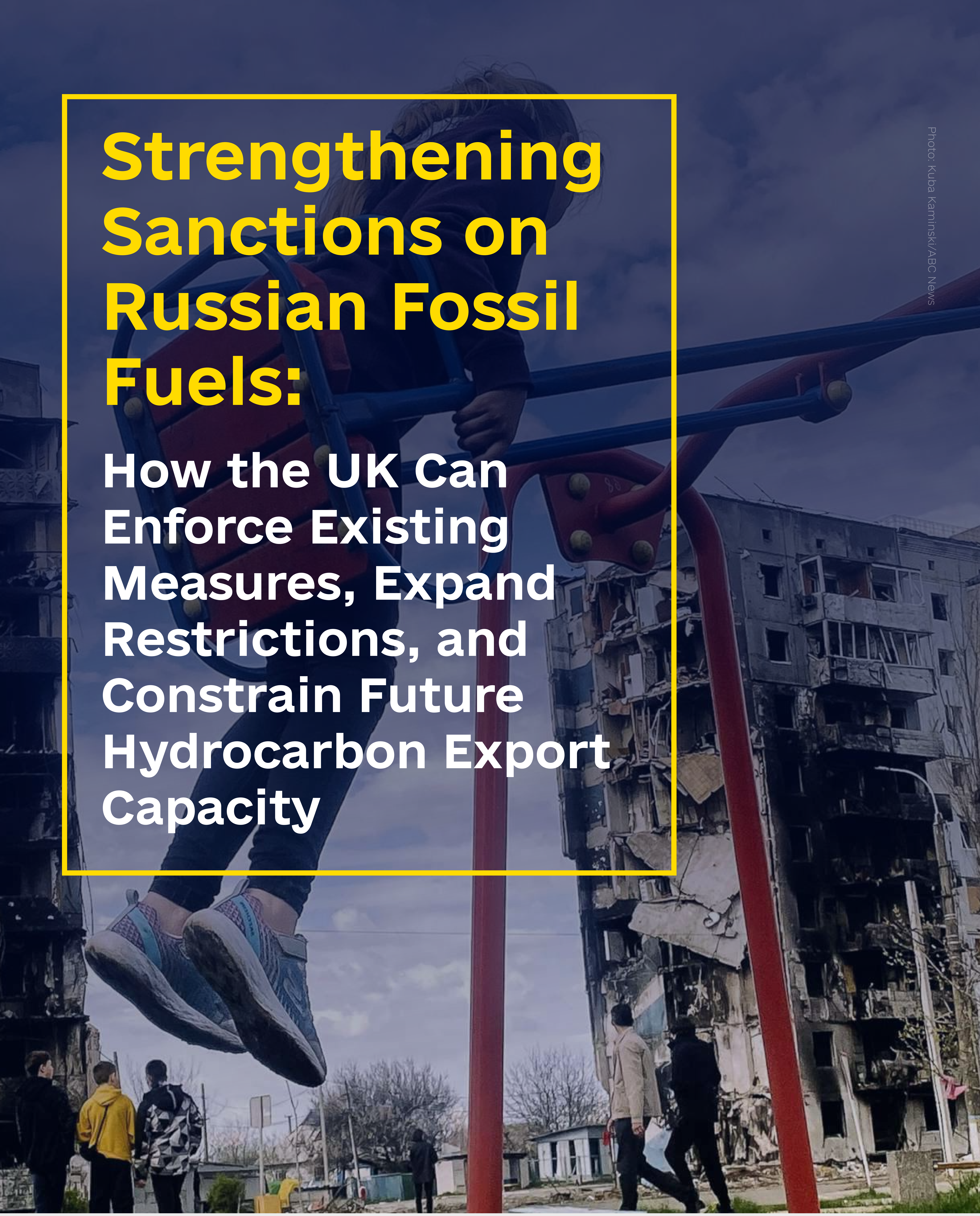

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Strengthening Sanctions on Russian Fossil Fuels:

How the UK Can Enforce Existing Measures, Expand Restrictions, and Constrain Future Hydrocarbon Export Capacity

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ABOUT THE AUTHORS

B4Ukraine is a global coalition of over 100 civil society organizations with a singular mission: to sever the financial and material support that sustains Russia's war against Ukraine. The coalition works to end corporate complicity in Russia's aggression and strengthen sanctions implementation and enforcement.

Centre for Research on Energy and Clean Air (CREA) is an independent research organisation focused on revealing the trends, causes, and health impacts, as well as the solutions to air pollution. Since the full scale invasion of Ukraine, CREA has tracked fossil fuel exports from Russia and effective economic and financial countermeasures.

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UK Friends of Ukraine aims to maintain and increase support for Ukraine in the UK, in the political, humanitarian and business sectors.

INTRODUCTION

This paper sets out a series of recommendations to strengthen the United Kingdom's sanctions framework against Russia, with a particular focus on the maritime, energy, and technology sectors. The recommendations are organised according to the principal channels through which the UK can increase economic pressure on Russia and reduce its ability to finance and sustain its war effort.

The paper begins by examining opportunities to strengthen the enforcement of existing oil sanctions. Despite extensive international restrictions, Russian oil exports continue to generate significant revenues through sanctions-evasion networks, maritime service providers, and refining loopholes. The first section therefore focuses on measures designed to improve compliance with the oil price cap, disrupt the shadow fleet, target key export infrastructure, and close gaps in the current sanctions regime.

The second section addresses Russia's future hydrocarbon export capacity, particularly in the liquefied natural gas (LNG) sector. These recommendations seek to limit the development and expansion of Russian energy projects by restricting access to maritime services and specialised shipping assets that are essential to LNG production and export.

The paper then considers options for extending maritime sanctions to other strategic exports, including coal, before turning to export controls and technology restrictions. These measures are intended to constrain Russia's longer-term industrial and energy capabilities by limiting access to the goods, services, and expertise required to sustain future production.

Taken together, the recommendations reflect the UK's unique strengths as a global maritime, insurance, financial, and regulatory centre. By combining stronger enforcement of existing measures with targeted new restrictions, the UK can play a leading role in increasing economic pressure on Russia and reducing the effectiveness of sanctions-evasion mechanisms.

