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Financial Transactions Related to Russian Energy Now Prohibited: Expiration of OFAC ?General License 8L

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On March 12, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) allowed General License (GL) 8L under the Russian Harmful Foreign Activities Sanctions Regulations to expire. As a result, broad OFAC prohibitions now apply for the first time to transactions involving energy with a broad set of systemically significant Russian financial institutions on OFAC's Specially Designated Nationals (SDN) list. See our previous advisory for more detail on the other recent sanctions that have been imposed on Russia's energy sector, and another post from earlier this week on where Russia sanctions may be heading under the Trump administration.

Originally issued under the Biden administration following Russia's full-scale invasion of Ukraine, GL 8 had authorized transactions related to energy that involved SDN Russian financial institutions, such as Sberbank, VTB Bank, and Alfa-Bank. These transactions, which otherwise would have been prohibited by OFAC, were authorized by GL 8 to minimize shocks to the global energy markets that may have otherwise resulted from a cut-off of Russian supplies due to the absence of viable payment channels. The covered energy-related transactions spanned oil, petroleum products, natural gas, coal, wood, agricultural products used to produce biofuels, uranium, and electricity.

The Trump administration, by allowing GL 8L to expire on March 12, effectively revoked this longstanding authorization. As a result, U.S. and non-U.S. persons that continue to conduct energy-related transactions directly or indirectly involving these SDN banks will need to evaluate whether other more limited general licenses may apply on a case-by-case basis, submitting specific license applications to OFAC or pursuing similar approaches with OFAC (*e.g.*, seeking secondary sanctions comfort letters), or else consider refraining from these transactions.

In addition to the prohibitions that will apply when U.S. persons are involved in some way (*e.g.*, most USD-denominated transactions) in activity involving energy and one of these listed banks, U.S. secondary sanctions apply to non-U.S. persons conducting this activity even when there is no jurisdictional link to the U.S. So all financial institutions and energy market participants globally with potential connections to Russia should evaluate their compliance posture in light of these developments.

The trajectory of U.S. sanctions policy toward Russia will likely hinge on Russia's responses to ongoing diplomatic initiatives involving Ukraine. However, in the meantime, OFAC and other U.S. government agencies have remained active in enforcing Russia-related sanctions.

Please reach out to the authors for any questions about these developments.

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