

# OFAC Expands Sanctions against Russian Energy Sector

January 17, 2025

On January 10, 2025, the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”) issued [sweeping new sanctions](#) targeting Russia’s energy sector, including the imposition of a new petroleum services ban, expanded secondary sanctions authority, and designations of certain Russian oil producers, insurance providers, and more than 180 so-called “shadow fleet” vessels. Until this time, U.S. sanctions specific to the Russian energy sector generally were limited to a ban on maritime services for oil and petroleum products sold at or below the relevant [price caps, designations of specific projects, traders, or vessels](#), and certain pre-2022 targeted [sectoral sanctions](#) and secondary sanctions authorities.

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As an initial matter, OFAC issued two new determinations pursuant to Executive Order 14024 of April 15, 2021 (“E.O. 14024”) and Executive Order 14071 of April 6, 2022 (“E.O. 14071”), respectively.

## **Russian Energy Sector Secondary Sanctions**

The [first determination](#) authorizes the U.S. government to impose sanctions on any person determined to operate or have operated in Russia’s energy sector. In a Frequently Asked Question (“FAQ”) issued by OFAC on January 10, 2025, OFAC described the scope of the “energy sector” as follows:

activities such as the procurement, exploration, extraction, drilling, mining, harvesting, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, manufacturing, testing, financing, distribution, purchase or transport to, from, or involving the Russian Federation, of petroleum, including crude oil, lease condensates, unfinished oils, natural gas, liquefied natural gas, natural gas liquids, or petroleum products, or other products capable of producing energy, such as coal, wood, or agricultural products used to manufacture biofuels; the development, production, testing, generation, transmission, financing, or exchange of power, through any means, including nuclear, electrical, thermal, and renewable, to, from, or involving the Russian Federation; and any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the energy sector of the Russian Federation economy.<sup>1</sup>

Although an existing secondary sanctions determination already targeted persons operating in Russia’s energy sector under Executive Order 13662 of March 20, 2014 (“E.O. 13662”), the new basis for designation expands the discretion of the U.S. government to impose sanctions in response to a greater scope of activities relating to the Russian energy sector by explicitly including certain additional

activities such as manufacturing, testing, financing, distribution, or purchase, and includes not only such activities directed “to or from” Russia, but also those “involving” Russia. In addition, the final provision of the FAQ extends the new E.O. 14024 definition to “any related activities, including the provision or receipt of goods, services, or technology to, from, or involving the energy sector of the Russian Federation economy.”

## **Petroleum Services Prohibition**

The [second determination](#) prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of petroleum services to any person located in the Russian Federation, effective February 27, 2025. A “person located in the Russian Federation” includes persons in Russia, individuals ordinarily resident in Russia, and Russian-incorporated or -organized entities. It does not include non-Russian entities located outside of Russia (including such companies owned or controlled by persons located in the Russian Federation), provided that the services will not be further exported or reexported to persons located in the Russian Federation, or where the benefit of the services is ultimately received by such persons. See FAQ 1058-59. OFAC simultaneously issued two FAQs relevant to this determination, FAQ 1216 and FAQ 1217. FAQ 1216 defines “petroleum services” to include “services related to the exploration, drilling, well completion, production, refining, processing, storage, maintenance, transportation, purchase, acquisition, testing, inspection, transfer, sale, trade, distribution, or marketing of petroleum, including crude oil and petroleum products, as well as any activities that contribute to Russia’s ability to develop its domestic petroleum resources, or the maintenance or expansion of Russia’s domestic production and refining.” OFAC also clarified that this extends to services related to natural gas as a byproduct of oil production in Russia. As set out in the determination, however, the restrictions exclude certain services

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<sup>1</sup> OFAC, FAQ 1213, available at: <https://ofac.treasury.gov/faqs/1213>.

related to isotopes derived from petroleum manufacturing that are used for certain medical, agricultural, or environmental purposes, certain services related to maritime transport of crude oil and petroleum products of Russian origin that are purchased at or below the above-referenced price caps, and certain services in connection with the wind down or divestiture of entities located in Russia that are not owned or controlled by Russian persons. FAQ 1217 clarifies that U.S. service providers may provide services relating to the maritime transport of Russian crude oil and petroleum products to non-sanctioned persons operating in the energy sector of the Russian economy when the products are purchased at or below the price cap.

### Additional Designations

In addition to the two new determinations, OFAC sanctioned a number of parties operating in the Russian energy sector as oil producers, maritime insurance providers, opaque traders, Russia-based oilfield service providers, and Russian energy officials and executives. Prior to January 10, most Russian oil companies were subject only to sectoral sanctions under E.O. 13662, and therefore U.S. persons were primarily restricted from certain dealings in debt or equity of such parties. The most notable designations of January 10 include two Russian oil producers, Gazprom Neft and Surgutneftegas, along with various of their subsidiaries and affiliates—a move that was made in unison with the United Kingdom. Indeed, the Office of Financial Sanctions Implementation of His Majesty's Treasury ("OFSI") issued a [financial sanctions notice](#) designating the two oil producers pursuant to the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) also effective January 10, 2025. Other sanctioned parties include more than 180 vessels that were purportedly operating as part of Russia's so-called "shadow fleet" of vessels engaging in "high-risk shipping practices to facilitate illicit or sanctionable activity" as well as two major Russian insurance providers, Ingosstrakh and Alfastrakhovanie, that are involved in maritime insurance as well as other types of insurance services.

