



EU and UK sanctions on Russia and Iran

NEW EU AND UK SANCTIONS AGAINST RUSSIAN OIL AND GAS, AND THE RE-INTRODUCTION OF SANCTIONS ON IRAN

10 DECEMBER 2025

INTRODUCTION

The UK and EU continue to evolve their sanctions frameworks to further expand their reach and to cut down on sanctions circumvention. The UK recently sanctioned Rosneft and Lukoil, two of Russia's biggest oil producers, whilst the EU's latest 19th sanctions package also imposes further restrictions on the Russian energy sector.

In addition, the UK and EU have recently re-introduced sanctions on Iran following the 'snap-back' of the Joint Comprehensive Plan of Action. Businesses engaging in business in Iran will therefore have to re-evaluate their positions.

THE UK SANCTIONS RUSSIA'S LARGEST OIL COMPANIES

On 15 October 2025, the UK imposed an asset freeze and related financial restrictions on PJSC Rosneft Oil Company (**Rosneft**) and PJSC Lukoil (**Lukoil**). The designations formed part of a wider package of 88 additional listings targeting Russia's energy revenues and associated logistics and financing networks.

Rosneft and Lukoil are central to Russia's hydrocarbon economy and fiscal base. The UK government has emphasised that Rosneft alone accounts for nearly half of Russia's oil production and approximately 6% of global output, and that Rosneft and Lukoil together export around 3.1 million barrels of oil per day. These volumes highlight the companies' strategic importance to the Kremlin's revenue streams. Lukoil's extensive international footprint and Rosneft's material interests in foreign downstream assets further embed both groups in global supply chains and payment systems, magnifying the ripple effect of these sanctions.

However, UK asset freeze prohibitions also apply to entities whose shares are owned more than 50% by a designated person and can therefore sometimes have unintended consequences. As per the UK's rules on "ownership" for sanctions purposes, the UK's sanctions on Rosneft therefore also extended to two of Rosneft's German subsidiaries – Rosneft Deutschland GmbH and RN Refining & Marketing GmbH. These two companies, which control large refineries crucial to Germany's oil supply, were placed under trusteeship by the German Government in September 2022 and are entirely controlled by the German state. In recognition of this, the UK Government issued a General Licence on 22 October 2025 to allow counterparties to resume normal business operations with these Rosneft subsidiaries.

Several other General Licences have been put in place with regard to Rosneft and Lukoil, including a limited wind-down licence and a licence allowing continued operations in relation to several oil projects (such as the Shah Deniz field and the Sakhalin-2 project).

Given the scale and international presence of Rosneft and Lukoil, firms operating in the energy trading, shipping, insurance, financial services and logistics industries should assess their exposure across contracts, supply chains and financing arrangements, including any dealings with Rosneft and Lukoil affiliates, to ensure alignment with the UK sanctions regime and the rapidly developing measures in other jurisdictions.

THE EU RESPONDS WITH ADDITIONAL SANCTIONS ON RUSSIAN ENERGY

Whilst the EU has not at this time designated Rosneft and Lukoil as asset freeze targets (save for Litasco Middle East DMCC, a wholly owned subsidiary of Lukoil, and Eiger Shipping DMCC, itself wholly owned by Litasco Middle East DMCC both designated in the 19th package), it remains similarly focused on targeting Russian energy.

In our previous [article](#), we referenced the EU's new Repower Roadmap which proposed to prohibit imports of Russian gas under new and existing spot contracts. The EU's 19th sanctions package now prohibits the purchase, import or transfer, directly or indirectly, of LNG originating in Russia or exported from Russia from 25 April 2026. However, this prohibition will only apply as of 1 January 2027 for contracts executed before 17 June 2025 which exceed the duration of one year. The provision of technical assistance, brokering services, financing or financial assistance related to such contracts is also banned. New European Commission FAQs further expand on a restriction imposed by the EU's 18th sanctions package on purchasing, importing or transferring Russian petroleum to note that importers of Russian crude must now conduct due diligence to prove that petroleum products imported into the EU were not refined from Russian crude oil. In an effort to halt the circumvention of oil sanctions, enhanced due diligence is required for shipments from Türkiye, India, China, or other countries known for mixing crude oil.

The ban may suspend or bring to an end at least some of the remaining long-term Sales and Purchase Agreements (**SPAs**) for the purchase of Russian LNG by EU buyers. This may be the outcome because performance of these SPAs may become illegal, or because the import ban may otherwise trigger sanctions event or force majeure provisions. However, the precise impact can be complex. Whether a sanctions event or a force majeure event is engaged will depend on the wording of the contract and its governing law, recognizing that these provisions have been heavily negotiated in recent years in contracts involving Russian counterparties. Russian sellers may seek to challenge force majeure or sanctions event notices in arbitration, or even in Russian courts in breach of the arbitration agreement.

