Rapport EPC

Room for increasing the sanctions’ impact 8 Extending the scope of sanctions on Russian export revenues 8 Expanding and aligning export restrictions among the coalition countries 8 Encouraging more company-level self-sanctions 8 Preventing sanctions circumvention 9 Prolonging the renewal periods for economic sanctions 9 6.

However, there was a clear slowdown, when compared to a 58.8% y/y growth in Q1 2022.23 This growth was driven by record energy and commodity prices on oil, gas, coal, fertilisers, non-ferrous metals, while physical volumes of major Russian exports contracted.24 Increasing Russian export revenues 6combined with shrinking import and strict capital control supported the increase of Russia’s current account surplus and the stabilisation of the rouble and the economy from the initial shock of sanctions.

In addition, there is still the potential to increase the scope of sanctions on Russia’s energy and non- energy exports to the EU, for example by extending them to natural gas (amounting to $22 billion in 2021), diamonds ($2.1 billion in 2021), cast iron, ferroalloys, direct reduced iron38 ($1.3 billion in 2021).39 Russia is receiving record revenues from energy exports due to skyrocketing gas prices in Europe.40 Russia started to significantly reduce its gas supplies to Europe in 2021,41 months before its invasion of Ukraine, provoking energy price hikes.

The following steps are crucial in this respect: exclude loopholes by expanding the scope of sanctions, especially related to the Russian military sector; undertake strong enforcement actions against Russian-controlled companies evading sanctions, as well as countries and foreign companies that facilitate evasion (secondary sanctions); and more coordinated efforts by the EU and sanctions’ coalition countries in monitoring and enforcing imposed sanctions.

This measure was introduced in the EU’s eighth sanctions package for Russian steel products for a one-year period.55 PROLONGING THE RENEWAL PERIODS FOR ECONOMIC SANCTIONS The current EU six-month sanctions renewal system is rather unhelpful, as it may encourage some member states to call for sanctions to be lifted, thereby undermining EU unity.

1  Iron and steel products EU imports from Russia 10.5 0.7 4.2 0.5Iron ore (HS2601) Cast iron (HS7201) Semi-finished products of iron or non-alloy steel (HS7207) Semi-finished products of iron or non-alloy steel w/o slabs (HS7207 w/o 720712)EU imports from Ukraine 16.5 0.9 2.8 0.7Ukraine exports to world 45.1 3.2 6.8 3.8EU imports from world 93.6 2.4 8.3 1.9EU IMPORTS OF IRON AND STEEL PRODUCTS FROM RUSSIA AND UKRAINE IN 2021, (PER MILLION TONS ) 11Extending the scope of the iron and steel embargo can provide new opportunities for Ukrainian producers.