

New Russia Energy Sanctions Add Compliance Complexity

By **Abram Ellis, George Wang and Anais Bourbon** (December 11, 2025)

On Oct. 22, the U.S. Department of the Treasury's Office of Foreign Assets Control designated two of Russia's largest oil companies — PJSC Rosneft Oil Co. and Lukoil OAO — and certain of their subsidiaries as specially designated nationals.

These designations mark a significant escalation of the U.S. government's restrictions on Russia, and add a new layer of regulatory complexity for the operations of the global energy sector.

The scope of permissible transactions in Russia and with Russian entities is shrinking, which will likely lead to fewer businesses willing to remain committed to engaging in business in Russia or with Russian entities.

In October, the U.K. similarly designated Rosneft and Lukoil and certain associated entities. But the European Union has not yet followed suit — though the EU's recently enacted 19th sanctions package includes significant measures targeting Russia's energy sector.

U.S. Sanctions

Context for the U.S. Designations of Lukoil and Rosneft

The U.S. government designated Rosneft and Lukoil to exert pressure on the Russian government for its lack of serious engagement in negotiations to end the war with Ukraine.[1] These designations aim to significantly curb oil and gas sales revenue for the Russian government.

This is a significant escalation of U.S. sanctions against Russia, since oil and gas sales are a large source of revenue for the Russian military. These designations also affect countries not directly party to the conflict that rely on Russian oil or gas for their domestic energy consumption.[2]

This is the first set of major Russia designations by this second Trump administration, and could mark the beginning of a broader escalation of sanctions on Russia if the negotiations to end the conflict remain unproductive, according to the U.S. government.

In response to this set of designations, we expect countries that have maintained their purchase of Russian oil or gas to engage bilaterally with the U.S. government in an effort to receive a carveout from these sanctions, which could enable them to continue their purchase of Russian oil or gas.[3]

Specifics of the U.S. Designations of Lukoil and Rosneft

Lukoil, Rosneft and certain of their respective subsidiaries were designated as SDNs pursuant to Executive Order No. 14024, as amended by Executive Order No. 14114.[4] Accordingly, U.S. persons are prohibited from engaging in any dealings with these entities



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unless authorized by specific or general license.[5]

Lukoil and Rosneft blocked entities — companies in which an interest of 50% or greater is, directly or indirectly owned, individually or in the aggregate, by one or more of these designated entities — are also blocked and otherwise treated as SDNs, even if they are not explicitly named in the designation.

Additionally, all Lukoil and Rosneft blocked entities' property or property interests within the U.S., or in the possession or control of a U.S. person, is now blocked and must be reported to OFAC. U.S. entities that engage in unlicensed transactions with Rosneft or Lukoil risk significant civil penalties,[6] and may be prosecuted criminally for willful sanctions violations.[7]

These designations also have implications for non-U.S. persons. Pursuant to Executive Order No. 14024, any foreign financial institution that has conducted or facilitated any significant transaction for or on behalf of Lukoil and Rosneft blocked entities may be subject to U.S. correspondent accounts or payable-through accounts restrictions, or may even itself be designated.[8]

Such a designation would result in the foreign financial institution losing access to the U.S. dollar, which for any internationally operating financial institution, would be a significant issue for their business and operations.

Non-U.S. persons may also be held liable for causing a U.S. person to violate economic sanctions by, for example, failing to disclose the involvement of a sanctioned jurisdiction or person to a U.S. correspondent bank processing a U.S. dollar payment.

U.S. Wind-Down and Other General Licenses

Concurrently with the designation of the Lukoil and Rosneft blocked entities, OFAC issued general licenses 126, 127 and 128 (later modified to 128B).[9] OFAC also issued general licenses 129, 130 and 131 after these designations.[10]

General licenses authorize a range of transactions that would otherwise be prohibited by the designations. General licenses 126 and 127 expired on Nov. 21, having authorized a broad range of activities necessary to wind down transactions, and divest or transfer debt and equity of the Lukoil and Rosneft blocked entities.

General licenses 128B, 129 and 130 are still valid and authorize a range of ordinarily prohibited transactions until April 29, 2026. These licenses authorize certain transactions involving Lukoil International GmbH for the purchase of goods and services from, or the maintenance, operation or wind-down of retail service stations located outside of the Russian Federation.

These licenses also authorize, with exceptions and conditions, transactions involving Rosneft Deutschland GmbH, RN Refining & Marketing GmbH and certain Lukoil entities located in Bulgaria.

Additionally, general license 131 is valid until Dec. 13, and authorizes certain transactions relating to the negotiation and entry into contracts with Lukoil for the sale, disposition or transfer of Lukoil International GmbH. Performance of such a contract would require separate authorization from OFAC.

New U.K. Sanctions

On Oct. 15, the U.K. Office of Financial Sanctions Implementation, or OFSI, designated PJSC Rosneft Oil Co. and PJSC Oil Company Lukoil, certain of their subsidiaries and certain other entities pursuant to the Russia (Sanctions) (E.U. Exit) Regulations 2019.

