

## Overview of New *Russia Industry Sector Sanctions* in the EAR

August 6, 2014

- 1) Change in NS licensing policy: Removes Russia's favorable license review status for items controlled for National Security (NS) reasons. Specifically, Russia is no longer accorded "enhanced favorable consideration licensing treatment" under section 742.4 of the Export Administration Regulations (EAR). Instead, the licensing policy for Russia will be the general licensing policy for Country Group D:1 countries.
- 2) Creation of new section 746.5 ("Russia Industry Sector Sanctions"). Section 746.5 of the EAR imposes licensing requirements on 8 ECCNs (two of which are new) and 53 Schedule B numbers if a person knows (or is informed by BIS) that the item will be used directly or indirectly in exploration for, or production of, oil or gas in:
  - a. Russian deepwater (greater than 500 feet);
  - b. Arctic offshore locations;
  - c. Shale formations in Russia; or
  - d. Is unable to determine whether the item will be used in the aforementioned projects.

A licensing policy of presumption of denial applies for exports, reexports, or transfer (in-country) for the aforementioned projects that have the potential to produce oil. A licensing policy of case-by-case review applies for such projects that have the potential to produce gas.

The following ECCNs are subject to section 746.5: 0A998\*, 1C992, 3A229, 3A231, 3A232, 6A991, 8A992, and 8D999\*.

- a. New 0A998 controls activities where seismic or other types of data assist in oil production (e.g., analysis of data that produces maps of oil deposits, hydraulic fracturing design and analysis software and data, hydraulic fracturing "proppant," "fracking fluid," and chemical additives therefor).
- b. New 8D999 controls software specially designed for the operation of unmanned vessels used in the oil and gas industry of Russia.

The list of 53 Schedule B numbers subject to the aforementioned requirements is contained in new Supplement No. 2 to Part 746 of the EAR.

All license exceptions are ineligible to for use for items subject to control under section 746.5 of the EAR, with the exception of GOV if it applies to U.S. Government persons and agencies.

Examples of controlled items include: drilling rigs, parts for horizontal drilling, drilling and completion equipment, subsea processing equipment, Arctic-capable marine equipment, wireline and down hole motors and equipment, drill pipe and casing, software for hydraulic fracturing, high pressure pumps, seismic acquisition equipment, remotely operated vehicles,

- 3) Date of effectiveness. The rule becomes effective on August 6, 2014, and there is no savings clause associated with the rule. Accordingly, shipments of items subject to the new *Russia Industry Sector Sanctions* that are en route aboard a carrier to a port of export or reexport on August 6 may not proceed to that destination unless in accordance with section 746.5 of the EAR.
- 4) Questions: If you have questions about the items or projects subject to control under section 746.5 of the EAR, contact BIS's Office of Exporter Services at 202-482-4811 or [ECDOEXS@bis.doc.gov](mailto:ECDOEXS@bis.doc.gov). Please visit [www.bis.doc.gov](http://www.bis.doc.gov) for additional information about BIS, including access to the EAR and the location of/contact information for Office Export Enforcement field offices.