

## International Trade Alert

August 18, 2017

### Russia Sanctions - EU Expands Sanctions Following Alleged Diversion of Siemens Turbines

On August 4, 2017, the Council of the European Union (the “Council”) made six new designations to the list of persons subject to restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. The designations are set forth in Implementing Regulation (EU) 2017/1417 (available [here](#)) and Council Decision (CFSP) 2017/1418 (available [here](#)). The following companies and individuals have been sanctioned:

- OAO VO Technopromexport
- OOO VO Technopromexport
- ZAO Interavtomatika
- Andrey V. Cherezov, Vice-Minister for Energy of the Russian Federation
- Evgeniy P. Grabchak, Head of Department in the Energy Ministry of the Russian Federation
- Sergey A. Topor-Gilka, Director General of both Technopromexport entities.

These designations follow allegations from July 2017 that Technopromexport, a Russian state-owned entity, unlawfully diverted four Siemens gas power plant turbines to Sevastopol. According to media reports, Siemens built the power turbines in Russia through a separate joint venture and sold them to Technopromexport on the condition that Technopromexport not ship the turbines to Crimea or otherwise export power generated from them to Crimea. Siemens has filed an action in the Moscow Arbitration Court against Technopromexport to prevent the diversion of other Siemens equipment to Crimea and compel Technopromexport to return the turbines to their original destination in Russia. Siemens has also announced that it will no longer deliver power-plant equipment to state-controlled Russian companies, among other measures to reduce its presence in Russia following these recent events.

Since March 2014, the EU (similar to the United States) has progressively imposed restrictive measures against Russia for its unlawful annexation of Crimea. Among other restrictions, the EU’s restrictive measures prohibit companies from exporting goods and technology to Crimea for use in energy-sector infrastructure projects. To date, 168 natural persons and 40 companies have been designated as sanctioned parties by the EU under its various Ukraine-related sanctions authorities. All of these persons are subject to an asset freeze, and all but 15 are also subject to a travel ban.

In its August 4 decision, the Council indicated that the four Siemens turbines are substantial elements for new power plants in Crimea and were diverted there in order to establish an independent power supply in

support of the separation of Sevastopol and Crimea from Ukraine. The Council noted that the diversion occurred in breach of the contractual provisions for the original sale of the turbines.

These latest designations demonstrate that the EU continues to actively monitor and enforce its sanctions against persons who undermine the territorial integrity, sovereignty and independence of Ukraine, and/or undermine the EU's nonrecognition policy with respect to Russia's annexation of Crimea and Sevastopol. For companies operating in Russia, particularly those in the energy sector, these events underscore the importance of ensuring that effective compliance policies and procedures are in place to mitigate the potential risks of diversion and evasion by third parties.

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