of related ancillary services for 2709 and 2710 oil and oil products that business would have chosen to undertake were these sanctions not in place. Whilst it is worth noting that sanctions measures such as this can help to protect the UK's national security and business

environment, in turn supporting sustainable longer-term growth, this will not directly outweigh the direct cost to businesses that would otherwise have chosen to supply or deliver the 2709 and 2710 oil and oil products or provide the related ancillary services.

- 12.3 In a scenario which assumes the measures will be in place for the full appraisal period (9 years), the Impact Assessment finds the net direct cost to UK business of the sanctions measures to be £5m per year.
- 12.4 The Foreign, Commonwealth and Development Office and HM Treasury estimate the Net Present Social Value of the overall set of proposed measures to be estimated as a negative of around £39.2m over the 9 year appraisal period.
- 12.5 UK businesses must already comply with sectoral sanctions and sanctions against individuals and entities appearing on a regularly updated gov.uk list. The process for notifying businesses about sanctions remains unchanged, so we do not expect significant changes to IT systems or administrative changes.
- 12.6 An impact assessment was produced for the primary legislation and can be found [here](#).

### **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to mitigate regulatory burdens on small businesses.
- 13.3 The Foreign, Commonwealth and Development Office and HM Treasury do not believe it is possible to exempt smaller businesses from the requirements to comply with the measures introduced by this instrument, as this could provide a route for the circumvention or evasion of sanctions.

### **14. Monitoring & review**

- 14.1 If determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. In the case of the 2019 Regulations, that would include the measures introduced by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

### **15. Contact**

- 15.1 The Sanctions Legislation and Policy Team at the Foreign, Commonwealth and Development Office, 0207 008 8553 or email: [Sanctions.SIs@fcdo.gov.uk](mailto:Sanctions.SIs@fcdo.gov.uk), can be contacted with any queries regarding the instrument.
- 15.2 Abigail Culank, Deputy Director Sanctions Taskforce at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Anne-Marie Trevelyan MP, Minister of State at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.