

# UK sanctions on Russian energy

## The two new OTSI/DBT general trade licences of 20 May 2026

21 May 2026

On 19 May 2026, the UK Department for Business and Trade (DBT), acting through the Office of Trade Sanctions Implementation (OTSI), signed and published two general trade licences (the liquefied natural gas (LNG) Licence and the Processed Oil Products Licence, together the Licences) under regulation 65 of the Russia (Sanctions) (EU Exit) Regulations 2019 (the Russia Regulations).

Both instruments entered into force on 20 May 2026. The Licences disapply, in carefully calibrated terms, two of the most recent prohibitions inserted into the Russia Regulations: the Chapter 4LA services ban on Russian LNG and the Chapter 4IB import-and-dealing ban on petroleum products refined in third countries from Russian-origin crude. Their practical effect is to keep two operationally critical flows of Russian-linked energy lawful for UK persons, Sakhalin-2 and Yamal LNG cargoes on short contracts, and diesel and kerosene-type jet fuel processed from Russian crude by third-country refiners, while leaving the headline prohibitions in force for everything else.<sup>1</sup>

### The instruments

These are general trade licences issued under Regulation 65 of the Russia Regulations. This rule lets the secretary of state approve broad groups of people and actions all at once, rather than forcing everyone to apply individually. Regulation 65, the trade-sanctions counterpart to regulation 64, under which the Office of Financial Sanctions Implementation of His Majesty's Treasury (OFSI) issues general licences disapplying financial-sanctions prohibitions. The institutional split tracks the substantive one: OTSI, established within DBT in October 2024, administers the trade-sanctions provisions of the Russia Regulations and now sits alongside OFSI as one of the two principal licensing authorities for the regime.<sup>2</sup>

Both Licences operate by disapplying named regulations rather than by creating new permissive rights. The LNG Licence disapplies the entirety of Chapter 4LA, which prohibits the supply, delivery, financing and brokering of maritime transportation services for Russian LNG to third countries (import of LNG into the UK remains prohibited by other Regulations). The Processed Oil Products Licence disapplies regulations 46Z9F (import), 46Z9G (supply), 46Z9H (making available) and 46Z9I (dealing in) of Chapter 4IB, which targets refined oil products processed in a third country from Russian-origin crude, in respect of diesel and jet fuel. Both Licences effectively display restrictions that were promulgated on the same day, so the effect is suspending new restrictions rather than pre-existing ones. Neither Licence touches the asset-freezing or financial prohibitions administered by OFSI, the existing prohibitions on the import of Russian-origin crude, the maritime services ban subject to the oil price cap or the prohibitions on services to designated persons under Schedule 1 to the Russia Regulations. Operators that need cover under those provisions must continue to rely on the relevant OFSI general licences, including INT/2024/4423849 (the Oil Price Cap general licence) and INT/2025/5635700 (the Russian Oil Exempt Projects general licence covering Sakhalin-2 production and shareholders).<sup>3</sup>

<sup>1</sup> General Trade Licence: Sanctioned Processed Oil Products (GBSAN0004), signed 19 May 2026, in force 20 May 2026 (gov.uk); General Trade Licence: Maritime Transportation of Liquefied Natural Gas, signed 19 May 2026, in force 20 May 2026 (gov.uk); see further [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#), S.I. 2019/855, Part 5 (trade), Chapters 4IB (relevant processed oil products, regs 46Z9F–46Z9I) and 4LA (maritime transportation of Russian LNG).

<sup>2</sup> Russia (Sanctions) (EU Exit) Regulations 2019, regs 64–65; cf. Office of Financial Sanctions Implementation, [General Guidance for Financial Sanctions under the Sanctions and Anti-Money Laundering Act 2018](#) (HM Treasury, updated periodically).

<sup>3</sup> Russia (Sanctions) (EU Exit) Regulations 2019, Schedule 1 (designated persons); see further Office of Financial Sanctions Implementation, [UK Sanctions List: Russia Regime](#) (OFSI, consolidated list, current edition); OFSI General Licence INT/2024/4423849 (Oil Price Cap); OFSI General Licence INT/2025/5635700 (Russian Oil Exempt Projects – Sakhalin-2).

## The political and geopolitical backdrop

The Licences emerge from a sequence of UK policy decisions in late 2025 and early 2026 that, at regime level, installed prohibitions paralleling the EU's 18th sanctions package, but at the licensing level depart from it. The proximate driver of the carve-outs is the supply-side pressure on refined products and LNG arising from the closure of the Strait of Hormuz to commercial traffic following the late-February 2026 strikes on Iran, which materially tightened the diesel, kerosene-type jet fuel and LNG markets serving the UK. Article 3ma of Council Regulation (EU) 833/2014, inserted by the 18th package and in force from 21 January 2026, prohibits the purchase, import or transfer into the EU of petroleum products falling within Combined Nomenclature heading 2710 obtained in a third country from Russian-origin crude oil falling within Combined Nomenclature heading 2709. The EU measure closes what has come to be known as the "refining loophole": the lawful onward sale to sanctioning jurisdictions of refined products derived from Russian crude that has been substantially processed in a non-sanctioning third country, predominantly India, Türkiye and the People's Republic of China.