I. STRENGTHENING ENFORCEMENT OF EXISTING OIL SANCTIONS

Utilise the UK's leverage as the largest maritime insurer of Russian oil: Create better enforcement mechanisms for the price cap policy

The oil price cap has been undermined by weak enforcement, poor compliance requirements, and widespread circumvention practices, limiting its effectiveness in reducing Russian export revenues. The UK must leverage its dominant position in the global Protection and Indemnity (P&I) insurance market to further constrain Kremlin export revenues and reduce the financing available for Russia's war economy.

The UK is still the largest maritime P&I insurer of Russian oil globally. Between January and April 2026, the UK insured GBP 19.2 bn of seaborne Russian fossil fuels (oil, coal and LNG); equivalent to GBP 4.8 bn per month. In terms of oil, the UK insured GBP 13 bn of Russian crude and oil products in the first four months of 2026 (GBP 3.2 bn per month).

The UK insured 44% of Russia's seaborne oil products between January and April 2026 (worth GBP 8.3 bn). For crude oil shipments, UK maritime insurers covered 20% of Russian crude oil shipments in the first four months of 2026 (valued at GBP 4.6 bn).

Maritime insurers or vessel owners currently do not have direct access to the pricing information for the oil they insure or transport, and are reliant on attestation documents provided by oil traders for price cap compliance.

At the same time, the majority of Russian crude oil is currently being traded by opaque entities located outside price cap coalition countries, such as the United Arab Emirates (UAE) and Hong Kong. These traders can fraudulently underreport the price that they paid to attain Western maritime services for the transport of Russian oil.

Policy recommendations:

- Sanctioning countries must implement measures that address attestation fraud; a key enabler of non-compliance.
- Maritime insurers and oil traders must be required to obtain a bank statement showing that the Russian oil was traded below the price cap to avoid fraudulent attestation documents being produced. This bank statement must be verified by the bank itself to reduce the risk of the oil trader fraudulently producing documents. It would also enable maritime service providers to independently verify the price paid for the oil.
- As an alternative to amending and enforcing the price cap policy, sanctioning jurisdictions could utilise their leverage to tax Russia's use of G7+ maritime services when transporting its fossil fuels.

Shadow Fleet – Vessel Designations and Enforcement

Russia's 'shadow' fleet – vessels operating outside G7 and allied jurisdictions, without Western flags, insurance, or beneficial ownership – now transports the majority of Russian seaborne crude oil. As of May 2026, 805 unique vessels have been sanctioned by the EU, UK, US, Australia, and Canada. Despite this, sanctioned tankers carried over 60% of Russian seaborne crude by Q4 2025, demonstrating that Russia has become structurally dependent on sanctioned tonnage.

The fleet is ageing, with 75% of vessels over 15 years old. It is largely uninsured by internationally recognised P&I clubs, and routinely engages in deceptive practices including AIS manipulation, ship-to-ship transfers, and flag fraud. The UK faces a particularly acute enforcement challenge: 175 shadow fleet vessels transited UK waters in 2025, with an average of 2 shadow tankers passing through the English Channel every day.

The UK has taken important enforcement steps, including extending military boarding authority to all sanctioned vessels, but significant gaps remain in vessel designations and the regular exercise of enforcement powers.

Policy recommendations:

<u>1. Align UK vessel designations with the EU and US</u>

There has been a significant increase in coordination between the major sanctioning authorities. Of the 797 unique vessels sanctioned by the EU, UK, and OFAC, 223 (28%) are now targeted by all three. The EU and UK have aligned significantly, with 568 vessels sanctioned by both. The EU currently leads on vessel designations with 632 vessels, ahead of the UK (621) and OFAC (382). Only around a fifth (182 vessels, 23%) remain designated by just one jurisdiction as of June 2026.

This coordination matters because vessel sanctions have a demonstrated impact on oil volumes. OFAC-sanctioned vessels saw oil volumes fall 73%, while vessels sanctioned by other jurisdictions (EU, UK, Australia, Canada) saw a 22% reduction. Critically, dual sanctions – where both the UK and the EU designate the same vessel – achieve a 25% cargo drop, compared with only 16% for UK-only designations. India, the largest buyer of UK-sanctioned vessel cargo, received 39% of UK-sanctioned volume but only 9% of OFAC-sanctioned volume – suggesting that UK designations carry less deterrent weight than US ones. Aligning the UK list with allied jurisdictions would strengthen the operational impact of UK designations.

However, significant alignment gaps remain. 64 vessels currently sanctioned by the EU have no corresponding UK designation, creating an enforcement gap that allows these vessels to operate without UK sanctions exposure – despite having already been identified and targeted by the EU. Of these, 45 have no corresponding UK or OFAC designation – the UK is the primary gap. In total, 176 vessels sanctioned by the EU and/or OFAC are not on the UK list – over one-fifth (22%) of all designated vessels. In the other direction, 52 vessels are sanctioned only by the UK but not the EU – these would benefit from reciprocal EU listing to maximise their operational impact.

OFAC has not designated any new vessels since January 2025, making UK-EU coordination the primary axis for expanding the sanctions regime. The next phase of UK designations should prioritise alignment:

- The UK should designate the 176 vessels currently sanctioned by the EU and/or OFAC but not the UK. These vessels have already been identified by allied jurisdictions and can be listed without additional investigation. 45 of these are on the EU list; the remaining 112 are OFAC-designated, and 19 are on both the EU and OFAC designations lists.

- New vessel designations should be coordinated with the EU as standard practice, building on the 568 vessels already jointly sanctioned by both.

- The UK should engage the EU to reciprocally designate the 52 vessels currently sanctioned by the UK alone, so that UK designations are reinforced by a second major sanctions regime and the 25% dual-sanction cargo drop is achieved across the full UK list.

<u>2. Strengthen enforcement: monitor, disrupt, and detain shadow fleet vessels in UK waters</u>

The UK should systematically monitor, disrupt, and where appropriate detain shadow fleet vessels transiting UK waters. The English Channel and Dover Strait are among the world's busiest and narrowest shipping lanes – and 100% of false-flagged vessels carrying Russian crude from western ports to China, India, or Turkiye transit through UK or EU maritime chokepoints rather than routing around the Cape of Good Hope. Every vessel passes through UK enforcement reach.

