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EU Sanctions on Russia Related to the Ukraine Conflict

The European Union (EU), like the United States, has imposed sanctions against Russia for its annexation of Ukraine's Crimea region in 2014 and its subsequent support of separatists in eastern Ukraine. Many Members of Congress have welcomed EU efforts to resolve the crisis in Ukraine and have broadly supported U.S.-EU coordination on sanctions. The Countering Russian Influence in Europe and Eurasia Act of 2017 (P.L. 115-44; Countering America's Adversaries Through Sanctions Act [CAATSA], Title II; 22 U.S.C. 9501 et seq.) expanded the potential for U.S. sanctions on Russia, raising concerns among EU members. Congress included language in the act to reassure the EU that the United States would seek the EU's input before imposing new sanctions that could affect EU gas imports from Russia or European entities that finance or support the construction of Russian export pipelines. Some EU qualms persist about the possible impact of U.S. sanctions on the EU and their implications for U.S.-EU cooperation on Ukraine. (Also see CRS In Focus IF10694, *Countering America's Adversaries Through Sanctions Act*.)

EU Sanctions

Imposing EU sanctions—or *restrictive measures* in EU parlance—requires the unanimous agreement of all 28 EU member states. Most EU sanctions are imposed for a defined period of time, usually six months or a year, after which they require renewal to remain in place. Unanimity among EU member states is required to extend EU sanctions. In response to Russia's annexation of Crimea and its actions against the territorial integrity of Ukraine, the EU has imposed three sets of sanctions against Russia:

- **Restrictive measures on individuals and entities in Russia and Ukraine believed to be involved in the annexation of Crimea and destabilization of eastern Ukraine.** Designees are subject to asset freezes and, for individuals, visa bans. As of February 2018, the EU has designated 150 individuals and 38 entities. These measures are currently in force through March 15, 2018 (Council Decision 2014/145/CFSP, March 17, 2014).
- **Economic sanctions targeting Russia's finance, defense, and energy sectors (*sectoral sanctions*).** The EU requires its member states to impose lending and investment restrictions on five major state-controlled Russian banks, three defense firms, and three energy companies, as well as their subsidiaries outside the EU. The sanctions also ban the import and export of arms; the sale of dual-use goods and technology to Russian military end users and nine mixed companies; and sales of equipment, technology, and services for certain oil-development projects (deepwater, Arctic offshore, and shale). These measures are currently in force through July 31, 2018 (Council Decision 2014/512/CFSP, July 31, 2014).

- **Restrictions on trade, investment, and tourism services with the occupied Crimea region.** These measures are currently in force through June 23, 2018 (Council Decision 2014/386/CFSP, June 23, 2014).

Also, as of February 2018, the EU has frozen assets of and imposed visa bans on 15 former Ukrainian officials (serving in the previous government of Viktor Yanukovych) for the misappropriation of Ukrainian state funds. These measures are currently in force through March 6, 2018 (Council Decision 2014/119/CFSP, March 5, 2014).

EU and U.S. Sanctions Compared

In the first half of 2014, U.S. and EU sanctions focused mostly on denying visas to and imposing asset freezes on Russian and Ukrainian government officials and pro-Russian separatists. Given the EU's extensive economic ties with Russia, many in the EU were hesitant to escalate sanctions. Amid congressional pressure, the Obama Administration announced sectoral sanctions on selected Russian financial, defense, and energy companies on July 16, 2014. The next day, Malaysia Airlines Flight MH17 was shot down over eastern Ukraine (with 298 people aboard, two-thirds of whom were Dutch citizens). Intelligence sources indicated that the plane was brought down by separatist forces using a missile supplied by the Russian military. This event prompted the EU to expand its sanctions list and impose new sectoral sanctions on Russia.

Asset Freezes and Travel Bans

As of February 2018, the United States has designated 181 individuals and 140 entities. The U.S. and EU lists of designated individuals and entities, however, are not exactly the same, with various legal and political reasons accounting for some of the differences. The EU has imposed sanctions on more individuals and entities directly related to the fighting in Ukraine: military officials, insurgents, and battalions. The United States has specifically designated more entities affiliated with already-designated individuals and entities, as well as more companies operating in Crimea, whereas the EU has blanket restrictions on Crimea-related activities. The EU is unable to impose restrictive measures on some individuals because those individuals hold dual citizenship with EU countries. Finally, the EU removes individuals due to death (the United States requires a decedent's survivors to petition for removal).