Additionally, the 19th package also continues to target entities perceived to be helping Russian companies circumvent energy sanctions. Two Chinese refineries and an oil trader, accused of being significant buyers of Russian crude oil, were sanctioned, as well as further vessels forming part of Russia's so-called "shadow fleet" and entities enabling the operation of the shadow fleet. The package furthermore introduces a ban on reinsuring vessels belonging to the shadow fleet, in addition to the existing ban on *insuring* those vessels.

The 19th sanctions package also focused on the following issues:

- **Financial messaging:** the package introduced additional sanctions designed to further isolate Russia's financial system, including a prohibition from 25 January 2026 to connect to any systems of the Central Bank of Russia or to systems provided by other Russian persons which include a financial messaging functionality, including the Fast Payment System and Russian National Payment Card System ('Mir'). Persons can now also be sanctioned for using such systems. It is also now prohibited to directly or indirectly engage in any transaction with a non-EU credit or financial institution or person which provide payment services to EU sanctions targets, which provide Russia's war with Ukraine, or which are "significantly frustrating" EU sanctions.
- **Crypto assets:** this includes a new prohibition on providing certain crypto-asset, payment or electronic money services to Russian persons. Additionally, the developer of a Russian cryptocurrency, "A7A5", has been sanctioned, and transactions involving this stablecoin are now prohibited across the EU.
- **Russian special economic zones:** the package restricts interactions with entities registered or located in the special economic, innovation or preferential zones of Russia. It is prohibited as of 25 January 2026 to maintain: (i) any existing participation in ownership or control of any person formally registered or who is located in; (ii) joint ventures, branches or representative offices in; or (iii) existing contracts or arrangements for the supply of goods or services in, one of these zones.
- **Other:** the package introduces restrictions on the provision of AI services, high-performance computing services and commercial space-based services to Russian entities, including the Russian government.

IRAN—SANCTIONED ONCE AGAIN?

The Iran sanctions landscape has evolved significantly in the past two months. Back in 2015, the 'Joint Comprehensive Plan of Action' (**JCPOA**) was entered into between China, France, Germany, Russia, the UK, the U.S., the EU High Representative for Foreign Affairs and Security Policy, and Iran, where Iran agreed to certain restrictions on its nuclear program in exchange for the lifting of sanctions. Ten years later, France, Germany and the U.K., dissatisfied with Iran's alleged non-compliance with the JCPOA, triggered the 'snapback' mechanism under the JCPOA to reinstate sanctions.

As a result, United Nations Security Council (**UNSC**) sanctions resolutions on Iran were reactivated, effective 27 September 2025, primarily targeting Iran's nuclear program and military capability. They include prohibitions on the supply, sale or transfer of nuclear and ballistic missile-related goods, a comprehensive arms embargo, transport and shipping restrictions, financial restrictions and the reinstatement of asset freezes. UN Member States are required to implement these resolutions into domestic law.

The UK implemented the restrictions on 29 September, designating 9 persons and 62 entities involved in Iran's nuclear and ballistic missiles program, including Iranian banks such as Bank Mellat and oil companies said to be involved in Iran's nuclear sector.

The EU went one step further, implementing the UNSC sanctions resolutions on 29 September as well as imposing additional EU sanctions. These include extensive economic and financial restrictions on Iran which are considerably wider than the UN sanctions resolutions. These include bans on: (i) imports, purchases and transports of crude oil, natural gas, petrochemical and petroleum products from Iran; (ii) the sale or supply of key equipment used in the energy sector to Iran; and (iii) the sale or supply of precious metals and diamonds to Iran. The EU has also imposed extensive financing restrictions, including prohibitions on providing new grants, loans or financial assistance to certain economic sectors in Iran.

THE WIDER SANCTIONS POSITION

The EU and UK sanctions landscape remains actively in flux, with both jurisdictions continually refining and expanding their toolkits to reach new actors, activities, and geographies connected to Russia's war effort and Iran's support networks. Across successive packages since 2022—most recently including measures aimed at Russian energy revenues, maritime logistics, cryptoasset channels, and financial messaging alternatives—the emphasis has shifted to sophisticated enforcement architecture and anti-circumvention mechanics. The cumulative effect is a sanctions regime that is not only broader, but more agile, data-driven, and enforcement-oriented.

The reintroduction of Iranian sanctions also showcase that the UK and EU are not afraid to have flexible and dynamic approaches to sanctions, removing them when needed to foster cooperation and reintroducing them should such cooperation breaks down. As a result, clients should stay particularly vigilant and well-versed on developments.