The scale of shadow fleet activity in UK waters is substantial. In 2025, 175 shadow fleet vessels passed through UK waters – an average of 58 per month. 59% were more than 20 years old. 67% were Suezmax or Aframax class, capable of carrying up to 136,000 tonnes of oil. In 2025, 113 shadow vessels flew false flags – flags of countries that had not actually registered them, voiding all insurance and regulatory oversight. False-flagged vessels transported an estimated GBP 7.4 bn of Russian crude oil and oil products, with over one-third transiting EU and UK waters. The North Sea alone saw an estimated GBP 340 mn of false-flag cargo. Not a single trade leaving Russia's western ports on a false-flagged vessel destined for China, India, or Turkiye navigated around the Cape of Good Hope – 100% transited UK or EU maritime chokepoints.

The environmental risk is acute. The shadow tanker Innova spilt oil 23 km off the coast of Scotland – no clean-up was conducted, no owner was held responsible, and the vessel remains unsanctioned and operational. In January 2025, the shadow tanker Eventin lost engine power and drifted uncontrolled in the Baltic Sea, carrying nearly 100,000 tonnes of Russian oil, requiring emergency intervention by German authorities. Port state control inspections of 75 sanctioned tankers that transited the English Channel in the past two years revealed fire safety deficiencies in 38%, structural failings in 30%, and MARPOL pollution standard failures in 25%. These vessels operate with limited or no valid liability insurance – even where Russian insurers nominally provide P&I coverage, policies often contain clauses that void coverage if the shipment violates sanctions, rendering insurance meaningless.

The clean-up costs from a major English Channel spill could exceed GBP 1 bn, with no guaranteed compensation mechanism. In June 2025, a Russian warship – a Steregushchiy-class corvette – escorted sanctioned shadow fleet tankers through the English Channel, representing a significant escalation: Russia deploying military assets to protect its shadow fleet in international waters proximate to UK territory.

Enforcement works when applied. Coordinated enforcement has already proven that deceptive practices can be disrupted. False-flagged deliveries collapsed from a peak of 135 vessels in October 2025 to just 6 deliveries in March 2026, following detentions by Belgium, France, and Sweden, and the UK's extension of military boarding authority to sanctioned vessels broadly. The Nordic-Baltic 8++ inspected or detained 4 Russian vessels in March 2026 alone. The UK's extension of military boarding authority – the broadest enforcement mandate in the sanctions regime to date – was a critical contribution to this outcome.

However, enforcement infrastructure is not being used to its full extent. The UK's Office of Financial Sanctions Implementation (OFSI) has conducted 706 investigations since the invasion and issued zero fines for oil price cap violations. Sanctions designations without consistent enforcement are designations in name only. The gap between the UK's enforcement powers – which are now the broadest of any jurisdiction – and the exercise of those powers is the single largest weakness in the UK's sanctions regime. As international enforcement against false flags has intensified, sanctioned vessels have progressively re-registered under the Russian flag – Russia’s ship registry has grown from 220 vessels to 313 (42% increase), with 73 of the 101 new joiners already sanctioned by the UK. This migration demonstrates that enforcement pressure works but must be sustained and expanded to stay ahead of evasion.

The UK should:

- Establish a systematic monitoring framework for all vessels transiting UK waters, incorporating AIS tracking, flag change alerts, and insurance verification, building on the existing port access ban list.

- Detain vessels transiting UK waters without valid insurance or legitimate flag registration. This is both an environmental protection measure and a sanctions enforcement measure. The UK's extended military boarding authority provides the legal basis.

- Exercise enforcement powers consistently. The collapse of false-flag deliveries from 135 to 6 demonstrates what enforcement achieves. The UK should ensure that OFSI's enforcement activity, including fines and penalties, is commensurate with the scale of sanctions circumvention documented above.

- Implement flag certification requirements at UK maritime chokepoints, requiring vessels to present valid flag state documentation. Russia's demonstrated failure to meet UNCLOS Article 94 flag state obligations, as shown by the Arctic-Metagaz incident, where a sanctioned Russian-flagged LNG carrier suffered an explosion and drifted uncontrolled for over a month with no salvage from Russia, provides grounds for enhanced scrutiny of Russian-flagged vessels.

Proposals to close the gaps in the UK's legislation to ban oil products made from Russian crude

The UK issued a new trade licence on 19 May that effectively permits the import of diesel and jet fuel derived from Russian crude, provided the oil has been refined in a third country. By allowing products processed outside Russia to bypass existing restrictions, the licence exposes a significant loophole in the UK's sanctions framework. This development also contrasts with recent G7 commitments to maintain economic pressure on Russia through sanctions targeting its energy sector.

The UK Government must shut down the exemptions that allow oil products refined from Russian crude in third countries to enter the UK market. The UK exemption currently allows companies to continue purchasing jet fuel and diesel produced by refineries that run on Russian crude until the end of 2026. There is no current supply-security justification for keeping the exemption in place until the end of 2026: UK imports of jet fuel and diesel from refineries processing Russian crude had already fallen to zero between February and May 2026, and the Strait of Hormuz remains open. Maintaining the carve-out unnecessarily weakens UK sanctions, preserves a route for Russian crude to reach the UK market indirectly, and undermines the Government's objective of cutting financial flows linked to Russia's oil trade. After many months in which the UK bought no diesel or jet fuel from refineries processing Russian crude, the May exemption effectively gave businesses a green light to resume such sourcing. The UK imported a GBP 50 million jet fuel shipment in late June from India's Jamnagar refinery, which processes Russian crude and has been the world's largest buyer of seaborne Russian crude since Russia's full-scale invasion of Ukraine.

- From the start of the UK's ban on Russian crude oil and oil products (05 December 2022) until the end of April, the UK imported EUR 4.4 billion of oil products from refineries in India or Turkey that partially run on Russian crude. This is a backdoor for Russian oil to enter the UK, undermining its sanctions against Russia and financing the Kremlin's war in Ukraine.

- The UK imported an estimated EUR 2.1 bn of oil products made from Russian crude between the start of the UK's ban on Russian oil and the end of April 2026.

- 46% of the UK's imports of oil products that are estimated as being made from Russian crude came from the Jamnagar refinery (EUR 960 mn), 30% from the New Mangalore (EUR 616 mn) refinery, 22% Vadinar (EUR 462 mn) and 1% each from the STAR refinery (EUR 12 mn) and Tupras Izmir refineries (EUR 17 mn) in Turkey.

- The UK has also imported Bitumen from the Tupras Izmit refinery in Turkey, which heavily relies upon Russian crude oil.