Sectoral Sanctions

EU and U.S. restrictions against lending and/or investments with entities in specific sectors mostly overlap and target a handful of key companies in the financial, defense, and energy sectors, as well as exports and services related to deepwater, Arctic offshore, or shale oil projects in Russia (see **Table 1**). The manners in which the United States and

the EU employ this measure differ somewhat but appear to accomplish largely the same outcome. At present, the United States specifically identifies 290 entities (with subsidiaries accounting for most of that total) that are subject to sectoral sanctions. Although the EU has not explicitly identified subsidiaries of sanctioned entities, it has restricted lending and investment with majority-owned subsidiaries outside the EU.

Additionally, CAATSA expanded potential targets for U.S. sectoral sanctions. The act amended the Ukraine Freedom Support Act of 2014 (P.L. 113-272; 22 U.S.C. 8921 et seq.) to require sanctions on foreign persons that make “a significant investment” in deepwater, Arctic offshore, or shale oil projects in Russia. CAATSA also expanded U.S. sanctions to apply to U.S. persons engaged in such projects worldwide when identified entities have an ownership interest of at least 33% (or a majority of voting interests). Finally, CAATSA authorizes sanctions on U.S. or foreign entities that engage in trade or make investments of a certain value that enhance Russia’s ability to construct energy export pipelines.

U.S. and EU policies are comparable in restricting most arms trade with and dual-use exports to Russia, but EU arms-trade sanctions were applied to future contracts only. The EU and the United States also addressed the issue of existing sales and service contracts on energy development projects differently. The EU allowed for the continuation of existing contracts and agreements, in certain cases with authorization at the national level. The United States generally prohibited, other than a brief wind-down period, the continuation of existing contracts and agreements unless otherwise authorized by the Department of the Treasury’s Office of Foreign Assets Control.

Current Status of EU Sanctions and U.S.-EU Cooperation

The EU has tied lifting sanctions to the full implementation of the Minsk peace agreements for Ukraine, and the EU appears committed to maintaining sanctions on Russia. At the same time, questions persist in some EU countries about the effectiveness of the sanctions, especially amid concerns that they could be hindering EU relations with Russia on other global priorities and harming European business interests. Some European officials have periodically floated ideas about restructuring the sanctions. Others firmly reject suggestions to relax or recalibrate EU sanctions and have urged the Trump Administration to uphold U.S. sanctions.

Although many in the EU welcomed congressional efforts in 2017 to ensure that U.S. sanctions on Russia were maintained, certain initially proposed provisions in CAATSA generated unease. Some Europeans objected to what they viewed as a unilateral imposition of sanctions; they worried this could complicate the carefully crafted political consensus on the EU’s own sanctions and weaken U.S.-EU cooperation on Ukraine. EU concerns were appeased to some degree by language inserted in the act stating that the President should “continue to uphold and seek unity” with European partners on sanctions (§212) and

that new U.S. sanctions on pipeline ventures would not be imposed without coordinating with U.S. allies (§232).

Some in Europe remain wary that implementation of new U.S. sanctions could affect European energy projects. Perhaps most notable are German and Austrian concerns about possible effects on the proposed Nord Stream 2 pipeline (for transporting gas from Russia to Germany, via the Baltic Sea). Despite internal EU divisions on Nord Stream 2, the European Commission nonetheless made the general assertion that it reserves the right to take “appropriate steps,” if necessary, to protect EU interests. The Commission also continues to express concern that new U.S. sanctions could affect EU efforts to diversify its energy sector. In addition, some Europeans are anxious that codifying U.S. sanctions may reduce flexibility in their negotiations with Moscow on the Ukraine conflict.

Table I. EU and U.S. Sectoral Sanctions

EU	United States
Financial Sector	
Gazprombank	Gazprombank (+ affiliated)
Rosselkhozbank	Rosselkhozbank (+ affiliated)
Sberbank	Sberbank (+ affiliated)
VEB	VEB (+ affiliated)
VTB Bank	VTB Bank (+ affiliated)
Defense Sector	
Oboronprom (Rostec subsidiary)	Rostec (+ affiliated)
United Aircraft Corporation	
Uralvagonzavod	
Energy Sector	
Gazpromneft	Gazpromneft
Rosneft	Rosneft (+ affiliated)
Transneft	Transneft
	Novatek (+ affiliated)
Energy Development Projects	
Companies are not specified.	Gazprom (+ affiliated)
	Gazpromneft
	Lukoil
	Rosneft (+ affiliated)
	Surgutneftegaz (+ affiliated)

Note: The EU and the United States have imposed additional sanctions on several other defense firms. Also see CRS In Focus IF10552, *U.S. Sanctions on Russia Related to the Ukraine Conflict*.

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