

Biden Administration Issues Sweeping Salvo of Sanctions Against the Russian Energy Sector

Update

January 16, 2025 | 5 minute read

On January 10, 2025, in a final action to, among other things, deter Russian aggression on the international stage, the US Department of the Treasury enacted sweeping new sanctions on the Russian energy sector. Specifically, the sanctions package includes:

- Determination authorizing sanctions on any person to operate or have operated in Russia's energy sector;
- Determination banning provision of US petroleum services to Russia and
- Imposition of blocking sanctions against major players in the oil and gas markets, vessels in the so-called "shadow fleet," certain traders of Russian oil, Russian maritime insurers and Russian oilfield service providers.

Below we explain these actions and how they substantially increase the sanctions risks associated with Russian energy both for and beyond the directly impacted entities, as well as the General Licenses (GLs) that accompany the sanctions.

Russian Sanctions Regime Overview

On April 15, 2021, President Biden issued Executive Order (E.O.) 14024, "Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation," which established a national emergency by which Treasury's Office of Foreign Asset Controls (OFAC) could impose sanctions against individuals and entities furthering specified harmful foreign activities of Russia, with a focus on national security. This national emergency is separate from that related to the crisis in Ukraine, which is addressed in E.O. 13660 and its progeny.

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Section 1(a)(i) of E.O. 14024 authorizes sanctions on certain sectors of the Russian economy as determined by Treasury and the State Department. Over the past four years, OFAC has used this authority to sanction numerous sectors of the Russian economy, such as the technology and defense sectors. However, concerns about disruptions to energy prices worldwide, and particularly in relation to European allies, has caused OFAC to stop short of sanctioning the entire Russian energy sector. Until now.

Energy Sector Sanctions (Energy Sector Determination)

Under the [Energy Sector Determination](#) OFAC has authority to sanction any party that it determines to operate or to have operated in the Russian energy sector. This determination, which took effect on January 10, 2025, *exposes* all persons in the energy sector to sanctions risk but it does not *automatically impose* sanctions on all such entities. [FAQ 1214](#).

OFAC will, in the coming days, issue regulations defining impacted activities in Russia's oil, nuclear, electrical, thermal and renewable sectors. [FAQ 1213](#). This definition will be similar to the energy sector definition set forth under the Ukraine/Russia-Related sanctions in [31 CFR 589.311](#) but includes additional language identifying specific activities and petroleum products, reflecting developments since the Department of the Treasury issued the relevant [determination](#) on that issue pursuant to E.O. 13662 in 2014.

Prohibition on Petroleum Services to Russia (Services Determination)

The [Services Determination](#), which comes into effect on February 27, 2025, prohibits US persons from providing, directly or *indirectly*, most petroleum services to Russia. OFAC plans to issue regulations defining "petroleum services" to include those related to oil exploration, production, refining, storage, transportation, distribution and marketing, among others. Significantly, however, OFAC confirmed this determination *does not ban* all US services for maritime transportation of Russian oil, provided services comply with applicable price caps and do not involve blocked parties. [FAQ 1217](#).

Blocking Sanctions

In addition to these sectoral sanctions determinations, OFAC imposed blocking sanctions on numerous entities by adding them to the Specially Designated Nationals (SDN) list. Blocking sanctions freeze assets or other property of the SDN, and immediately impose a blanket prohibition against US entities, directly

or indirectly, transacting with or for the benefit of the assets. This prohibition extends to entities owned more than 50 percent by SDNs. Further, US law makes it a crime to “violate, attempt to violate, conspire to violate, or cause a violation of any” US sanction, and US regulators interpret this language broadly to encompass any transaction in which a non-US entity causes the sanctioned funds of an SDN to pass through the US banking system by simply transacting in US dollars.

Notable new SDNs include:

- 183 vessels in the so-called “shadow fleet” that has been helping Russia evade sanctions, including vessels owned by Sovcomflot that had previously been protected by GL 93, which OFAC revoked as part of this sanctions package. In December 2024, the United Kingdom Office of Sanctions Implementation (OFSI) added 20 ships to its sanctions list, bringing the number of shadow fleet vessels sanctioned by the UK to 93.
- Two of Russia’s biggest oil producers and exporters, Gazprom Neft and Surgutneftegas, and numerous subsidiaries. OFSI simultaneously imposed sanctions on these producers, on the same day that OFAC and OFSI signed a Memorandum Of Understanding outlining a framework for collaboration in the sanctions space.
- A network of traders of Russian oil that are either linked to the Russian government or have otherwise suspicious ownership.
- More than 30 Russian oilfield services providers.
- Russian maritime insurers Ingosstrakh Insurance and Alfastrakhovanie.

Secondary Sanctions Risk

The impact of these determinations and updates to the SDN list, themselves sweeping, extend even beyond the impact described above through secondary sanctions, which are measures meant to deter third parties from transacting with directly sanctioned entities. Secondary sanctions impose penalties on entities that engage in the same dealings prohibited under primary sanctions, even when there is nothing in the transaction that triggers a US nexus, such as the involvement of a US person or US dollars. These sanctions are typically triggered upon a determination that a non-US entity has “knowingly” engaged in a “significant transaction” with an SDN. Secondary sanctions can range from denial of an export license or loans from US financial institutions to designating the third party an SDN in their own right, depending on the severity of the conduct.

General Licenses

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In recognition of the significant impact of this raft of sanctions, OFAC issued several GLs in connection with these measures, mostly creating wind-down periods.

- GL 8L authorizes wind down activities transactions with 12 enumerated financial institutions for a “any transaction related to energy” until March 12, 2025.
- GL 115A authorizes wind down activities transactions with 12 enumerated financial institutions for transactions “related to civil nuclear energy” until June 30, 2025.
- GL 117 authorizes the wind down of transactions involving Gazprom Neft, Surgutneftegas, and certain additional entities until February 27, 2025.
- GL 118 authorizes certain transactions related to debt or equity of, or derivative contracts involving, Gazprom Neft, Surgutneftegas, and certain additional entities until February 27, 2025.
- GL 119 authorizes certain transactions involving Gazprom Neft related to diplomatic and consular mission operations outside of Russia until February 27, 2025.
- GL 120 authorizes limited safety and environmental transactions and the unloading of cargo involving certain newly sanctioned persons and vessels until February 27, 2025.
- GL 121 authorizes provision of petroleum services for three projects until June 28, 2025: the Caspian Pipeline Consortium, Tengizchevroil, and Sakhalin-2.

Ultimate Impact

The effectiveness of these sanctions will ultimately be determined by the Trump administration, which will be responsible for either enforcing them or rolling them back. While the incoming administration has indicated an intent to roll back many Biden-era policies, it is impossible to predict to any degree of utility if and when these particular measures will be reversed. This is a fluid area, and companies potentially impacted by the sanctions should remain on high alert. At a minimum, any company that transacts in any way with the Russian energy sector should immediately evaluate their exposure and prepare for the sanctions to be enforced in full. The Bracewell sanctions team is prepared to assist.