

United States expands sanctions targeting Russia's energy sector

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OFAC and the U.S. State Department significantly broadened sanctions targeting Russia's energy sector by imposing blocking sanctions on two major oil producers and hundreds of other individuals, entities, and vessels, revoking a long-standing general license authorizing energy-related transactions involving sanctioned Russian banks, and issuing a new determination that will prohibit U.S. persons from providing "petroleum services" to persons in Russia.

On January 10, 2025, the U.S. Treasury Department, Office of Foreign Assets Control (OFAC) and the U.S. Department of State announced significant new sanctions targeting Russia's energy sector.¹ The sanctions include:

- **Blocking sanctions targeting two major Russian oil producers.** OFAC designated two of Russia's largest oil producers, Gazprom Neft and Surgutneftegas, as well as dozens of their subsidiaries, pursuant to Executive Orders (E.O.s) 14024 and 13662 for operating in the Russian energy sector.² As a result, all property and property interests of these entities subject to U.S. jurisdiction are blocked, and transactions by U.S. persons or within the United States involving them are prohibited unless licensed by OFAC or exempt.³ The United Kingdom joined the United States in imposing asset blocking sanctions on Gazprom Neft and Surgutneftegas.⁴
- **Additional blocking sanctions.** OFAC and the State Department designated hundreds of other Russian and non-Russian entities, vessels, and individuals involved in the transportation of Russian oil (including through the so-called shadow fleet), the provision of oil-field services in Russia, certain liquid natural gas (LNG) and oil projects in Russia, and other activities relating to Russia's energy sector. In connection with the added shipping industry sanctions, OFAC also revoked [General License 93](#), which had authorized transactions involving non-designated vessels owned or operated by Sovcomflot, Russia's largest shipping company. As a result, all vessels in which Sovcomflot or its subsidiaries have an interest must be treated as blocked, regardless of whether the vessel is itself named on the List of Specially Designated Nationals and Blocked Persons (SDN List).
- **Revocation of General License 8.** OFAC has rescinded the authorization that has been in place since February 2022 to permit energy-related transactions involving sanctioned Russian financial institutions, replacing it with [General License 8L](#), which allows for the wind-down of such transactions until March 12, 2025 (without the usual condition requiring funds owed to a blocked person to be paid into a blocked account). In connection with the revocation of this broader authorization, OFAC issued an amended [General License 115A](#), which adds the sanctioned financial institutions previously covered by General License 8 to an existing authorization for transactions related to civil nuclear activities, which OFAC defines as transactions undertaken solely to maintain or support civil nuclear projects initiated before November 21, 2024. This authorization is valid until June 30, 2025.
- **Petroleum services determination.** The Secretary of the Treasury issued a new determination that will, as of February 27, 2025, prohibit the exportation, reexportation, sale, or supply by a U.S. person or from the United States of "petroleum services" to any person in Russia.⁵ In a new response to Frequently Asked Questions (FAQ), OFAC stated that it intends to define "petroleum services" to include "services related to the exploration, drilling, well completion, production, refining, processing, storage, maintenance, transportation, purchase, acquisition, testing, inspection, transfer, sale, trade, distribution, or marketing of petroleum, including crude oil and petroleum products, as well as any activities that contribute to Russia's ability to develop its domestic petroleum resources, or the maintenance or expansion of Russia's domestic production and refining. This would include services related to natural

gas as a byproduct of oil production in Russia.”⁶ The determination excludes from its prohibition: (1) services related to the maritime transportation of Russian crude oil and petroleum products sold at or below the relevant price cap; (2) services related to isotopes derived from petroleum manufacturing that are used for medical, agricultural, or environmental purposes; and (3) services in connection with the wind-down or divestiture of an entity located in the Russian Federation that is not owned or controlled, directly or indirectly, by a Russian person. OFAC also issued [General License 121](#), which authorizes the provision of petroleum services related to certain Russian energy projects until June 28, 2025.