- 84% of these products were jet fuel, 15% diesel and 1% gasoil. This means that 99% of the UK's imports of oil products made from Russian crude are indefinitely exempt from the UK ban introduced on 19 May 2026.

- Until the Government announced its exemption from the ban for jet fuel and diesel shipments produced at refineries running on Russian crude on 19 May 2026, the UK last received a shipment of jet fuel on 16th January 2027 from the Jamnagar refinery in India; it received two other jet fuel shipments in this month. The exemption has encouraged importers to buy diesel or jet fuel from these refineries, with British Petroleum receiving its first shipment of jet fuel in late June 2026 from the Jamnagar refinery, which runs on partially Russian crude.

- A shipment of bitumen arrived at the UK in May, unloaded from the Tupras Izmit refinery in Turkiye, which heavily relies on Russian crude oil.

Recommendations:

1. Apply the Ban at the Refinery Level

The UK should prohibit imports of refined oil products from any refinery that has received a shipment of Russian crude oil (or oil products, HS 2710) within a defined recent period (e.g. the previous six months), regardless of the declared origin of the final product. A UK ban on the importation of oil products from a refinery or port that had received a shipment of oil products, as well as crude oil, would prevent re-exportation, blending or relabelling of Russian oil products.

Enforcement of a refinery-level ban should be based on refinery feedstock history rather than product origin declarations, alongside a rolling exclusion mechanism for non-compliant facilities. The EU's ban on oil products made from Russian crude is not enforced at the refinery level, creating a major loophole that allows refined products linked to Russian oil to continue entering the bloc. Between 21 January and 15 May 2026, EU ports received 43 cargoes of oil products from refineries partially processing Russian crude – equivalent to one potentially non-compliant shipment every 2.7 days. This highlights how sanctions can be undermined when restrictions are not applied directly at the refinery level, a gap the UK should address to prevent similar circumvention.

2. Use Real-Time and Updated Refinery Data

The UK should require sanctions enforcement decisions to rely on continuously updated refinery feedstock and import data rather than historical assessments that rely on outdated sources (such as the IEA database). Refinery sourcing patterns can change rapidly. Static assessments allow refineries to temporarily suspend Russian crude imports during review periods before resuming purchases later.

The UK should require monthly reporting on refinery crude sourcing and establish a live refinery-monitoring database to strengthen sanctions enforcement for refineries that wish to export to the bloc. Compliance assessments should be based on dynamic analysis of customs, shipping, and refinery operational data to ensure real-time monitoring of Russian crude exposure. A team of policymakers should be set up to review and verify the refineries' feedstock fuels. Over the past two years, CREA has identified only a small number of refineries – four refineries known to process Russian crude – have exported oil products to the UK, highlighting how a limited group of suppliers continue to exploit gaps in sanctions enforcement.

3. Establish Independent Infrastructure and Compliance Audits

The UK should mandate independent third-party audits of refineries that claim to segregate Russian and non-Russian crude. Claims that Russian crude can be physically separated from non-Russian crude within refinery systems are difficult to verify and vulnerable to manipulation.
Measures include:

- Require regular independent audits of refinery infrastructure and operations.
- Audit pipeline systems, tank segregation structures, and crude allocation records.
- Require verifiable documentation showing which crude streams are used for exports to the UK.

4. Prevent Attestation and Documentation Fraud

The UK should move beyond self-attestation systems and establish robust verification mechanisms for crude origin claims. The existing oil price cap policy, which heavily relies upon attestation documents, has demonstrated widespread under-reporting and fraudulent documentation practices. Similar risks apply to the ban on refined products.

Measures include:

- Prohibit sole reliance on refinery-issued attestations.
- Introduce independent verification requirements.
- Require corroborating shipping, customs, and pipeline data.
- Penalise entities involved in fraudulent declarations or sanctions evasion.

5. Create Strict Eligibility Rules for Refineries Seeking EU Market Access

The UK should require refineries to demonstrate sustained non-use of Russian crude before regaining access to the UK market. Temporary pauses in Russian crude imports should not automatically restore eligibility.

Recommended UK Action:

- Require at least six consecutive months without Russian crude imports before eligibility is restored.
- Introduce escalating exclusion periods for repeat violations.
- Maintain strict review and oversight procedures for exemptions.

6. Expand the Ban to Petrochemicals and Blended Products

The UK should extend restrictions to petrochemicals and blended products produced using Russian crude or Russian refined feedstocks. Current gaps allow products derived from Russian feedstocks to continue entering the UK market through downstream processing.

Measures include:

- Extend sanctions to petrochemical products and blended refined products.
- Include ports and refineries processing Russian refined fuels or petrochemical feedstocks.

7. Close Re-Export and Terminal Loopholes

The UK should tighten rules governing imports from trading hubs and terminals handling Russian refined products. Blending and storage activities in major trading hubs can obscure product origin and facilitate indirect Russian imports.

Measures include:

- Investigate oil export terminals such as Ceyhan in Turkiye and Batumi in Georgia that receive the vast majority of their imported oil products from Russia and ship the vast majority of their exports to the UK.
- Require full supply chain transparency of supply chains and port infrastructure for terminals exporting to the UK.
- Mandate disclosure of pipeline flows, bills of lading, storage records, and supplier contracts.

8. Prohibit Imports of Oil Products from Ports Connected to Russian Crude Pipelines

The EU should widen sanctions to include ports and facilities connected to Russian crude pipeline systems. Ports supplied by Russian pipeline infrastructure can continue exporting refined products linked to Russian crude despite limited transparency.

Measures include:

- Apply enhanced due diligence requirements to pipeline-linked ports.
- Restrict imports from facilities connected to Russian pipeline systems unless independently verified.
- Increase scrutiny of refineries and ports exporting oil products that are connected to the Russian ESPO pipeline.

9. Restrict Imports from Refineries Using Sanctioned ‘Shadow’ Fleet Tankers

The UK should prohibit imports from refineries receiving crude transported by sanctioned 'shadow' fleet vessels. 'Shadow' fleet operations are central to Russian sanctions evasion and facilitate opaque oil trading practices. The impact of sanctioning tankers has been waning, but if the UK banned imports from refineries that have unloaded Russian crude on a sanctioned vessel, this could increase the impact of UK listing vessels and discourage refineries from unloading on targeted vessels if they want access to export to the UK.

Measures include:

- Deny UK market access to refineries unloading crude from sanctioned tankers.
- Expand vessel tracking and refinery exposure monitoring.
- Coordinate enforcement with allied sanctions authorities.

