

ECONOMIC AND FINANCIAL SANCTIONS AGAINST RUSSIA IMPOSED BY THE US, UK, AND EU AGAINST RUSSIA - UKRAINE CONFLICT

This update is the first of several which ZFZ will produce to keep our clients informed as we monitor the rapidly changing security situation in Ukraine. We believe we are uniquely placed to assist our clients in this current fast-moving situation. Support is likely to be needed in a variety of contexts, for example advice as to whether a client is captured by the sanctions or whether a contract with a Russian counterparty can be performed and support on opportunities and projects that arise in relation to alternative energy sources because of the sanctions on Russian energy providers. We have the experience and expertise to assist all our client's requirements.



Leading up to this morning's Russian invasion of Ukraine, we have seen Western powers impose heavy sanctions on Russian individuals and entities. As the conflict develops, it is very likely that more expansive sanctions will come, and with them, severe economic consequences. ZFZ has unique capabilities to assist, highlighted below, followed by a summary of the sanctions to date.

ZEILER FLOYD ZADKOVICH UNIQUELY PLACED TO ASSIST

We have offices in the US and have vast experience in advising on sanctions and OFAC's measures, for example. Luke Zadkovich and Edward Floyd have advised various parties involved in commodity trading, international shipping and other commercial sectors on US and English sanctions issues relating to Venezuela, Cuba, Nicaragua, Russia, and Iran. Indeed, they have been advising US persons and non-US persons on the Venezuelan situation quite regularly over the past few years – both in terms of primary or secondary sanctions. The specific wording of the Executive Orders and the General Licenses, and experience in understanding OFAC's interpretation of those sanctions can be essential in addressing any relevant requirements.

In our London office, Damon Thompson was in-house counsel at Gazprom Marketing & Trading during the last raft of sanctions imposed on Russia in relation to the Crimea conflict in 2014. He analysed the impact of the sanctions on Gazprom's business and was heavily involved in the Gazprom response to such sanctions. We also have Russian and Ukrainian lawyers in the London team.

Finally, our Vienna office has vast experience in gas disputes in Central Europe and can advise on EU regulatory issues. The Vienna team has, for example, advised a central European energy major on potential adaption and avoidance of long-term gas supply agreement, represented a German energy major in contract adjustment proceedings regarding gas transit agreements and related competition law questions, represented a global energy major in arbitral regarding the amendment of a gas supply contract in Eastern Europe, and represented a major global oil & gas company in arbitral and court proceedings against a Western European gas pipeline operator regarding European competition law matters.

Across our three offices, we work closely in a joined-up team to advise on all three sets of sanctions being imposed. We have also developed sanctions compliance programs, run the training associated with such compliance programs and then followed up with clients on a regular basis to check on enforcement and adoption of the compliance programs. These steps can be critical should OFAC decide to investigate a company unexpectedly.

SUMMARY OF SANCTIONS TO DATE

UNITED STATES OF AMERICA

On 21 February 2022, the United States signed an executive order which imposes economic sanctions against two Russia-backed breakaway republics in eastern Ukraine. The Order (i) prohibits new investment, trade and financing by a United States person, wherever located, in the so-called Donetsk People's Republic (DNR) or Luhansk People's Republic (LNR) regions of Ukraine; and (ii) imposes restrictions on the disposal of properties or interests in property of certain persons who have property in the United States or controlled by a United States person. These persons include any person determined to operate or have operated in the DNR or LNR and any leader, official or board member of an entity operating in the DNR or LNR. It also includes persons who have materially assisted, sponsored, or provided any form of support to any person whose property and interests have been blocked.

On 22 February 2022, the United States took additional action under the February 21 executive order and added more Russian individuals and entities to the OFAC Specially Designated Nationals (SDN) list. The individuals added to the SDN list are: Denis Aleksandrovich Bortnikov, Petr Mikhailovich Fradkov, and Vladimir Sergeevich Kiriyenko – all of whom are Kremlin-connected elites. Financial sanctions will also be imposed against two key Russian financial institutions, the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries. The VEB, PSB, and their subsidiaries can no longer do business in the US and are cut off from the US financial system.

There were also non-SDN, menu-based sanctions added against the Central Bank of the Russian Federation, the Ministry of Finance of the Russian Federation, and the National Wealth Fund of the Russian Federation. Under revised Directive 1A, U.S. financial institutions are prohibited from participating in the primary or secondary bond markets for ruble or non-ruble denominated bonds issued by these Russian institutions, or from lending to these institutions.

UNITED KINGDOM

On 22 February 2022, the United Kingdom imposed financial sanctions against 5 Russian banks (Bank Rossiya; Black Sea Bank for Development and Reconstruction; Joint Stock Company Genbank; IS Bank; and Public Joint Stock Company Promsvyazbank) and three Designated Persons (Gennadiy Nikolayevich Timchenko; Boris Romanovich Rotenberg; Igor Arkadyevich Rotenberg), who are individuals allegedly close to the Russian president and involved in the energy and construction industries.

The assets of the Designated Persons in the UK have been frozen and travel restrictions imposed on them. UK individuals are advised to check whether they maintain any accounts or hold any funds for the Designated Persons and freeze such accounts or other economic resources if any. They are also required to refrain from dealing with the funds or making them available to the Designated persons.

| EUROPEAN UNION

On 23 February, the European Union announced the introduction of an additional sanctions package supplementing the EU sanctions that have already been in place since the Russian annexation of Crimea in 2014.

The sanctions are targeted at individuals and companies involved in the violation of international law and will target banks financing the Russian military apparatus.

Specifically, any EU-situated assets held by the members of the lower house of the Russian parliament who voted in favor of the recognition of the regions Donetsk and Luhansk will be frozen and they will be banned from entering EU territory. Moreover, sanctions will be imposed on additional 27 individuals and entities who have played a crucial role in undermining or threatening the territorial integrity of Ukraine.

The EU will further introduce an import ban on goods from the Donetsk and Luhansk regions, restrictions on trade and investments related to certain economic sectors, a prohibition to supply tourism services, and an export ban for certain goods and technologies. Moreover, the EU implemented a prohibition to finance the Russian state, its government, and the Russian Central Bank.

Further discussions on additional EU sanctions are likely to follow in the coming days and weeks.

| ALTERNATIVE ENERGY SOURCES

And perhaps most significantly, on 22 February 2022, Germany has suspended the approval of the operational licence process for Nord Stream 2. This could have significant commercial and financial implications for Russia as it is a clear sign that Europe is looking to further expand its sources of energy, so it is not reliant on Russian natural gas.

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