As a result of these designations, U.K. persons[11] must freeze the assets of and are prohibited from making any economic resources available to the designated person, which is equivalent to a prohibition on all transactions involving these entities. Any entity that is 50% directly or indirectly owned or otherwise controlled by a designated entity will also be subject to the same restrictions.[12]

U.K. persons who engage in unlicensed transactions with PJSC Rosneft Oil Co. and PJSC Oil Company Lukoil risk civil penalties. Willful sanctions violations may be prosecuted criminally.[13]

OFSI has issued general licenses authorizing transactions with the designated entities for a specific period. These licenses enable U.K. companies to prepare for the termination of their relationships with the designated entities.

Additionally, OFSI has authorized the continuation of certain business activities with specific subsidiaries of the designated entities in certain EU countries through separate general licenses. It is unclear whether OFSI will issue additional general licenses with respect to the designated entities' subsidiaries.

To date, OFSI issued several general licenses, allowing for the wind-down of operations with designated entities or continuation of certain dealings. Notably, OFSI issued two general licenses that were valid through Nov. 13 and Nov. 28, respectively, and authorized the wind-down of transactions involving designated entities.[14]

Furthermore, OFSI issued general licenses to allow dealings with certain of the designated entities' subsidiaries in specific European countries, including a license valid through:

- Oct. 22, 2027, authorizing the continuation of business with of PJSC Rosneft Oil Co.'s German named subsidiaries — Rosneft Deutschland GmbH, RN Refining & Marketing GmbH, and any entity owned or controlled, directly or indirectly, by these entities — which are under German state control;[15] and
- Feb. 14, 2026, authorizing the continuation of business with Lukoil Bulgarian entities.[16]

OFSI also amended various general licenses adding the designated entities to the list of designated persons from whom U.K. persons may purchase petrol at any petrol station in Kyrgyzstan or Tajikistan that is owned by or sells to the designated person, provided that the petrol is for the U.K. person's personal vehicle,[17] or permitting certain dealings relating to petrol purchases and sales by U.K. persons and certain energy projects in Russia, Kyrgyzstan, Tajikistan, Kazakhstan and Azerbaijan.[18]

New EU Sanctions

On Oct. 22, the EU adopted its 19th package of sanctions against Russia, focusing on key sectors of the Russian economy including the energy and financial sectors.[19] Unlike the U.S. and the U.K., the EU neither designated Lukoil or Rosneft entities nor otherwise specifically targeted Lukoil.

Instead, it removed exemptions for oil and gas imports and related transactions involving Rosneft and Gazprom Neft, effectively preventing EU operators from importing oil and gas from Rosneft and Gazprom Neft.

The package also imposes a total ban on the import into the EU of Russian liquefied natural gas by Jan. 1, 2027, for long-term contracts, and by April 23, 2026, for short-term contracts.

The EU views energy as a principal source of revenue supporting the Russian military. However, sanctions against Russian energy have been a subject of divergence within the EU, as certain member states rely heavily on Russian energy for their domestic consumption.

The 19th sanctions package demonstrates that the EU is taking further steps to exclude Russian energy from its energy supply, notwithstanding the difficulties for certain of its member states.

Interestingly, the EU's 19th sanctions package also designated entities in India and China, among other third countries, due to their direct or indirect support of Russia's military-industrial complex or their involvement in Russian sanctions circumvention.

EU operators must freeze the assets of designated individuals and entities. They are also prohibited from making any economic resources available to these designated persons. This includes entities that are owned by more than 50% — either directly or indirectly — or otherwise controlled by, one or more of these designated entities.

The EU has expressed that further sanctions may be forthcoming. EU High Representative Kaja Kallas has already indicated that "the 19th package will not be the last."

Conclusion

These actions are a reminder that organizations should exercise increased caution in counterparty due diligence, know-your-customer and similar exercises when transacting with Russian related entities, particularly in the energy sector.

Russian SDNs may employ fairly sophisticated sanctions evasions techniques, such as using complex ownership structures specifically intended to obscure the involvement of sanctioned parties. Businesses are advised to heighten their due diligence requirements when preparing to transact with Russian entities, or entities suspected of having Russian ownership or significant ties to Russia.

When engaging with such entities, running sanctions screens on the counterparty's board members, ultimate beneficial owners and key executives, as well as requesting certifications of compliance with U.S. sanctions, are important steps to minimize possible exposure to sanctions liability.

Additionally, the scope and intensity of existing sanctions may increase including though additional designations, as the U.S., U.K. and EU continue seeking to weaken the Russian wartime economy.

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[1] Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire, U.S. Department of the Treasury Press Release, Oct. 22, 2025, available at <https://home.treasury.gov/news/press-releases/sb0290>.

