

The indefinite derogation of Rosneft's German assets from US sanctions

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On 5 March, the United States decided to indefinitely exempt the two companies registered in Germany, Rosneft Deutschland (RND) and RN Refining & Marketing (RNRM), from US sanctions imposed on Russian oil companies last October (see *'Trump's first sanctions, the EU's 19th sanctions package: the West increases the pressure on Russia'*). The decision replaces the previous, time-limited derogation, issued on 29 October last year and valid until 29 April this year (see *'Derogation of Rosneft's German assets from US sanctions'*).

Washington's decision came one week after the German government altered the legal basis for the state trusteeship over Rosneft's assets in Germany that was first introduced in 2022. Previously, this control had been based on the Energy Security Act (*Energiesicherungsgesetz*), which allowed trusteeship to be imposed for a maximum of six months and required renewal thereafter. The most recent extension was approved last September (see *'Germany: sixth extension of state control over Rosneft assets'*). The new trusteeship, introduced by a decision taken on 27 February, is based instead on the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*) adopted in January this year. State control defined by this legislation – which is still exercised by the Federal Network Agency – is indefinite and therefore does not require renewal. However, it is directly linked to the duration of EU sanctions against Russia.

RND and RNRM are involved in the import, refining and sale of crude oil and petroleum products in Germany. Through these entities, Rosneft holds stakes in three German refineries: 54.17% in PCK in Schwedt, 24% in MiRo in Karlsruhe and 28.57% in Bayernoil in Vohburg/Neustadt (see map). This makes Rosneft the third-largest oil company in Germany in terms of refining capacity, with a 12% share, after Shell and BP. Rosneft also holds stakes in several German pipelines, including an 11% share in the Transalpine Pipeline (TAL), which plays a key role in supplying crude to refineries in the southern part of the country.

