

# PUBLICATION

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## Update on Escalation of Sanctions on Russia

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March 16, 2022

In our February 25 alert, we discussed the U.S. implementation of significant sanctions and export controls on Russia which will severely impact business transactions with Russian entities. In our March 4 alert, we discussed how the U.S. and its allies continue to exert pressure on Russian entities and individuals with additional sanctions on Russia and Belarus. As Russia has escalated its unprovoked war in Ukraine, the U.S. and western allies have escalated their economic actions primarily aimed at its energy sector. Moreover, the likely suspension of Permanent Normal Trade Relations (PNTR) will lead to an increase in tariffs on imports from Russia. These actions will further complicate companies' transactions with Russian suppliers or customers. As the situation unfolds and Russia continues to escalate its violence against both military targets and civilians, we expect the Biden Administration and Congress, along with U.S. allies, to take additional actions that will further isolate Russia from the global economy.

### Ban on Imports of Russian Oil, Liquefied Natural Gas, and Coal

Following a bipartisan push from Congress, President Joe Biden issued an [executive order](#) on March 8 targeting Russia's energy sector. While the U.S. relies on Russia for only a small portion of its energy needs, the intention to tighten supply by the U.S. and its allies has caused the price of crude to jump. Notably, the executive order bans investments in Russia's energy sector.

The executive order bans:

- The importation into the United States of Russian crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquefied natural gas; coal; and coal products.
- New U.S. investment in Russia's energy sector by a U.S. person. An FAQ from United States Department of the Treasury's (Treasury) Office of Foreign Assets Control (OFAC), which can be found [here](#), provides guidance regarding new investment in the Russian energy sector.
- Any approval, financing, facilitation, or guarantee by a U.S. person of foreign persons that are making investments to produce energy in Russia.

### Ban on Certain Exports, Imports, and Investments

President Biden issued an [executive order](#) on March 11, in tandem with an announcement with the G7 and the European Union. Importantly, the order authorizes Treasury to impose future investment restrictions in any sector of the Russian economy.

The executive order bans:

- Imports from Russia including fish, seafood, and preparations thereof; alcoholic beverages; and non-industrial diamonds.
- The export of luxury goods.
- New investment in any sector of the Russian Federation economy by a U.S. person wherever located as determined by Treasury.

- U.S. persons from financing or enabling foreign companies that are making investments in certain sectors identified in the order.
- The exportation of U.S. dollar-denominated banknotes to the Government of Russia.

The executive order provides the Departments of Commerce and Treasury the authority to ban the import or export of additional goods and expand the investment ban.

### **Announcements with the G7 and the European Union**

In addition to the Executive Order, the President issued a [fact sheet](#) on March 11 outlining additional actions the U.S. and its allies would take to further isolate Russia from the global economy:

- Suspend Permanent Normal Trade Relations for Russia and Belarus: President Biden has announced he will work with Congress to suspend PNTR. Speaker Nancy Pelosi (D-CA) [stated](#) on March 11 the House of Representatives will take up bipartisan [legislation](#) to suspend PNTR status for Russia and Belarus the following week. A full suspension of PNTR status would significantly increase tariffs on imports of certain Russian goods, including metals, rare earth minerals, and other commodities that are key inputs for certain U.S. industries. If PNTR is suspended, duty rates on U.S. imports from Russia and Belarus would be rates set under Column 2 of the U.S. Harmonized Tariff Schedule.
- Full blocking sanctions on additional Russian elites and their family members: On March 11, Treasury issued a new round of sanctions on additional oligarchs and political leaders, which can be found [here](#).
- Denying borrowing privileges at multilateral financial institutions: The G7 Leaders will agree to ensure Russia cannot obtain financing from the leading multilateral financial institutions, such as the International Monetary Fund and the World Bank.
- New guidance by Treasury to thwart sanctions evasion, including through virtual currency: The OFAC guidance can be found [here](#).

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