

EXPLANATORY MEMORANDUM TO
THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) (NO. 14) REGULATIONS
2022

2022 No. 850

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth and Development Office and is laid before Parliament by Command of Her 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') to make amendments to the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ('the 2019 Regulations'). These amendments will extend restrictions on trade with Russia for the purposes of encouraging 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 20 July 2022 under section 55(3) of the Sanctions Act and comes into force on 21 July. Bringing the instrument into force on 21 July is necessary given the international situation and it is appropriate for these measures to enter into force as soon as possible.

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 United Kingdom ('UK').
- 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, and some parts of it also apply to conduct by any person in the territorial sea adjacent to the UK.

5. European Convention on Human Rights

- 5.1 The Parliamentary Under-Secretary State at the Foreign, Commonwealth and Development Office, Rehman Chishti MP, has made the following statement regarding human rights:

"In my view the provisions of the Russia (Sanctions) (EU Exit) (Amendment) (No. 14) Regulations 2022 are compatible with the Convention rights."

6. Legislative Context

- 6.1 The Sanctions Act establishes a legal framework which enables Her Majesty's Government to impose sanctions for a number of purposes, including 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 impose prohibitions and requirements in relation to trade sanctions measures.
- 7.2 Following its illegal annexation of Crimea in 2014, Russia continued a pattern of aggressive action towards Ukraine until 24 February 2022 when it invaded Ukraine's sovereign territory. This was announced by President Putin as a "special military operation", included recognising the 'Donetsk People's Republic' and 'Luhansk People's Republic' as independent states and deployed Russian military to those regions.
- 7.3 The UK has called on Russia to cease its military activity, withdraw its forces from Ukraine and Crimea, end its support for the separatists, and fulfil its international commitments including under the 1975 Helsinki Final Act, the 2014 and 2015 Minsk Protocols, and the 1994 Budapest memorandum. UK policy remains 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 the country's territorial integrity and sovereignty.
- 7.4 These sanctions are part of a broader policy of measures which includes: diplomatic pressure; economic sanctions; and designations. Change will therefore be sought through diplomatic pressure, and other measures, supported by implementing sanctions in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine.
- 7.5 This instrument amends Part 5 (Trade) of the 2019 Regulations, which contains trade sanctions measures, and makes related consequential amendments. Previous trade sanctions include prohibitions on the exports of dual-use technology, critical-industry goods, aviation and space goods and technology, quantum computing and advanced materials, oil refining goods, defence & security technology, legal tender and cash, maritime goods, chemical weapons, and luxury consumer goods, as well as prohibitions on the import of iron and steel products and key revenue creating goods that originate or are consigned from Russia.
- 7.6 This instrument provides for a number of trade restrictions to build on those already in place. These include:
- prohibitions on the export, supply and delivery, and making available of goods (as well as related technical assistance, financial services and funds, and brokering services), to, or for use in Russia, of a list of goods known as the G7 dependencies and further goods list. These goods have been identified as items of significant importance to the Russian economy and goods for which Russia

particularly depends on the UK and G7 partners. By prohibiting Russian access to certain critical intermediate and vulnerable goods that power its economy, in particular the manufacturing sector, the UK will further isolate Russia's economy and key industries that directly or indirectly support the war in Ukraine. The list of goods is wide-ranging and includes chemicals, materials, machinery goods and electrical appliances. Appropriate licenses can be sought for any sanctioned goods to be used for humanitarian purposes.