[2] Vitaly Shevchenko, How the West is helping Russia to fund its war on Ukraine, [bbc.com](https://www.bbc.com/news/articles/cdxk454kxz8o), May 29, 2025, available at <https://www.bbc.com/news/articles/cdxk454kxz8o>.

[3] Diana Nerozzi and Eli Stokols, Orban's chummy relationship with Trump could help his oil sanctions pitch, [politico.com](https://www.politico.com/news/2025/11/06/orban-trump-oil-sanctions-00640608), Nov. 6, 2025, available at <https://www.politico.com/news/2025/11/06/orban-trump-oil-sanctions-00640608>.

[4] Full list of designated entities available at <https://ofac.treasury.gov/recent-actions/20251022>.

[5] The Russia Harmful Activities Sanctions Regulations define U.S. persons as "any United States citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States." 31 C.F.R. § 587.314.

[6] Civil penalties under the International Emergency Economic Powers Act, or IEEPA, shall not to exceed the "greater of \$377,700 or twice the amount of the underlying transaction." 31 CFR 501 Appendix A.

[7] "A person who willfully commits, willfully attempts to commit, or willfully conspires to commit, or aids or abets in the commission of, an unlawful act described in subsection (a) shall, upon conviction, be fined not more than \$1,000,000, or if a natural person, may be imprisoned for not more than 20 years, or both." 50 U.S.C. § 1705.

[8] As with most list-based sanctions programs, we also note that Executive Order No. 14024 gives OFAC authority to designate as SDNs non-U.S. persons found to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, persons designated under the executive order. Historically, OFAC has used this type of authority only under egregious circumstances, such as where an individual acts on behalf of SDN to help the SDN circumvent sanctions.

[9] General License 126, available at <https://ofac.treasury.gov/media/934706/download?inline>; General License 127, available at <https://ofac.treasury.gov/media/934711/download?inline>; General License 128B, available at <https://ofac.treasury.gov/media/934791/download?inline>.

[10] General License 129, available at <https://ofac.treasury.gov/media/934726/download?inline>; General License 130, available

at <https://ofac.treasury.gov/media/934756/download?inline>; General License 131, available at: <https://ofac.treasury.gov/media/934761/download?inline>.

[11] U.K. persons include U.K. nationals, or a body incorporated or constituted under the law of any part of the U.K., as well as branches of U.K. companies operating overseas (Section 21 of the Sanctions and Anti-Money Laundering Act 2018; see UK Russia Sanction Guidance, available at <https://www.gov.uk/government/publications/russia-sanctions-guidance/russia-sanctions-guidance#:~:text=Prohibitions%20and%20requirements,-The%20regulations%20impose&text=UK%20persons%20include%20British%20nationals,regulations%20are%20set%20out%20below>).

[12] U.K. operators should review their counterparties cautiously, particularly entities that may be affiliated with the designated entities, as the control test may capture entities not majority owned by the designated entities.

[13] Civil penalties under U.K. Russia (Sanctions) (E.U. Exit) Regulations 2019. Regulation 88C shall be such amount as the Treasury may determine, but it may not exceed the permitted maximum of £1 million or 50% of the value of the funds or economic resources of which the Treasury have not been informed.

[14] General license INT/2025/7538856 is available at https://assets.publishing.service.gov.uk/media/68ef6cd78427701993d5e0c1/INT-2025-7538856_GL.pdf. General license INT/2025/7539056 is available at https://assets.publishing.service.gov.uk/media/68ef66b0e7b6794c076bbe6c/INT-2025-7539056_GL.pdf.

[15] General license INT/2025/7598960 is available at <https://assets.publishing.service.gov.uk/media/68f8794bb391b93d5aa39a38/INT.2025.7598960.pdf>.

[16] General license INT/2025/7895596 was issued and amended in November, authorizing continuation of business with Lukoil Bulgaria entities, namely Lukoil Bulgaria EOOD; Lukoil Neftochim Burgas AD; Lukoil Aviation Bulgaria EOOD and Lukoil Bunker Bulgaria EOOD. The general license is available at https://assets.publishing.service.gov.uk/media/691f15689c8e8f345bf985a1/General_License_Lukoil_Bulgaria_INT.2025.7895596.pdf.

[17] General license INT/2025/5886860 was amended to add Lukoil and Rosneft to the list of designated persons from whom U.K. person may purchase petrol at any petrol station on Kyrgyzstan or Tajikistan that is owned by or sells to the designated person, provided that the petrol is for the U.K. person's personal vehicle.

[18] General license INT/2025/5635700 is available at https://assets.publishing.service.gov.uk/media/68ef7b8c8427701993d5e0d7/2025-10-15_GL_for_INT.2025.5635700.pdf.

[19] The EU's 19th sanctions package is available at <https://www.consilium.europa.eu/en/press/press-releases/2025/10/23/19th-package-of-sanctions-against-russia-eu-targets-russian-energy-third-country-banks-and-crypto-providers/>.