

# A Minefield in Russia's Energy Sector: Biden's Final Sanctions Act May be Game-Changing

## WRITTEN BY

Peter E. Jeydel | Ryan Last

Days before President Biden leaves the White House, the U.S. government has delivered a major blow against Russia. On January 10, 2025, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) [announced](#) its most comprehensive sanctions to-date against Russia's energy sector. OFAC's sanctions were complemented by another sweeping [sanctions action](#) by the U.S. Department of State (State Department) on the same day.

This latest package is part of the ongoing G7 commitment to curtail Russian revenues from energy exports. But these actions, reinforced by similar measures taken by the United Kingdom, mark a significant escalation in the international campaign to weaken Russia's economic capacity to sustain its war effort in Ukraine. Other G7 partners, such as the EU, have not yet followed these biting sanctions, but are reportedly working towards that goal.

Notably, President-elect Trump's nominee for Treasury Secretary, Scott Bessent, [stated](#) during his January 16<sup>th</sup> confirmation hearing that he would "be 100% on board" for "taking sanctions up, especially on the Russian oil majors, to levels that would bring the Russian Federation to the table." He criticized the Biden Administration for imposing sanctions on the Russian energy sector that were "not fulsome enough," faulting them for being overly "worried about raising prices during an election season." This could be a strong indication that the incoming administration may leave these tough sanctions in place, and possibly even continue to escalate them.

Specifically, OFAC has added to the List of Specially Designated Nationals (SDNs) and Blocked Persons (SDN List) some of the largest energy companies in Russia, among dozens of other Russian individuals, entities and vessels. In addition, OFAC issued a broad prohibition on the provision of petroleum services to Russia (the [Determination Pursuant to Section 1\(a\)\(ii\) of Executive Order 14071](#) (the Petroleum Services Determination)), along with a determination that threatens the imposition of additional sanctions in the future on parties operating in Russia's energy sector (the [Determination Pursuant to Section 1\(a\)\(i\) of Executive Order 14024](#) (the Energy Sector Determination)). A number of new and amended general licenses (GLs) ([8L](#), [115A](#), [117](#), [118](#), [119](#), [120](#), and [121](#)) were issued under the [Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587](#) (RuHSR) and one new GL ([26](#)) was issued under the [Ukraine-/Russia-Related Sanctions Regulations 31 CFR part 589](#). OFAC also revoked Russia-related [GL 93](#), which had previously authorized transactions involving certain Joint Stock Company Sovcomflot (Sovcomflot) vessels and published five new Russia-related FAQs ([1213-1217](#)) and 15 amended Russia-related FAQs ([967](#), [976](#), [977](#), [978](#), [999](#), [1011](#), [1012](#), [1017](#), [1117](#), [1126](#), [1182](#), [1183](#), [1201](#), and [1203](#)).

Following these actions, on January 15, 2024, the U.S. government announced yet another package of Russia sanctions from both [OFAC](#) and [the State Department](#). This package notably included the SDN designation of a bank in Kyrgyzstan, accused of facilitating cross-border transfers on behalf of a sanctioned Russian bank and creating “a sanctions evasion hub for Russia to pay for imports and receive payment for exports.” Oddly, OFAC alleges that this bank in Kyrgyzstan acted in conjunction with an SDN politician from Moldova, along with an unnamed “Russian oligarch.” This action highlights the secondary sanctions risks that non-U.S. financial institutions face under the Russia sanctions program, and the ways in which reputational issues can escalate into sanctions targeting.

These latest actions against Russia’s energy sector mark a significant shift from the previous focus on the [“price cap” policy](#) as the primary way of curtailing Russia’s revenue from the sale of its oil and petroleum products internationally. The ripple effects from this move will extend well beyond direct business in Russia’s energy sector, and will have major ramifications for global financial institutions, including in the insurance industry, shipping, and other areas.