- expanding the scope of existing energy-related goods and services prohibitions from the 2019 Regulations. These provisions will now capture the export of energy-related goods to Russia, regardless of their eventual point of use (which could be outside Russia), the making available of energy-related goods to a person connected with Russia, and the provision of technical assistance, financial services and funds, and brokering services related to these activities. Prohibitions on energy-related services, such as drilling or well testing, are expanded so that it is prohibited to provide these services to all oil and gas exploration and production projects in Russia. The energy sector is a key industry for funding Russia's efforts in Ukraine; restricting Russian access to critical goods will continue to undermine and restrict the Russian economy, thereby encouraging the government to change policy.
- prohibitions on the provision of accounting, business and management consulting, and public relations services to persons connected to Russia. The prohibitions cover the provision of services via any or all of Modes of service supply 1, 2, 3, or 4 as defined under the World Trade Organisation's General Agreement on Trade in Services (GATS), to any person connected with Russia. This would include the provision of services to Russian residents who are temporarily located in another country, including the UK. These services are targeted because they are key areas of Russian dependence, used particularly by Russian oligarchs, and which assist revenue generation for Russia. The aim of this measure is to increase the economic pressure on the Russian regime and therefore encourage Russia to cease actions destabilising Ukraine and/or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.
- prohibitions on the import of oil and oil products that originate in or are consigned from Russia or the acquisition or supply and delivery of said oil and oil products with the intention of those goods entering into the UK (as well as related technical assistance, financial services and funds, and brokering services). The aim of this measure is to deprive Russia of a key export market and further prevent the Russian state from generating revenue to finance military action in Ukraine, putting more economic pressure on the Russian regime and encouraging them to change policy. This measure will take effect on 31 December 2022.
- prohibitions on the import of coal and coal products that originate in or are consigned from Russia or the acquisition or supply and delivery of said coal and coal products with the intention of those goods entering into the UK (as well as related technical assistance, financial services and funds, and brokering services). The aim of this measure is to deprive Russia of a key export market and further prevent the Russian state from generating revenue to finance military action in Ukraine, putting more economic pressure on the Russian regime and encouraging them to change policy. This measure will take effect on

10 August 2022 to align with the equivalent EU measure as set out in Article 3j of Council Regulation (EU) 2022/576.

- prohibitions on the import (whether directly from Russia or via a third country), acquisition or supply and delivery of gold that originates in Russia on or after the 21 July 2022. Ancillary services (related technical assistance, financial services and funds, and brokering services) on gold exported from Russia on or after 21 July 2022 will also be prohibited. Russian-origin gold exported from Russia before 21 July 2022 is not in scope. The aim of this measure is to further prevent the Russian state from generating revenue to finance military action in Ukraine and put more economic pressure on the Russian regime to encourage the government to change policy.
- the current aviation technical assistance measures introduced in The Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022 which apply to “Russian aircraft” are amended to allow necessary technical assistance for temporarily detained aircraft in the ownership of suspected designated persons, at a UK airport, given the rapid rate at which aircraft degrade.

7.7 The instrument also makes amendments to the 2019 Regulations to provide for exceptions from these measures and additional licensing criteria.

7.8 The amendments that this instrument makes to the 2019 Regulations will only apply to Russia. These amendments will not impact the trade sanctions in place for the non-government controlled Ukrainian territory.

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 2018. The 2019 Regulations are 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; SI 2022/452; SI 2022/477; SI 2022/689; SI 2022/792 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 Act, nor is there any other legal obligation to consult in respect of this instrument. HM 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 those Regulations made by this instrument.

12. Impact

- 12.1 The Foreign, Commonwealth and Development Office and the Department for International Trade assess that the direct impacts and costs to business resulting from these sanctions can be summarised as:
- The Net Present Social Value of the overall set of proposed measures is estimated as a negative of around £263m over the appraisal period (2022 – 2030).¹ Net Present Social Value is the Present Social Value of Benefits minus the Present Social Value Costs, and so demonstrates the overall current monetary value of a policy option.
 - The Equivalent Annual Net Direct Cost to Business (EANDCB) - which focuses on the direct impacts on business – for the proposed set of measures is estimated at a cost of £33m.²
- 12.2 UK businesses must already comply with 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.
- 12.3 A full Impact Assessment for this instrument, is submitted with this Explanatory Memorandum and published alongside the Memorandum on the legislation gov.uk website. The effect of this instrument is to amend Part 5 (Trade) of the 2019 Regulations which contains trade sanctions measures.
- 12.4 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 FCDO does 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

¹ In 2019 prices. The Net Present Social Value of a policy is the Present Value of Benefits minus the Present Value Costs, and so demonstrates the overall current monetary value of a policy option.

² In 2019 prices.

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, 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 Rehman Chishti MP, Parliamentary Under-Secretary of State at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.