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The EU's twenty-first sanctions package against Russia: national interests dilute the measures

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The EU's twenty-first sanctions package against Russia: national interests dilute the measures

On 23 July, the European Union adopted its twenty-first package of sanctions against Russia, targeting the financial sector, including Russian banks, as well as the cryptocurrency and energy sectors. It also introduced restrictions on trade with Russia, including on metal ores. In addition, the EU froze for one year the oil price cap allowing EU entities to provide services related to Russia's seaborne crude oil exports, including insurance, transport and maintenance, at US$44.10 per barrel. It also announced plans to develop a mechanism barring Russian military personnel from entering the EU and confirmed that the embargo on Russian LNG will take effect on 1 January 2027, while allowing EU entities to continue transporting the fuel to third countries.

Although the package was significantly watered down compared with both the original proposal and existing measures, most notably by permitting the transport of Russian LNG, its adoption increases the economic and political pressure on Russia. The country is already experiencing the growing impact of existing sanctions, as well as repeated Ukrainian drone strikes on its energy and logistics infrastructure. The expanded restrictions, particularly the decision to maintain the oil price cap at its current level, will reinforce negative trends in the Russian economy and further constrain the Kremlin's ability to finance the war. At the same time, the differences between EU member states exposed during the negotiations suggest that the pace of adopting further sanctions may slow.

Commentary

- **Despite the growing effectiveness of sanctions against Russia, securing unanimous EU support for further measures is becoming increasingly difficult.** Since Viktor Orbán, the leading opponent of stronger EU pressure on Russia, left power, some EU member states have been forced to defend their national interests more openly, as they can no longer rely on the Hungarian veto. As a result, the package proposed by the European Commission was significantly watered down during nearly two months of negotiations. Greece blocked a ban on European vessels providing services for the transport of Russian LNG. Meanwhile, the EU once again failed to add Patriarch Kirill of Moscow to the sanctions list for his open support for the war, this time primarily due to Bulgaria's opposition. The EU also failed to introduce restrictions on imports of Russian fish after major importing member states, particularly Germany and Portugal, objected to the proposal. Meanwhile, resistance from Mediterranean member states, which continue to benefit from Russian tourism, prevented the adoption of a ban on the entry of Russian military personnel into the EU, although further work on the proposal has been announced.

- **Strengthening the EU's financial restrictions is particularly important for countering sanctions evasion.** By suspending secondary sanctions against entities violating US restrictions, the Trump administration has enabled Russia to establish new cross-border payment channels, including through cryptocurrencies. As a result, Russia has also reduced its transaction costs. Russia has developed these payment channels with the support of numerous entities in Central Asia, particularly Kyrgyzstan, as well as in the Gulf states and Hong Kong. The EU has imposed targeted sanctions on individuals involved in developing the Russian cryptocurrency A7A5. It has also established a legal framework allowing transactions with cryptocurrency institutions in third countries cooperating with Russia to be prohibited. These measures will make it more difficult for Russia to use such channels to circumvent sanctions.
- **The easing of existing LNG restrictions will allow Russia to avoid logistical disruptions to its exports.** Greece's insistence on allowing EU companies to transport Russian LNG to third countries reflects its efforts to protect the interests of Dynagas. The company provides shipping services for Russia's Yamal LNG project, including seven Arc7 ice-class LNG carriers capable of operating in Arctic waters throughout the year. Had Russia lost access to Dynagas's services, Novatek, the operator of the Yamal LNG project, would have had to reduce production. Without year-round export capacity, it would not have been able to maintain current output. By easing the sanctions, the EU has removed this risk, improving Russia's position ahead of the embargo on imports of Russian LNG due to take effect at the end of this year. Dynagas vessels are therefore likely to facilitate the reorientation of exports from the Yamal LNG project to Asian markets.
- **The strained situation on the gas market made it difficult to overcome Greece's insistence on securing a derogation for the transport of Russian LNG.** High gas prices, driven by the conflict in the Middle East and the suspension of Qatari LNG exports, combined with the slow pace of replenishing EU gas storage ahead of the heating season, have created unfavourable conditions for further tightening sanctions. Even a partial disruption to Russian LNG exports caused by logistical constraints would reduce global supply. Moreover, a prolonged crisis in global hydrocarbon markets could encourage some member states to push for a delay in implementing the embargo on imports of Russian LNG. In the first half of this year, the EU imported nearly 10 million tonnes of Russian LNG, up 18% year on year, with an estimated value of €6 billion, accounting for virtually all output from the Yamal LNG project.
- **The failure to introduce restrictions on imports of Russian fish is another negative outcome.** Such a measure would have reduced Kremlin revenues, with the value of Russian fish exports to the EU estimated at around €750 million in 2025. It could also have supported the recovery of fish stocks in the Baltic Sea and limited the Kremlin's ability to conduct surveillance along the EU coastline. Russia has consistently ignored EU fishing restrictions in the Baltic Sea and continues to exploit its marine resources as

intensively as possible. In addition, Russian fishing companies, including those supplying fish to EU ports, have been suspected of engaging in espionage. As a result, two of them were added to the EU sanctions list earlier in 2025.

APPENDIX

The restrictions introduced under the EU's twenty-first sanctions package include:

- **energy sector:** The EU froze for one year the oil price cap, setting it at US$44.10 per barrel. The cap allows EU entities to provide services related to Russia's seaborne crude oil exports, including insurance, transport and maintenance. It also imposed sanctions on 41 'shadow fleet' tankers and entities in the oil sector, including the refineries in Mazyr, Belarus, and Kulevi, Georgia, with a six-month transition period granted for the latter. At the same time, following lobbying by Greece, the EU introduced a derogation allowing EU entities to transport Russian LNG for one year. It also established a requirement to notify the sale of LNG carriers to third countries in an effort to limit Russia's ability to acquire such vessels.
- **financial and cryptocurrency sectors:** The EU added more than 90 Russian banks, including the state-owned Russian Agricultural Bank (Rosselkhozbank), and the Moscow Exchange to its sanctions list. It also imposed sanctions on companies and individuals from Russia and third countries involved in cryptocurrency markets used by Russia to circumvent sanctions, primarily through the A7A5 stablecoin. In addition, the EU adopted a new regulation providing a legal basis for a comprehensive ban on the provision of cryptocurrency-related services to institutions in third countries cooperating with Russia.
- **trade:** The EU expanded export restrictions to Russia to cover metals and metal alloys used in the aerospace and defence sectors, as well as ground support equipment, jamming systems and drone launch systems. It also introduced new import restrictions on goods from Russia, primarily targeting metal ores, including copper, nickel and lead.
- **defence sector:** The EU imposed sanctions on companies in Russia and third countries involved in supporting Russia's defence industry.
- **entry ban to the EU:** The EU also established a legal basis for introducing an entry ban on individuals who have served in the Russian armed forces since the start of the full-scale invasion of Ukraine and announced further work on implementing the measure. In addition, it imposed sanctions on 48 individuals, including Mikhail Degtyarev, Russia's minister of sport and president of the Russian Olympic Committee, and Vladimir Medinsky, an adviser to Vladimir Putin.

It is worth noting that the EU regularly expands its sanctions lists not only through successive sanctions packages but also under other sanctions regimes, including those targeting human rights violations. The latest decision, adopted on 13 July, imposed sanctions on individuals and companies involved in the development and deployment of technologies used to monitor the Russian population, including the SORM surveillance system and the MAX application.