### General Licenses

OFAC also revoked and narrowed certain key energy-related general licenses ("GLs"), including now-revoked GL 93, which previously authorized transactions involving certain Sovcomflot vessels (a number of Sovcomflot vessels are included in GL 120, described below), and amended GL 8L, narrowing the scope of a preexisting license that authorized certain energy-related transactions involving sanctioned banks, now authorizing only transactions ordinarily incident and necessary to the wind down of such transactions through 12:01 a.m. EDT on March 12, 2025.

However, OFAC issued a number of additional GLs authorizing specified energy-related transactions otherwise prohibited by E.O. 14024:

- GL [115A](#), which authorizes certain transactions related to civil nuclear energy involving financial institutions sanctioned under E.O. 14024 through 12:01 a.m. EDT on June 30, 2025.
- GL [117](#), which authorizes certain transactions that are ordinarily incident and necessary to the wind down of any transaction involving entities identified in an Annex to GL 117, including Gazprom Neft, Surgutneftegas, Ingosstrakh Insurance Company through 12:01 a.m. EST on February 27, 2025, provided that any payments to blocked persons are made into blocked accounts.
- GL [118](#), which authorizes certain transactions ordinarily incident and necessary to the divestment or transfer, or the facilitation of the divestment or transfer, of debt or equity issued or guaranteed by specified blocked persons ("Covered Debt or Equity") to a non-U.S. person, as well as certain transactions ordinarily incident and necessary to facilitating, clearing, and settling trades of Covered Debt or Equity that were placed prior to 4:00 pm EST on January 10, 2025, through 12:01 a.m. EST on February 27, 2025.
- GL [119](#), which authorizes certain transactions ordinarily incident and necessary to the official business of diplomatic or consular missions

located outside of Russia involving Gazprom Neft (or its subsidiaries), through 12:01 a.m. EST on February 27, 2025.

- GL [120](#), which authorizes certain transactions ordinarily incident and necessary to safe docking and anchoring in port, preservation of health or safety of crew, and emergency repairs or environmental mitigation of, any vessels in which any person in the Annex to GL 120 has a property interest (“blocked vessels”), as well as transactions ordinarily incident and necessary to delivery and offloading of cargo of persons identified in the Annex to GL 120 (provided it was loaded prior to January 10, 2025), through 12:01 a.m. EST on February 27, 2025.
- GL [121](#), which authorizes the provision of petroleum services related to the Caspian Pipeline Consortium, Tengizchevroil, and Sakhalin-1, through 12:01 a.m. EDT on June 28, 2025.

In addition, to address a number of parties newly sanctioned pursuant to both E.O.s 14024 and 13662, OFAC issued GL [26](#), authorizing transactions involving specified persons identified in its Annex who are designated pursuant to both E.O.s 13662 and 14024, where such transactions are authorized by a general or specific license pursuant to E.O. 14024.

On January 15, 2025, OFAC subsequently designated additional parties already designated pursuant to E.O. 14024 under E.O. 13662, and the U.S. Department of State sanctioned more than 150 parties pursuant to E.O. 14024 for supporting Russia’s military industrial base, including a significant number of parties located in the People’s Republic of China. Alongside these designations, OFAC issued three additional GLs authorizing certain transactions:

- GL [122](#), which authorizes certain transactions ordinarily incident and necessary to the wind down of transactions involving certain newly designated entities under E.O. 14024, such as Keremet Bank, Mining And Chemical Complex Federal State Unitary Enterprise, Oke Precision Cutting Tools Co Ltd, and more, as detailed in the GL, through 12:01 a.m. EST on March 1, 2025.

- GL [123](#), which authorizes transactions ordinarily incident and necessary to the divestment or transfer, or facilitation of divestment or transfer, or debt or equity guaranteed by Wafangdian Bearing Company Limited or its subsidiaries, as well as transactions ordinarily incident and necessary to facilitating, clearing, and settling trades of such debt or equity that were placed prior to 4:00 pm EST on January 15, 2025 or to the wind down of specified derivatives entered into prior to 4:00 p.m. EST on January 15, 2025, through 12:01 a.m. EST on March 1, 2025.
- GL [26A](#), which, similar to GL26, authorizes transactions involving specified persons newly designated under both E.O.s 13662 and E.O. 14024, as identified in a new Annex to GL26A, again to ensure consistent application across the sanctions programs.

### **E.O. 13662 Designations**

In addition to the expanded definition of “energy sector” by which additional parties can be sanctioned under E.O. 14024, the use of dual-authority sanctions under E.O. 13662 and E.O. 14024 is also likely intended to make it more difficult for sanctions to be removed from designated parties.

Unlike E.O. 14024, E.O. 13662 was issued as part of the pre-2022 Russia/Ukraine-related sanctions program, and the Countering America’s Adversaries Through Sanctions Act (“CAATSA”) authorizes the imposition of certain secondary sanctions against non-U.S. persons under E.O. 13662. Because of this, E.O. 13662 sanctions have a statutory basis underlying them and, pursuant to CAATSA, the President is at times directed to impose so-called “mandatory” secondary sanctions upon making certain findings (see, e.g., CAATSA, Secs. 226, 228), subject to certain constraints for removal (see CAATSA, Sec. 216). Indeed, CAATSA includes certain procedural actions that must be taken prior to the termination of sanctions, and Congress has the ability to override such termination through a joint resolution of disapproval (which in turn may be subject to a Presidential veto requiring a two-thirds vote in

Congress to override). The new designations of parties under E.O. 13662, therefore, may be intended to make it more difficult for the incoming administration to remove sanctions applicable to certain actors.

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