### **Significant Designations and Increased Secondary Sanctions Risk**

OFAC has added two of Russia’s largest oil producers— Public Joint Stock Company Gazprom Neft (Gazprom Neft) and Surgutneftegas—to the SDN List. These entities were designated under two distinct authorities: [Executive Order 14024](#) and [Executive Order 13662](#). The distinction is significant because sanctions imposed under Executive Order 13662 are codified into statute through the [Countering America’s Adversaries Through Sanctions Act of 2017](#). Additionally, OFAC took the unusual step of re-designating under Executive Order 13662 almost 100 entities already designated under Executive Order 14024, in order to subject “foreign persons, including foreign financial institutions, that knowingly facilitate [significant transactions](#) for or on behalf of any of these entities . . . to mandatory secondary sanctions.” This is a clear signal of an intent to step up targeting of non-U.S. persons under U.S. “secondary sanctions.”

Relatedly, OFAC’s new [Energy Sector Determination](#) now provides a basis for the imposition of sanctions on any individual or entity involved in Russia’s energy sector, including non-U.S. persons. Preliminary [guidance](#) indicates this will cover a wide spectrum of upstream, midstream, and downstream operations, as well as various energy products including oil, natural gas, and petroleum products, but also coal, wood, and agricultural products used to manufacture biofuels, along with goods, services and technology relating to nuclear, electrical, thermal, and renewable power.

OFAC also greatly expanded the pre-existing sanctions on Sovcomflot, by revoking GL 93 and targeting 183 vessels, including tankers that are part of Russia’s so-called “shadow fleet” that are viewed as evading international sanctions. Traders in third countries have also been sanctioned for their roles in shipping and selling Russian oil and petroleum products outside the price cap regime.

At the same time, the government fired a shot across the bow of the Chinese oil/logistics sector by adding to the SDN List Shandong United Energy Pipeline Transportation Co. Ltd., [described](#) as “a PRC-based oil terminal operator that facilitated port calls and discharges in September and December 2024 of a U.S.-blocked Russian crude oil tanker.” This will make other entities in China, India, and elsewhere think twice about further dealings with Russia’s so-called “shadow fleet.” With the massive expansion of sanctions against these vessels, traders,

producers, etc., there are now serious questions about how Russia will market and ship its products internationally.

The State Department has sanctioned two of Russia's four operational liquefied natural gas (LNG) projects and entities operating such Russian LNG export terminals – Gazprom's Portovaya LNG terminal? and Cryogas' Vysotsk LNG terminal? – building on prior sanctions against the Arctic LNG 2 project and others in the LNG sector and their international suppliers. Also targeted is Vostok Oil, described as "a major Russian oil development project from which Russia hopes to export upwards of 2 million barrels of oil per day." The State Department said this action was "intended to slow down or halt further construction of the Vostok Oil project and limit the project's ability to market and export crude oil and petroleum products in the future."

Other targets of the sanctions package include two Russia-based maritime insurance providers, Ingosstrakh Insurance Company and Alfastrakhovanie Group, both of which play critical roles in underwriting and insuring Russian exports. Such designations are likely to have profound implications for the global insurance and reinsurance markets, disrupting insurance arrangements for vessels, traders and other entities involved in global energy supply chains.

OFAC and the State Department designated numerous Rosatom subsidiaries and officials, as well as business partners in Turkey and elsewhere, further tightening the noose around Russia's state-owned nuclear energy company, which has still not been itself comprehensively blocked.

The State Department imposed numerous sanctions on China-based entities for supporting the Russian war effort and went out of its way to note that one of the targets is a Chinese state-owned enterprise supplying laser components to Russia. The State Department also sanctioned Chinese entities for providing engines and other components for Russia's devastating "glide bombs." These are major escalations of the U.S. government's accusations about Chinese involvement in supporting Russia's war effort.