Sanctions on the Batumi port and Batumi Oil Terminal

Recommendations: Designate Batumi port and Batumi Oil Terminal.

Reasons: The port of Batumi and Batumi Oil Terminal appear suspicious of having facilitated the blending, relabelling, and re-exportation of Russian oil products to EU and UK markets following the EU's ban on Russian oil products. Between February 2023 and February 2026, 79% of Batumi's seaborne diesel imports originated from Russia, while the port exported more than nine times the volume of diesel it received from non-Russian seaborne sources to sanctioning jurisdictions, strongly indicating the likely re-exportation of Russian-origin oil products. The Batumi port has a feasible connection via rail and road to the Kulevi refinery – which has reportedly processed exclusively Russian crude – further increasing the risk of sanctions circumvention through blending and opaque supply chains. Batumi Oil Terminal also has a documented history of regulatory and customs-related allegations involving undeclared crude oil.

Legal basis for sanctions: Batumi port and Batumi Oil Terminal could meet the legal basis for designation under UK sanctions frameworks due to their suspected role in facilitating the circumvention of EU and UK sanctions on Russian oil products through the import, blending, relabelling, storage, transport, and re-exportation of Russian-origin oil products to sanctioning jurisdictions. Their operations could violate the objectives of The Russia (Sanctions) (EU Exit) Regulations 2019, Section 46Z4, by enabling indirect market access for Russian hydrocarbons exported to UK ports through third-country infrastructure.

Additional information: Between February 2023 and February 2026, Batumi exported approximately 508,000 tonnes of diesel worth EUR 339 million to the EU and UK, with 90% of its diesel exports destined for sanctioning jurisdictions. The UK was the largest importer of diesel exports from Batumi during this period, accounting for 44% of all imports by sanctioning jurisdictions, ahead of the Netherlands, Denmark, Sweden, Belgium, and Italy. The Batumi terminal's logistical connections via road or rail to the Kulevi port create substantial risks of suspected blending and relabelling Russian oil products prior to export.

CREA has recommended that the Office of Financial Sanctions Implementation (OFSI) and the National Crime Agency (NCA) investigate Batumi and associated companies for potential sanctions violations and iillegal re-exportation activities. Batumi Oil Terminal has a history of regulatory and legal issues, including allegations that it smuggled more than 10,000 tonnes of undeclared crude oil through customs evasion schemes.

II. RESTRICTING FUTURE RUSSIAN HYDROCARBON EXPORT CAPACITY

Stop the sale of UK-managed LNG carriers from transporting Russian gas exports

The UK should ban the sale or transfer of Arc-7 LNG carriers owned or managed by UK-linked companies for use in transporting Russian LNG, including prohibiting sales to intermediary companies or entities in non-sanctioning jurisdictions that could continue servicing Russia's Yamal LNG project.

The UK retains substantial leverage over Russia's LNG export infrastructure through its maritime ownership, management and insurance services. Glasgow-headquartered Seapeak Maritime Ltd. manages six Arc7-class icebreaking LNG carriers that are critical for year-round exports from Russia's Yamal LNG project. These vessels alone transported approximately GBP 12 billion worth of Russian LNG since the start of the full-scale invasion of Ukraine until Q1 2025 – around 23% of Russia's total LNG exports during the period.

CREA analysis further shows that Seapeak-managed carriers transported GBP 12.8 billion of Russian LNG since the invasion, despite the UK banning direct imports of Russian LNG in January 2023. The vessels are managed from Bermuda, headquartered in Glasgow, and covered by UK or Norwegian maritime insurance.

More broadly, UK-linked maritime services remain central to Russia's LNG trade:

- 76% of Russian LNG exports since the invasion were transported on UK-owned or UK-insured vessels.
- UK maritime insurers covered GBP 38.2 billion worth of Russian LNG exports – 64% of the total export value.
- UK-owned or insured LNG carriers facilitated GBP 45 billion worth of Russian LNG exports overall.

Arc7 LNG carriers are highly specialised icebreaking vessels designed specifically for Arctic LNG operations. Their limited global availability gives the UK and allied jurisdictions unique leverage over Russia's ability to sustain LNG exports from Yamal. Without restrictions on resale or transfer, UK-linked operators could divest these vessels to intermediary entities in non-sanctioning countries, allowing Russian LNG exports to continue largely uninterrupted and undermining the effectiveness of sanctions.

UK-owned vessels must not be sold to non-sanctioning countries that do not have to comply with sanctions because Russian intermediaries could acquire them and continue supporting Russian fossil fuel exports.

Recommendations:

- Introduce a targeted prohibition on the sale, transfer, leasing, or reflagging of Arc7 LNG carriers by UK-linked companies where there is a risk of continued involvement in Russian LNG transport.
- Ban direct and indirect sales to intermediary companies, shell entities, or operators in non-sanctioning jurisdictions that may facilitate Russian LNG exports.
- Extend UK sanctions guidance to include beneficial ownership and end-use requirements for LNG vessel transactions.
- Coordinate with the EU and G7 partners to align restrictions on maritime ownership, insurance, technical management and vessel transfers linked to Russian LNG projects.
- Require enhanced due diligence and disclosure obligations for UK maritime insurers, ship managers and financial institutions involved in LNG vessel transactions, implementing Know Your Client obligations.
- Use the UK's central role in maritime insurance and LNG vessel ownership to increase operational costs for Russia's Arctic LNG sector and reduce Kremlin fossil fuel revenues funding the war in Ukraine.

Terminate the 2026 exemption for UK maritime services for Sakhalin 2 LNG and Yamal LNG

The UK has formally introduced a ban on maritime transportation and related services for Russian LNG under Chapter 4LA of the Russia (Sanctions) (EU Exit) Regulations 2019, presented as a tough measure to cut Russian export capacity and align with EU LNG sanctions. At the same time, the UK issued a General Trade Licence that explicitly exempts Sakhalin-2 and Yamal LNG, authorising UK shipping, insurance and financial services for LNG from these projects until 1 January 2027, provided contracts meet certain timing conditions.

Yamal LNG and Sakhalin 2 LNG exports as of May 2026 cover the full extent of Russian unsanctioned LNG exports, which means the "ban" effective as of May 2026 is largely symbolic through 2026 – the UK is formally prohibiting the very services it then re-authorises by licence, allowing Russian LNG exports from the project to continue almost unchanged for the next 7 months, which could further facilitate 5 billion GBP in 7 months by the fleet shipping Yamal and Sakhalin 2 fleet under UK maritime services.