AUTHORS

London



Matthew Townsend
*Partner and Global Co-Head,
Sanctions and International
Trade Group*

Tel +44 20 3088 3174
Mob +44 7909 684 728
matthew.townsend@aoshearman.com

Frankfurt



**Dr Udo Herbert
Olgemöller**
*Partner, Sanctions and
International Trade Group*

Tel +49 69 2648 5690
Mob +49 172 792 3946
udo.olgemoeller@aoshearman.com

London



James Freeman
*Partner, International
Arbitration*

Tel + 44 20 3088 2496
Mob + 44 7795 828 348
james.freeman@allenoverly.com

London



Ming He Tan
*Associate, Sanctions and
International Trade Group*

Tel +44 20 3088 1910
Mob +44 7584 006 954
minghe.tan@aoshearman.com

London



Gauthier Jacqmin
*Associate, Sanctions and
International Trade Group*

Tel +44 20 3088 3153
Mob +44 7510 379 686
gauthier.jacqmin@aoshearman.com

Frankfurt



Sarah Weber
*Associate, Sanctions and
International Trade Group*

Tel + 49 69 2648 5613
Mob + 49 160 905 38123
sarah.weber@aoshearman.com

London



Luke Adams
*Associate, International
Arbitration*

Tel + 44 20 3088 2374
Mob + 44 7510 378 610
luke.adams@aoshearman.com

WIDER CONTACTS

New York



Ken Rivlin
*Partner and Global Co-Head,
Sanctions and International
Trade Group*

Tel + 1 212 610 6460
Mob + 1 646 457 8148
ken.rivlin@aoshearman.com

London



Thomas Donegan
*Partner, Financial Services
Regulatory Group*

Tel +44 20 7655 5566
Mob +44 7770 606998
thomas.donegan@aoshearman.com

Amsterdam



Patrick Ploeger
*Partner, Litigation &
Investigations*

Tel + 31 20 674 1336
Mob + 31 622 932 758
patrick.ploeger@aoshearman.com

New York



Katherine Stoller
*Partner, Litigation &
Investigations*

Tel + 1 212 848 5441
katherine.stoller@aoshearman.com

New York



Paula Anderson
*Partner, Litigation &
Investigations*

Tel + 1 212 848 7727
Mob + 1 646 379 2960
Paula.Anderson@aoshearman.com

Paris



Jennifer Younan
*Partner, International
Arbitration*

Tel + 33 1 53 89 48 04
Mob + 33 6 15 91 44 34
jennifer.younan@aoshearman.com

London



Tom d'Ardenne
*Counsel, Sanctions and
International Trade Group*

Tel + 44 203 088 3534
Mob + 44 7557 938 341
tom.dardenne@aoshearman.com

Frankfurt



Maike Hölischer
*Associate, Sanctions and
International Trade Group*

Tel + 49 69 2648 5544
Mob + 49 160 486 8038
maike.hoelscher@aoshearman.com

New York



Jake Ely
*Associate, Sanctions and
International Trade Group*

Tel + 1 212 610 6339
Mob + 1 646 891 6056
jacob.ely@aoshearman.com

New York



Brendan Holman
*Associate, Sanctions and
International Trade Group*

Tel + 1 212 756 1182
Mob + 1 646 988 0053
brendan.holman@aoshearman.com

New York



Olivia Kreft
*Associate, Sanctions and
International Trade Group*

Tel +1 212 610 6328
Mob +1 646 574 8806
olivia.kreft@aoshearman.com

A&O Shearman means Allen Overy Shearman Sterling LLP and/or its affiliated undertakings. Allen Overy Shearman Sterling LLP is a limited liability partnership registered in England and Wales with registered number OC306763. Allen Overy Shearman Sterling (Holdings) Limited is a limited company registered in England and Wales with registered number 07462870. Allen Overy Shearman Sterling LLP (SRA number 401323) and Allen Overy Shearman Sterling (Holdings) Limited (SRA number 557139) are authorised and regulated by the Solicitors Regulation Authority of England and Wales. The term partner is used to refer to a member of Allen Overy Shearman Sterling LLP or a director of Allen Overy Shearman Sterling (Holdings) Limited or, in either case, an employee or consultant with equivalent standing and qualifications or an individual with equivalent status in one of Allen Overy Shearman Sterling LLP's affiliated undertakings. A list of the members of Allen Overy Shearman Sterling LLP and of the non-members who are designated as partners, and a list of the directors of Allen Overy Shearman Sterling (Holdings) Limited, is open to inspection at our registered office at One Bishops Square, London E1 6AD. A&O Shearman was formed on 1 May, 2024 by the combination of Shearman & Sterling LLP and Allen & Overy LLP and their respective affiliates (the legacy firms). This content may include or reflect material generated and matters undertaken by one or more of the legacy firms rather than A&O Shearman.

© Allen Overy Shearman Sterling LLP 2025. This document is for general information purposes only and is not intended to provide legal or other professional advice. | UKC1: 2002052664.4