



OFAC Identifies SDNS Under PEESA Authorities and Clarifies Scope

AUGUST 31, 2021

On August 20, the U.S. government took a number of actions against Russian oil pipelines Nord Stream 2 and TurkStream, including heightening sanctioned activities related to the construction of those pipelines and adding several individuals, entities, and vessels to the Office of Foreign Assets Control's (OFAC) Specially Designated Nationals and Blocked Persons List (SDN List). The administration released an executive order (the August 20, 2021 E.O.) that authorizes the Department of the Treasury (Treasury) to "promulgate regulations and provides for blocking of PEESA-designated persons." See Treasury FAQ 921. The E.O. was promulgated according to the Protecting Europe's Energy Security Act of 2019 (PEESA), which targets Russian pipelines by enabling the president to impose sanctions on individuals who engage in transactions related to the "construction of Russian energy export pipelines, goods, services, technology, information, or support."

The August 20, 2021 E.O. refers to E.O. 14024, issued April 15, 2021, which declares a national emergency and imposes certain sanctions as a result of actions by the Russian Federation, including interference in U.S. elections, cyberattacks, and transnational corruption efforts. However, E.O. 14024 does not invoke PEESA and does not specifically target Russian pipeline construction efforts.

PEESA, as amended, requires that the Secretaries of State and Treasury submit reports that identify vessels "engaged in pipe-laying or pipe-laying activities at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 pipeline project, the TurkStream pipeline project, or any project that is a successor to either such project" and foreign persons that have otherwise supported those pipeline efforts. PEESA further generally requires that the administration refuse any visas, admission, or parole—and revoke any existing visas—of individuals and corporate officers identified by the Secretaries of State and Treasury. The August 20, 2021 E.O. empowers the relevant Secretaries to take action under PEESA and to promulgate rules and regulations to enable those authorities. The E.O. further specifies that no prior notice of listing or determination is required.

Under such authority, OFAC added the names of nine natural persons, seven entities, and 13 vessels to the SDN List and made five other changes to existing designated entities. These persons or entities are generally Russian.

Concurrently, OFAC amended General License 1 (GL 1) to General License 1A (GL 1A). Each version of this general license permits transactions with the Federal State Budgetary Institution Marine Rescue Service (MRS) and entities more than 50% owned by MRS so long as those transactions are not related to the construction of Nord Stream 2,

TurkStream, or the progeny of those pipelines. GL 1A does not reflect substantive changes to GL 1, but rather updates the general license to account for the new August 20, 2021 E.O., to account for the new additions of persons, entities, and vessels to the SDN List, and to expressly prohibit transactions with vessels identified as blocked property of entities owned by MRS.

Finally, OFAC issued new Frequently Asked Questions (FAQs), numbers 919 and 920, regarding how this new E.O. affects existing directives under the Chemical and Biological Weapons Control and Warfare Act of 1991 (the CBW Act). In particular, FAQ 919 specifies that the August 20, 2021 E.O. does not change the scope of sanctions related to bank loans imposed in August 2019 under the CBW Act Directive, while FAQ 920 specifies that import restrictions related to firearms and ammunition will be implemented by the Bureau of Alcohol, Tobacco, Firearms, and Explosives.

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