The Yamal LNG exemption may be aligned with the set RePowerEU deadlines and remaining LNG volumes that are to be delivered on UK-managed and insured Arc-7 Icebreaking tankers, but Sakhalin-2 LNG does not supply the EU in any systematic way; its long-term LNG contracts are concentrated in Japan and South Korea, with flexible and spot volumes going mainly to China. Half of Sakhalin-2's LNG tanker fleet operates with UK maritime services, including P&I insurance from UK clubs, with additional cover from Norwegian and Japanese insurers; without these, the project's export logistics would be significantly constrained.

Target Murmansk STS infrastructure

Recommendations:

Impose sanctions on the Floating Storage Unit (FSU) tanker – Saam FSU: 9915090: Tankers to designate: IMO: 9915090 - Saam FSU - Murmansk STS operations: Arctic LNG 2.

Reasons: Imposing UK sanctions on the Arc7 Ice-class Floating Storage Unit tanker (Saam FSU – IMO 9915090) would strike at the central logistical node that makes Russia's LNG shadow-fleet model viable for Arctic LNG 2. As a permanently stationed floating storage unit off Murmansk, Saam aggregates cargoes delivered by ice-class Arc7 shuttle tankers from the Arctic LNG 2 terminal and then conducts ship-to-ship transfers onto conventional LNG carriers for long-haul voyages to Asia (including with LNG tankers added to the UK sanctions list as of June 16, 2026 (IMO: 9294264, IMO: 9326689, IMO: 9300817, IMO: 9317315). Targeting this hub would reinforce existing sanctions on Arctic LNG 2 and also disrupt the transhipment chain that enables sanctioned Russian LNG to be laundered through opaque tankers and sold into non-European markets. Designating Saam would align with the sanctions imposed by the United States, the European Union, and Canada, and set a path forward where the UK will not tolerate the use of complex offshore infrastructure and STS operations in or near European waters to circumvent sanctions, and would create strong compliance pressure on insurers, classification societies, and service providers that contribute to enabling unsafe opaque shipping practices that are used to circumvent sanctions.

Legal basis for sanctions: These tankers can be designated under the Russia (Sanctions) (EU Exit) Regulations 2019, on the grounds that:

- They are involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine (Regulation 5 and Schedule 2), by facilitating the export of LNG from projects (including Arctic LNG 2) already sanctioned by the UK and providing substantial revenue to the Government of Russia.

- They are owned or controlled by, or acting on behalf of or at the direction of, a person involved in obtaining a benefit from or supporting the Government of Russia, within the meaning of Schedule 2 – specifically by transporting LNG from a sanctioned Russian state-linked energy project, thereby supporting Russia's key strategic energy-export sector and contributing to the Russian state budget.

On this basis, their designation as ships under the Russia (Sanctions) (EU Exit) Regulations 2019 would be consistent with the existing UK practice of targeting vessels that form part of Russia's shadow fleet and sanction-evasion logistics for oil and LNG.

LNG-specific Murmansk transhipment enforcement: extending the port transaction ban to cover LNG infrastructure, imposing a ban and sanctions listing for tankers operating in the Murmansk STS zone.

This Murmansk STS system is the critical link in Russia's shadow logistics chain and a structural chokepoint for Arctic LNG exports. The Arc7 Saam FSU in Ura Bay near Murmansk is designed to shorten the transport distance for ice-class tankers, reducing costs and increasing output volume.

Another Ice-class Arc7 tanker sanctioned by the EU, the UK, USA, and Canada – IMO 9737187 Christophe de Margerie repeatedly delivers LNG from the UK-sanctioned Arctic LNG 2 terminal to SAAM FSU Tanker, where the cargo is consolidated and transferred onto older, opaque conventional tankers that are more suitable and cheaper for long-distance voyages.

Murmansk transhipment zone sustains the logistics architecture that makes Russian Arctic LNG viable and will continue to be used as sanctions pressure increases.

STS operations have accelerated and are now already openly conducted despite existing listings: The three concurrent STS operations in the Murmansk region involved cargoes from both the sanctioned Arctic LNG 2 project and the unsanctioned Yamal LNG project, underscoring the region's strategic importance and the FSU infrastructure available there:

Two STS operations were conducted at the Saam FSU with tankers carrying Arctic LNG 2 cargoes from:
(1) Ice-class LNG carrier Christophe de Margerie to
(2) Ice-class Floating storage unit Saam FSU to
(3) the conventional tanker Arctic Metagaz - IMO 9243148, sailing to China.

Together, Russia's two Arc7 vessels (Christophe de Margerie and Saam FSU) can maintain a roughly weekly shuttle schedule, allowing around 150,000 tonnes of LNG per month to be transported to the Saam FSU near Murmansk for onward shipment.

This Murmansk STS hub functions as the logistical bridge between ice-class Arc7 tankers shuttling cargoes from Arctic LNG-2 and the older, opaque “shadow” tonnage that then carries those volumes to non-EU buyers, mirroring patterns already documented for other Russian-flagged dark-fleet LNG carriers like Merkuriy, Kosmos, Orion and Luch.

The Murmansk STS logistical and operational structure poses evident risks, as it directly supports a Russian strategic energy project, Arctic LNG 2 (UK-sanctioned). The tankers help Russia generate export revenues that UK sanctions are explicitly designed to constrain, undermining the effectiveness and credibility of Western sanctions policy.

The Murmansk STS zone, which hosts STS operations between sanctioned tankers, entrenches and normalises high-risk “shadow fleet” practices in European waters. The use of STS transfers in often challenging conditions near Murmansk, opaque ownership and management structures, and deliberate flag and name changes all increase collision, spill, and liability risks, posing global environmental and marine safety risks.

More importantly, this system poses security and enforcement risks to the UK and its partners. The laden voyages of sanctioned LNG tankers to Asia routinely pass through or near key European sea lanes, including waters close to the United Kingdom and NATO maritime approaches. This exposes UK waters and critical infrastructure to higher-risk, poorly insured tankers associated with sanctioned trade, complicates maritime domain awareness and law-enforcement efforts, and creates a ready-made channel for wider sanctions evasion, including potential blending or relabelling of Russian LNG.