The designations of Gazprom Neft and Surgetneftegas and revocation of General License 8, along with the imposition of blocking sanctions on Gazprom Bank last November,⁷ appear to reflect a late pivot by the Biden administration to more directly target Russia’s energy sector with sanctions, closing gaps that had deliberately been left open to minimize disruptions to global energy markets. Given prior OFAC guidance that foreign financial institutions (FFIs) may be sanctioned pursuant to E.O. 14114 for engaging in significant transactions with, or providing services to, persons blocked pursuant to E.O. 14024, FFIs involved in transactions relating to Russian oil exports may now face substantially greater secondary sanctions risk, particularly once General License 8 is fully revoked.⁸ However, whether this risk materializes in practice will depend on policy choices to be made by the incoming Trump administration, which has yet to publicly signal how it intends to approach Russia-related sanctions upon taking office. Because the OFAC designation actions on January 10 relied in part on E.O. 13662, they are subject to the congressional notification and review provisions of the Countering America’s Adversaries through Sanctions Act of 2017 (CAATSA), which will serve as a constraint on President Trump’s ability to unilaterally and immediately reverse them.⁹ It is not yet clear whether the decision to use these authorities was specific to the January 10 actions, or whether it is a prelude to a broader initiative to subject all or most of the post-2022 Russia-related sanctions to the CAATSA review mechanism before President Biden leaves office.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Kendall Howell

+1 202 962 7068
kendall.howell@davispolk.com

Paul Marquardt

+1 202 962 7156
paul.marquardt@davispolk.com

Will Schisa

+1 202 962 7129
will.schisa@davispolk.com

Charles Marshall Wilson

+1 202 962 7130
charles.wilson@davispolk.com

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- ¹ See "Treasury Intensifies Sanctions Against Russia by Targeting Russia's Oil Production and Exports," available at <https://home.treasury.gov/news/press-releases/jy2777>; "Fact Sheet: Sanctions to Degrade Russia's Energy Sector," available at <https://www.state.gov/office-of-the-spokesperson/releases/2025/01/sanctions-to-degrade-russias-energy-sector>.
- ² The designations pursuant to E.O. 14024 relied on a new determination by the Secretary of the Treasury that persons determined to be operating in the energy sector of the Russian Federation are subject to blocking sanctions under Section 1(a)(i) of the order. See Determination Pursuant to Section 1(a)(i) of Executive Order 14024: Energy Sector of the Russian Federation (January 10, 2025), available at <https://ofac.treasury.gov/media/933796/download?inline>.
- ³ Consistent with its practice for significant designations, OFAC issued [General License 117](#), which authorizes the wind-down of transactions involving Gazprom Neft, Surgutneftegas, their subsidiaries, and certain other entities blocked on January 10, 2025 until February 27, 2025, provided that any payment to a blocked person is made into a blocked account, and [General License 118](#), which authorizes until the same date certain divestment transactions involving debt and equity of certain of the blocked entities, as well as wind-down transactions for derivatives contracts involving such debt or equity or the blocked entities. OFAC also issued [General License 119](#), which authorizes transactions involving Gazprom Neft and its subsidiaries related to diplomatic and consular missions outside of Russia.
- ⁴ See "Support for Ukraine is unwavering as UK announces new sanctions on Russian oil giants," available at <https://www.gov.uk/government/news/support-for-ukraine-is-unwavering-as-uk-announces-new-sanctions-on-russian-oil-giants>.
- ⁵ Determination Pursuant to Section 1(a)(ii) of Executive Order 14071: Prohibition on Petroleum Services (January 10, 2025), available at <https://ofac.treasury.gov/media/933901/download?inline>.
- ⁶ FAQ 1216, available at <https://ofac.treasury.gov/faqs/1216>.
- ⁷ See "Treasury Sanctions Gazprombank and Takes Additional Steps to Curtail Russia's Use of the International Financial System," available at <https://home.treasury.gov/news/press-releases/jy2725>.
- ⁸ For additional detail on OFAC's secondary sanctions authority under E.O. 14114, please see our June 24, 2024 Client Update "United States expands secondary sanctions and other restrictions on Russia," available at <https://www.davispolk.com/insights/client-update/united-states-expands-secondary-sanctions-and-other-restrictions-russia>, and OFAC's guidance for foreign financial institutions, available at <https://ofac.treasury.gov/media/932436/download?inline>.
- ⁹ For additional discussion of the Congressional review process under CAATSA, please see our client update "The Countering America's Adversaries Through Sanctions Act Becomes Law," available at https://www.davispolk.com/sites/default/files/2017-08-07_the_countering_americas_adversaries_through_sanctions_act_becomes_law.pdf.