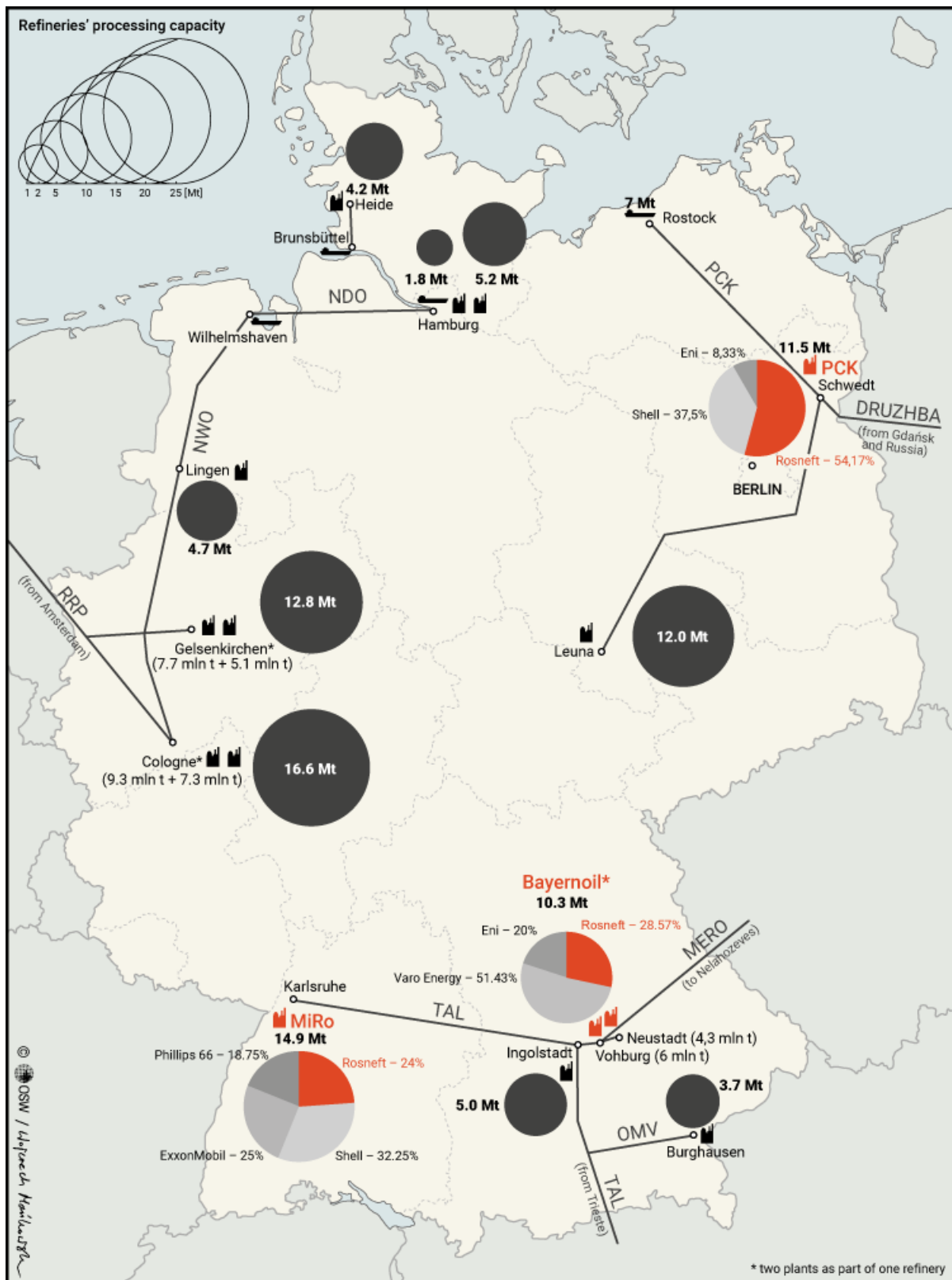
Commentary

- **Germany had been lobbying Washington for months to extend the original temporary derogation.** Talks between the two governments on this matter began last autumn and proceeded in parallel with legislative work in the Bundestag to find a new legal basis for the trusteeship (currently, only Rosneft's assets are subject to this control in Germany). According to media reports, the German government received assurances from Washington that the introduction of a new, open-ended instrument would provide

sufficient grounds to extend the derogation indefinitely. Parliamentary work on the legislation was expedited and the entire procedure took just one month. The issue of extending the derogation was also likely discussed during German Chancellor Friedrich Merz's visit to the United States and his meeting with President Donald Trump on 3 March.

- **The indefinite exemption of Rosneft's German assets from US sanctions stabilises the operations of the three German refineries in which the Russian company retains stakes.** For weeks, both the plants and the authorities of the federal states where they are located had been warning Berlin that the approaching end of the derogation and the uncertainty regarding whether it would be extended were negatively affecting refinery operations. Some of their contractors reportedly refused to sign cooperation agreements extending beyond April due to fears of US secondary sanctions. This also affected orders for crude oil supplies, which are typically signed for at least several weeks in advance. The PCK refinery in Schwedt, which also supplies western Poland, reportedly faced the greatest risk, and could have potentially even led to insolvency. Any disruption to the plants' operations would have affected fuel supplies across a large part of Germany and triggered sharp price increases.
- **Neither decision – the extension of the derogation nor the new trusteeship – has resolved the question of the future of Rosneft's assets in Germany.** Although indefinite, these instruments are, by their nature, temporary arrangements. From Berlin's perspective, the most favourable outcome would be a change of ownership, but a voluntary sale by Rosneft currently remains the preferred option. This would be the most politically convenient solution for Germany, enabling it to avoid a dispute with Russia and likely retaliation in the event of nationalisation. It would also be preferable from a financial and legal standpoint by eliminating the risk of compensation claims. The option of nationalising these assets (with a view to their subsequent resale) is also being considered. According to various sources, the German government has recently re-examined this possibility. In recent weeks, there has been growing speculation that Sunoco, a US company operating in the fuel sector, may be interested in acquiring Rosneft's German assets. Early this year, the German government approved Sunoco's acquisition of TanQuid, the largest independent operator of fuel terminals and storage facilities in Germany. Some experts believe that these assets would complement the potential acquisition of Rosneft's stakes in German refineries. Moreover, Sunoco's owner, Kelcy Warren, is reported to have close ties to figures in President Trump's inner circle.

Map. Oil transport infrastructure and refineries in Germany



Source: German Mineral Oil Industry Association (formerly MWV, from 2021 known as En2X).