III. EXPANDING MARITIME SERVICES SANCTIONS BEYOND OIL AND GAS

Maritime Service Ban for the transportation of Russian coal

Rational and supporting evidence: The UK continues to play a major role in facilitating Russia's coal exports through its maritime insurance sector, despite banning imports of Russian coal in 2022. Since the start of Russia's full-scale invasion of Ukraine, UK insurers have covered the transport of an estimated EUR 15.1 billion worth of Russian coal exports – equivalent to 100.6 million tonnes, or around 60% of Russia's seaborne coal trade in 2025.

The trade is primarily supported by British Protection and Indemnity (P&I) clubs, which provide the maritime liability insurance necessary for vessels to access ports and operate internationally. The largest insurers involved were the London P&I Club and West of England Shipowners, which together accounted for nearly three-quarters of insured shipments, followed by NorthStandard, UK P&I Club, and Britannia Steam Ship Insurance Association.

While the UK has imposed restrictions on Russian oil and gas-related maritime services, coal exports remain largely untouched under the current sanctions framework. UK sanctions prohibit the import of Russian coal but do not prevent UK-based insurers or maritime service providers from facilitating exports to third countries such as China, India, Turkey, and South Korea. This has left a major loophole in the UK's sanctions regime, allowing British companies to continue underwriting a substantial share of Russia's global coal trade.

80% of companies that export coal from Russia are now under sanctions, without a full maritime services ban on the transportation of Russian coal, this risks sanctions evasion from British companies. The exposure to sanctions risk from engaging with these buyers has led to further discounts. IEA estimates suggest that these discounts have led to EUR 2.7 bn in projected revenue losses in 2025. The government itself has had to publicly acknowledge the sector's struggles, with as many as 23 Russian coal companies reported to have shuttered operations in the last year.

Russia's coal sector is under severe financial and logistical strain due to falling global demand, infrastructure bottlenecks and sanctions-related costs; removing UK maritime facilitation would further raise transport costs and constrain Russia's ability to redirect exports to alternative markets. Tightening these measures would significantly increase pressure on one of Russia's most vulnerable fossil fuel sectors while limiting loopholes in current UK sanctions enforcement.

Recommendations:

The UK should close this loophole by introducing a full ban on the provision of maritime services – including insurance, brokering, financing, and vessel management – for the transport of Russian coal. Similar measures already exist for aspects of Russia's oil trade under the G7 price cap regime and for future restrictions on Russian LNG shipping. Extending these restrictions to coal would strengthen the effectiveness of UK sanctions and reduce continued financial support for a sector that remains strategically important to the Russian economy.

IV. TIGHTENING TECHNOLOGY AND INDUSTRIAL CONSTRAINTS

Target export controls and access to technology

Recommendations:

Add Russian company Severny Inzhiniring LLC to the UK sanctions list:

Name: Severny Inzhiniring LLC (Russian original: Северный Инжиниринг ООО)

Role: Engineering and shipbuilding subsidiary in the Novatek PJSC group

Identifying Information: OGRN: 1267700105012 / INN: 9729417656. Registered in Russia under the head company Novatek PJSC.

Legal basis: the Russia (Sanctions) (EU Exit) Regulations 2019, with full asset freeze, trust-services, and financial-services restrictions, and parallel export controls on relevant technology and services.

Reasons for designation: Created with the explicit purpose of overcoming sanctions-driven shortages of LNG carriers and floating infrastructure. Registered activities – construction of ships and floating structures, industrial refrigeration, special-purpose equipment, and engineering – directly correspond to the technology bottlenecks Russia faces in sustaining Arctic LNG exports.

The company is directly linked to Novatek's Murmansk LNG project and Arctic LNG 2 and is part of Novatek's effort to "onshore" and domesticate previously foreign-supplied LNG logistics, engineering and cold-chain capabilities. This is a clear attempt to circumvent existing UK and allied restrictions on access to specialised LNG technology, shipping, and services.

By developing and maintaining the infrastructure required for Arctic LNG exports – a core revenue source for the Russian state – Severny Inzhiniring LLC is involved in supporting and maintaining the Russian Federation's key economic sector (fossil fuel exports), which in turn provides substantial revenue to the Government of Russia and materially supports its war of aggression against Ukraine.

Severny Inzhiniring LLC should be designated as an entity owned or controlled by, or acting on behalf of, Novatek PJSC and, through its role in designing, constructing and maintaining LNG carriers and floating infrastructure for Russian Arctic LNG projects, involved in supporting the Russian energy export sector, thereby obtaining a benefit from and supporting the Government of Russia in its destabilisation of Ukraine.

The energy sector, especially gas (LNG) exports, provides substantial revenue to the Government of the Russian Federation. Therefore, Severny Inzhiniring LLC is established with a direct aim in supporting and maintaining the export infrastructure in Russia's key economic sector - energy exports - providing a substantial source of revenue to the Government of the Russian Federation, which is responsible for the annexation of Crimea and the destabilisation of Ukraine.

Impose strict export controls on marine propulsion, control, calibration, and Non-Destructive Testing (NDT) goods

The UK has restricted the provision of maritime transportation and related services for Russian LNG (Chapter 4LA, Russia (Sanctions) (EU Exit) Regulations 2019), and already controls a wide range of "critical industry" and "GTE" (goods and technology) items.

Goods are controlled by tariff (commodity) codes and control lists. Without matching goods-level controls, non-UK third-country operators can replicate banned UK/EU maintenance services by purchasing the required equipment (engines, drivetrain, valves, control hardware, non-destructive testing (NDT) instruments, etc.) directly from non-UK suppliers – and then using it to maintain Russian LNG tankers, icebreakers and shadow-fleet tonnage. This risks hollowing out the impact of the UK services ban.

Recommendations:

Under the Sanctions and Anti-Money Laundering Act 2018 (SAMLA) and the Russia (Sanctions) (EU Exit) Regulations 2019 add targeted HS/commodity codes to UK Russia export controls:

Extend Schedule 2A / "Critical-industry goods and critical-industry technology" and related lists to include the following headings when destined for use in shipbuilding, maintenance or repair of LNG tankers, ice-class vessels and Russian shadow fleet tonnage:

8408 / 840810 – marine propulsion engines and parts
8483 – transmission and drivetrain components
8481 – valves, including for LNG systems
8536 / 8537 – electrical control and switching hardware
8531 / 9031 – signalling and non-destructive testing instruments
9026 / 9027 – flow, pressure and analytical instruments
8471 / 8473 – computing/control systems and parts used for marine and LNG plant automation.