### **Petroleum Services Prohibition**

OFAC also introduced the [Petroleum Services Determination](#), which, beginning on February 27, 2025, will prohibit U.S. persons from providing petroleum services to parties in Russia. There are a few exceptions to this ban, including for limited services that comply with the pre-existing price cap rules, certain wind-down activity, activity related to the operations of the Caspian Pipeline Consortium, Sakhalin II, or Tengizchevroil, and for isotopes from petroleum manufacturing used in medical, agricultural, or environmental applications (e.g., Carbon-13). OFAC has [indicated](#) that the term "petroleum services" will be interpreted broadly, encompassing services related to crude oil, petroleum products, and natural gas as a byproduct of oil production. Other natural gas-related activity is not covered by this particular prohibition.

More than 30 Russian oilfield service providers and more than a dozen senior energy executives also have been designated as SDNs.

### **Key General License Restrictions**

These new measures will disrupt and complicate financial transactions relating to Russia's energy sector going

forward. OFAC has replaced GL 8K, which previously had broadly authorized transactions related to energy with key Russian entities, with [GL 8L](#). GL 8L is instead an authorization (with certain limitations) for the wind-down of energy-related transactions with specific sanctioned Russian financial institutions, until March 12, 2025. Beginning on that date, unless OFAC extends the wind-down period or issues a separate authorization, any continued transactions with the sanctioned Russian entities listed in GL 8L may risk exposure to U.S. sanctions. This will seriously complicate international financial transactions related to Russia's energy sector, particularly in light of the [recent targeting](#) of Gazprombank Joint Stock Company (Gazprombank?).

[GL 117](#) authorizes the wind down of transactions, until February 27, 2025, involving Gazprom Neft, Surgutneftegas, and certain other blocked entities. Beginning on that date, there will be hard questions about U.S. sanctions compliance for transactions involving Russian oil and related products and whether any of these blocked entities may have an interest that could trigger U.S. sanctions risk.

[GL 115A](#) authorizes, until June 30, 2025, the maintenance or support of civil nuclear energy projects initiated before November 21, 2024, involving Gazprombank or other specified blocked financial institutions. However, among other limitations, the GL explicitly excludes transactions related to the Paks II nuclear power plant project or its successors, in a major swipe at Hungary's energy relationship with Russia.

As noted above, numerous [other GLs](#) have been issued or modified, making compliance in this space increasingly complex.

## **Implications for Global Energy, Financial, Insurance, and Shipping Sectors**

These new sanctions create a far more complex compliance landscape for companies even with only indirect exposure to Russia's energy sector, such as international insurers or other financial institutions, and companies in the shipping/logistics sectors. The price cap policy, which once provided a relatively light-touch mechanism for regulating Russian oil and petroleum product exports, is now riddled with overlapping restrictions, making compliance a high-risk exercise.

The broader designation of energy companies and projects also disrupts supply chains and impacts third-country activities, particularly in the Commonwealth of Independent States? region and certain countries in Europe where now-blocked entities operate critical infrastructure and sources of supply.

## **A Strategic Shift in U.S. Sanctions Policy**

This sanctions package marks a major departure from prior actions targeting Russia's energy sector. Under the Biden Administration, the U.S. had, until now, largely avoided broader sanctions that could destabilize global oil and gas markets. These sanctions represent a clear escalation, signaling a willingness to impose greater restrictions despite potential supply disruptions or price increases. Businesses operating in or with exposure to the global energy market must now navigate a far more complex and high-risk compliance landscape.

## **Geopolitical and Economic Considerations**

These sanctions come at a time of significant uncertainty in global energy markets. While the International Energy

Agency has projected a potential global oil supply surplus in 2025, that could change as a result of these actions, and any price spikes could test the durability of these policies. The potential for reduced Russian pipeline flows through Ukraine and delays in ramping up U.S. LNG export projects further complicate the outlook.

To learn more about these developments or related compliance risks and expectations, please reach out to Pete Jeydel or Ryan Last.

## **RELATED INDUSTRIES + PRACTICES**

- [Banking + Financial Services Regulation](#)
- [Energy](#)
- [International](#)
- [Sanctions + Trade Controls](#)