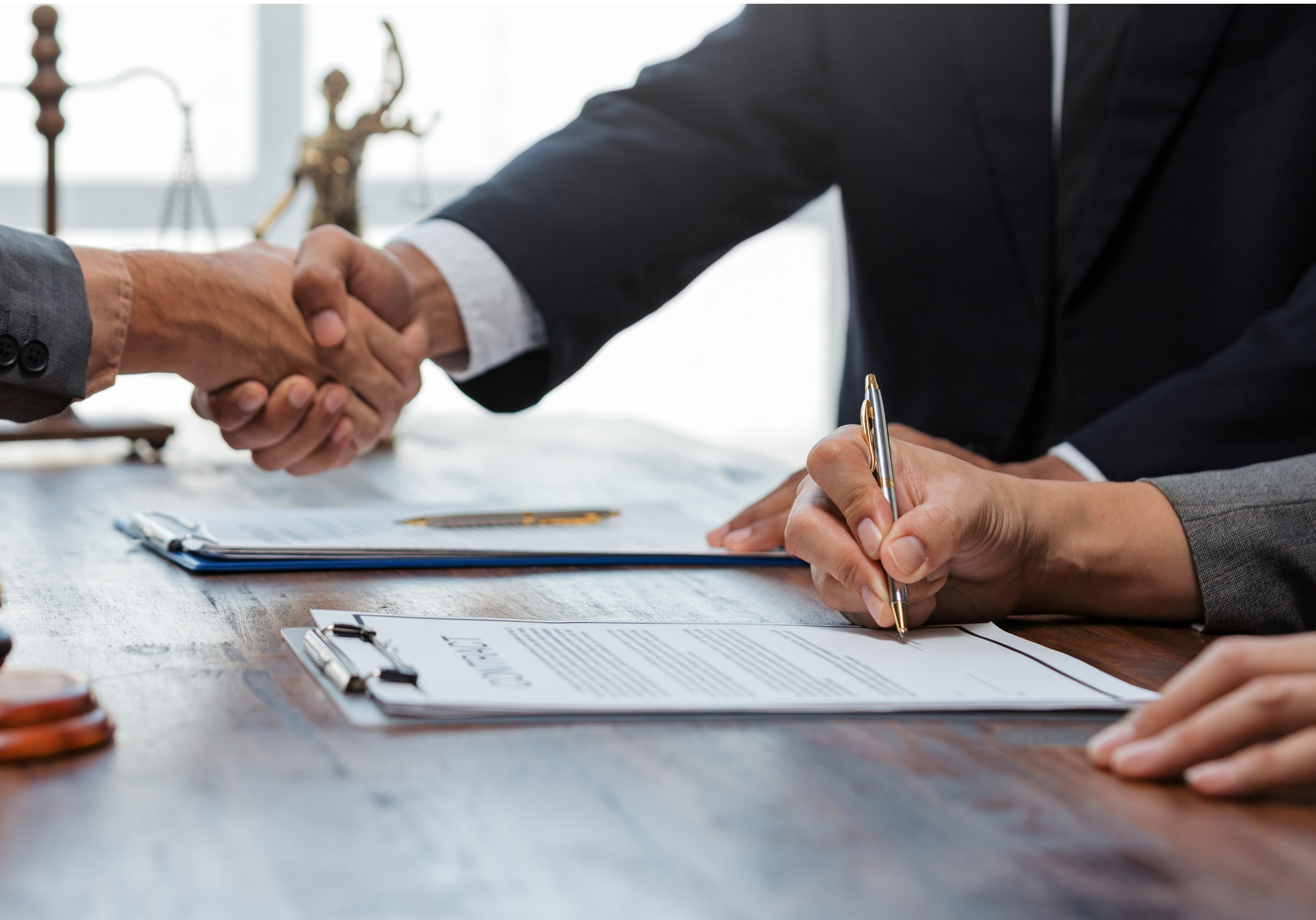
Sanctions: Fortnightly Summary



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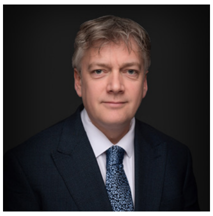

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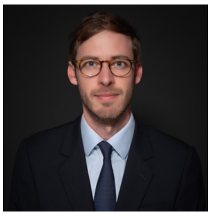

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Welcome to BCL's latest sanctions and export controls round-up, highlighting the key developments in UK and international sanctions.