Introduce an explicit anti-circumvention end-use control to require that any export of the above codes is prohibited where there are reasonable grounds to suspect the goods are intended for the construction, maintenance or repair of Russian-owned or Russian-operated LNG tankers, ice-class vessels or offshore LNG infrastructure or circumventing UK restrictions on maritime transportation and related services for Russian LNG.

Make exports of these codes to identified high-risk third-country jurisdictions (for example, the UAE, Turkey, Kyrgyzstan, Kazakhstan, Serbia and other known trans-shipment hubs) subject to compulsory end-use certificates clearly excluding use in Russian LNG/shadow-fleet maintenance and enhanced due diligence and reporting requirements to the Export Control Joint Unit.

Impose sanctions on construction-module carriers for Arctic LNG 2

In June 2026, Russia is attempting to expand Novatek's Arctic LNG 2 project by moving large prefabricated construction modules from Chinese yards to Russia by sea. Two heavy-lift vessels **– Glory Ocean (IMO 9934498) and Bright Ocean (IMO 9830769)** carry modules 3-TMR-001 and 3-TMR-002 for the construction of the Russian Arctic LNG 2 project. They are directly enabling the final build-out of a sanctioned LNG project whose future export revenues would significantly strengthen Russia's war-financing capacity.

By carrying critical construction modules for Arctic LNG 2, Glory Ocean and Bright Ocean are materially assisting Russia in circumventing the effects of existing US, EU, and UK sanctions on the project and in restoring export capacity that those sanctions are explicitly intended to constrain.

Recommendations:

Vessels to designate – Identifying information:

1. Glory Ocean – IMO 9934498 – Heavy Load Carrier – DWT25119
2. Bright Ocean – IMO 9830769 – Heavy Load Carrier – DWT24961

Rationale for designation:

Legal basis for UK designation: the Russia (Sanctions) (EU Exit) Regulations 2019:

- involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, by enabling the completion of Arctic LNG 2 – a project already subject to UK sanctions – thereby securing a future stream of LNG export revenues for the Russian state.

- owned or controlled by, or acting for or on behalf of, persons involved in obtaining a benefit from or supporting the Government of Russia, within the meaning of Schedule 2, because their operations directly support the construction and commissioning of strategic Russian energy infrastructure.

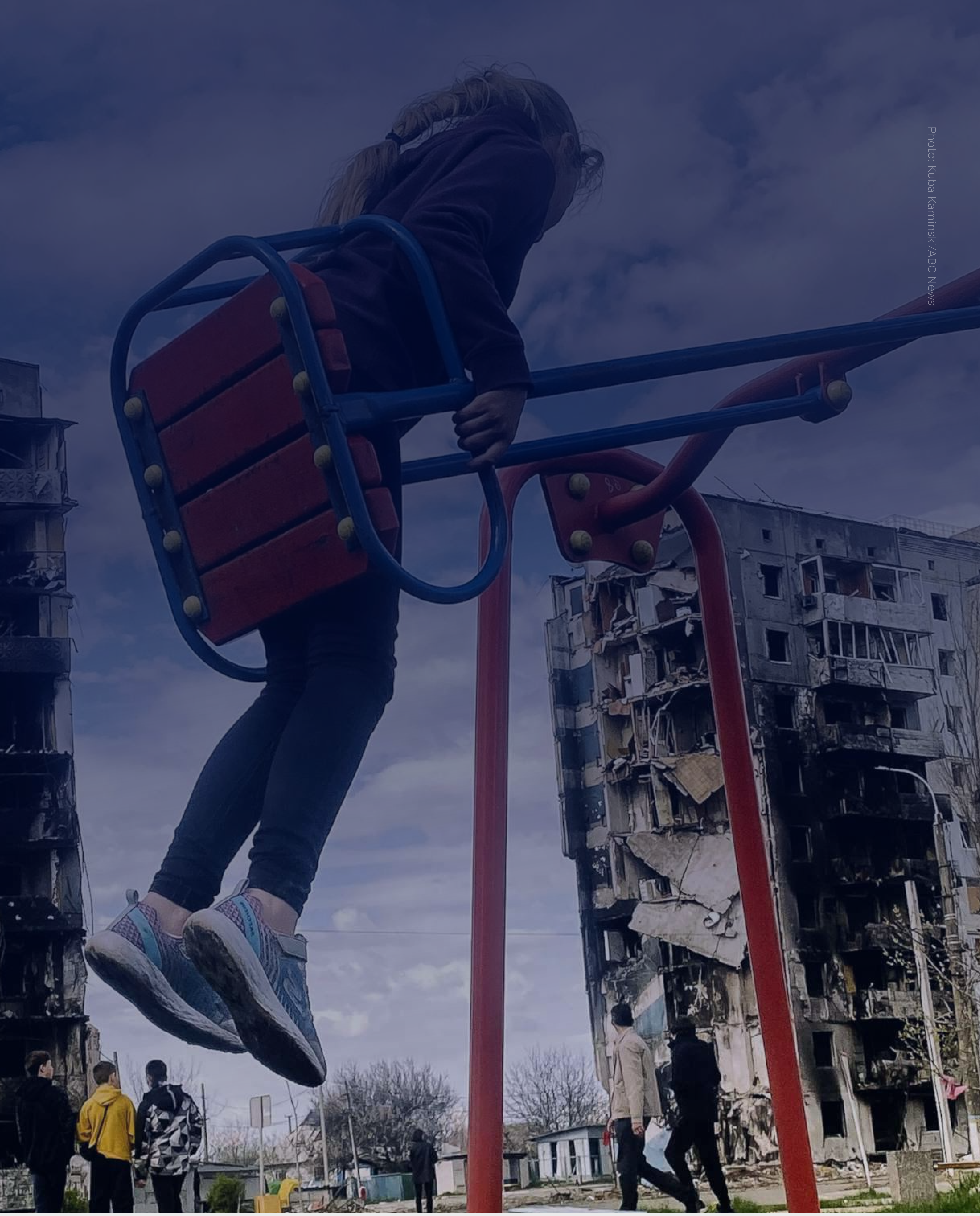

Photo: Kuba Kaminski/ABC News

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