This edition covers, amongst other matters, the UK and France's continued offensive against the Russian "shadow fleet", the first company to be publicly named for accepting a compound penalty, the EU's renewal of existing Russia-related sanctions for a further 12 months, and sweeping waivers of Iran oil sanctions issued by the U.S.

UK SANCTIONS

UK plans to auction oil seized from Russian "shadow fleet" vessel

- On 24 June, The Telegraph reported that the UK Government is considering a plan to sell off the 100,000 tons of Russian crude oil held on the "shadow fleet" tanker recently "interdicted" by British armed forces in the English Channel. The oil is reported to have a market value of around £35m, with the sale proceeds intended to fund Ukraine's war effort. **[The Telegraph]**

- On 14 June, the sanctioned vessel MT Smyrtos was boarded by British armed forces in the first UK-led enforcement action of its kind. The vessel remains detained by the UK, anchored off the south coast of England. According to The Telegraph, Whitehall sources have said the vessel will be released once an investigation has concluded – although government officials believe the oil held on the vessel "now legally belongs to the UK and can be used or traded by the British government".

- The Russian Government has responded by saying that it would explore its legal options if the Russian crude oil is sold, warning that any legal options would "be utilised to the fullest extent possible – both against those who make or will make such decisions, those who will sell this oil, and those who will purchase it".

Energy firm named after £500,000 Russia sanctions settlement

- On 29 June, HM Revenue and Customs (HMRC) announced that an energy services firm has paid a compound penalty of more than £500,000 for breaching the Russia (Sanctions) (EU Exit) Regulations 2019 (the "Russia Regulations"), becoming the first company to be publicly named by HMRC for accepting such a penalty. **[HMRC Notice]**

- Petrofac Facilities Management Limited ("PFML") has paid a compound settlement of £569,157.07 for offences under the Russia Regulations. The breaches by PFML occurred in 2022 and 2023 while the company was winding down its Russian operations. The company supplied sanctioned industrial goods to individuals connected to Russia (regulation 46Y(2)(c)) and provided technical assistance relating to those goods (regulation 46Z(1)(b)).

- Naming the company marks a significant shift in how HMRC handles compound settlements in relation to strategic exports and sanctions. According to HMRC, this is intended to "bring us into line with other enforcement partners" – in particular to ensure greater consistency with penalty notices issued by the Office of Financial Sanctions Implementation (OFSI). **[HMRC Press Release]**

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Ownership and control test: insights from the call for evidence

- On 30 June, OFSI circulated a bulletin on insights from its call for evidence on the ownership and control test in UK financial sanctions regulations. OFSI launched the call for evidence in February to seek industry's views on how UK financial sanctions regulations on ownership and control are applied in practice, including how firms implement the regulations and where they face challenges. **[OFSI Bulletin]**

- According to OFSI, the call for evidence focused on hypothetical control as a direct response to industry feedback, with the responses received highlighting greater implementation challenges associated with the control element of the ownership and control test rather than the ownership element. Notable insights from the respondents include:

  - Hypothetical control was most commonly encountered under the Russia regime and in cases involving state-linked entities, politically connected individuals, and trusts.

  - Costs increase when there is need to make assessments based on limited information; including enhanced due diligence, engaging external legal advice, and delaying or escalating business decisions for senior review.

  - Tools and legal concepts relevant to control assessments can be helpful for understanding the nature of control, though not always reliable for implementing the test itself.

- OFSI has said that the evidence provided will help support potential next steps, and it will continue to explore options to provide greater clarity to industry on ownership and control. However, in the meantime, firms are still expected (and required by law) to assess ownership and control in line with existing UK financial sanctions guidance.

The U.S. and UK Economic Sanctions Authorities: A Comparative Overview

- On 23 June, the U.S. Office of Foreign Assets Control (OFAC) and OFSI published joint guidance providing a comparative analysis of the U.S. and UK sanctions regimes, comparing the key aspects and highlighting their similarities and differences. **[OFSI Guidance]**

- The joint guidance is a result of the Enhanced Partnership agreement formed between OFSI and OFAC in October 2022. The agreement included a commitment to work together in helping businesses navigate the similarities and differences between UK and U.S. sanctions requirements through the publication of joint guidance.

- This publication is intended to ensure that those who are required to comply with U.S. and UK sanctions understand the respective regimes, including reporting obligations, ownership rules, enforcement time limits, penalties for voluntary disclosure, and the application of strict liability.

UK Introduces new Open General Export Licence for Dual-Use Items

- On 25 June, the UK's Export Control Joint Unit (ECJU) published a new **Open General Export Licence** for dual-use items ("Dual-Use OGEL"). **[ECJU Notice]**

- The new licence is intended to simplify licensing requirements for UK exporters of dual-use items by providing a single, streamlined licensing process for exports to certain low-risk destinations. According to the ECJU, the inclusion of additional destinations on this licence arises from a data-led review of historic licensing decisions, which shows that these exports are consistently approved and present low risk.

- The Dual-Use OGEL entered into force immediately upon its publication. However, exporters must register through SPIRE (the online export licensing system) before using this licence. Registration includes declaring where records of the exports or transfers will be kept, and where ECJU may inspect them.

EU SANCTIONS

EU renews existing Russia sanctions for another year

- On 25 June, the Council of the European Union formally renewed existing sanctions measures against Russia for a further 12 months, following the agreement reached by EU leaders at the summit on 18-19 June. This is the first time such measures have been renewed for a year, having previously been extended every six months. **[EU Press Release]**

- At the same summit, EU leaders confirmed they were working on the 21st sanctions package and called for its swift adoption by the Council. The proposed measures focus on high-impact sectors (including energy and financial services) and trade restrictions, while also indicating the increased policy focus on circumvention risks involving third countries, crypto-assets and maritime operations. **[EU Press Release]**

- On 2 July, the EU's foreign policy chief, Kaja Kallas, proposed sanctions on the Russian military producers involved in the widespread strikes on Kyiv earlier that day, which killed at least 18 people and wounded more than 80. Any new measures need to be approved unanimously by EU countries. **[Politico]**

French navy seizes further Russian "shadow fleet" vessel

- On 25 June, France's navy seized a vessel said to be part of Russia's "shadow fleet". According to reports, the vessel was boarded and detained as it was suspected of sailing without a registered flag in breach of international maritime law (Article 110 of the United Nations Convention on the Law of the Sea). **[Reuters]**

- Nine suspected "shadow fleet" vessels have now been seized across Europe since the start of 2026, including four by France. Following the most recent interdiction by France, President Macron said that "This new action against the shadow fleet, conducted days after a similar operation by Britain, shows Europeans' determination".

- Separately, on 2 July, French authorities were reported to have imposed a fine of €1 million on the registered owner of a Russian "shadow fleet" vessel intercepted and detained at the end of May over its role in shipping Russian oil and gas. Following payment of the fine, French authorities said the vessel is now free to leave French waters. **[Reuters]**

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U.S. SANCTIONS

U.S. issues sweeping Iran oil sanctions waivers

- On 22 June, the U.S. issued a sweeping rollback of sanctions on Iran, allowing dollar-denominated trade in Iranian oil (otherwise prohibited by sanctions), as the parties continue with talks toward a permanent peace deal. **[CNBC]**

- OFAC has issued a wide-ranging 60-day exemption allowing Iran to sell crude oil, petrochemical and petroleum products in U.S. dollars. Under **General License X**, vessels and entities subject to U.S. sanctions are also cleared for transactions.

- President Trump has said that Iran is expected to use the profits from oil sales to buy American agricultural products, though the basis for this expectation is unclear. When asked whether he could guarantee that Iran would not use the money to rebuild its military, Trump is reported to have said: “Well, they’re not supposed to be doing that, so we’ll see”. **[CNBC]**

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