In the UK's case, the driver for suspending the application of these prohibitions in a new sanctions package (which otherwise covers uranium imports, imports of various chemical and biological components and ancillaries, as well as construction services) arises from the stress in the international energy markets. In the case of LNG, the motivation is the global price (the prohibition on import of LNG into the UK remains) and reflects the role the UK enjoys in the global shipping industry, in the case of diesel and jet fuel it is about both price and supply. The Centre for Research on Energy and Clean Air, in conjunction with Global Witness, estimated that the UK imported approximately £660 million in refined petroleum products derived from Russian crude in 2023, generating an estimated £123 million in Kremlin tax revenue from UK demand alone, with kerosene-type jet fuel representing the dominant share.<sup>4</sup> Import of Russian-origin LNG to the UK has been prohibited since October 2022 (and this prohibition is unaffected by the new Licences), but UK offshore facilities had been playing a significant part in the import of Russian-origin LNG into the EU.



The UK announced on 12 November 2025, that it would introduce a maritime services ban on Russian LNG and would legislate, separately, to close the refining loophole on its own market. The measures were brought into force through amending instruments made on the same day (20 May 2026) as the Licences are issued. Yamal LNG, the Novatek-controlled Russian Arctic project, was the principal target of the LNG measure: it is the largest single Russian LNG export source and depends on a fleet of ice-class carriers many of which use UK-linked shipping, financing and brokering services. Sakhalin-2, by contrast, supplies long-standing Asian buyers, and has been preserved from direct measures that would disrupt those established energy-supply relationships. The LNG Licence reflects that calibration. The Processed Oil Products Licence in turn reflects the practical fact that UK refining capacity cannot meet domestic diesel and kerosene-type jet fuel demand from non-Russian-linked sources on a short horizon, and that an unmitigated closure of the refining loophole would have produced an immediate aviation-fuel supply problem and a politically intolerable rise in pump prices.<sup>5</sup>

The issuance of the general licences has created some political debate in the UK, a departure from the usual political consensus on Ukraine-related policy, not least because the government continues to bear down on UK domestic production from the North Sea of these same products.

<sup>4</sup> Council Regulation (EU) 833/2014, art 3ma, as inserted by Council Regulation (EU) 2025/1494 (18th sanctions package), OJ L 2025/1494, 21 July 2025, in force from 21 January 2026; European Commission, [Frequently Asked Questions: Import Ban on Refined Petroleum Products Obtained from Russian Crude Oil](#) (DG FISMA); Centre for Research on Energy and Clean Air and Global Witness, [Evading the Sanctions: UK Imports of Oil Products Made from Russian Crude](#) (2024); on the Strait of Hormuz background and the United Kingdom's positioning relative to the EU regime, see [Ukraine ally Britain eases sanctions on Russian oil as fuel prices surge over Iran conflict](#), Washington Post (20 May 2026).

<sup>5</sup> Sanctions (EU Exit) (Miscellaneous Amendments) Regulations 2026, in force 13 May 2026; vid. House of Commons Library Briefing CBP-10342, [Sanctions against Russia: What has changed since January 2025?](#) (27 February 2026).



## Licence A, maritime transportation of Russian LNG

The LNG Licence disapplies Chapter 4LA of the Russia Regulations in respect of activities concerning LNG that originates at the Sakhalin-2 LNG terminal or the Yamal LNG terminal. Four classes of act are authorised: first, the supply or delivery of LNG by ship from either terminal to a destination in a third country; secondly, the supply or delivery of LNG between two third-country destinations where the cargo originated at one of the two named terminals, capturing onward sales, ship-to-ship transfers and reroutings; thirdly, the provision of financial services and funds in connection with those activities, including trade finance, letters of credit, vessel financing and related hedging; and fourthly, the provision of brokering services in connection with those activities, including cargo, freight and sale-and-purchase intermediation.

Two conditions govern reliance on the Licence. First, the relevant activity must fulfil a relevant contract, defined within the Licence as a contract with a duration of one year or less. The condition expressly excludes long-term offtake arrangements, which must be supported by specific licences if at all. Secondly, the LNG must originate at one of the two named terminals; activities concerning other Russian LNG projects, including Arctic LNG 2, Portovaya LNG and Vysotsk LNG, remain prohibited. The Licence further imposes a positive notification duty: a person relying on it must notify DBT within 30 calendar days of the activity beginning, and failure to do so removes the protection of the Licence. The instrument expires on 1 January 2027, giving the secretary of state a defined moment at which to extend, narrow or allow it to lapse in line with the projected trajectory of the wider services ban.

## Licence B, sanctioned processed oil products

The Processed Oil Products Licence disapplies the four prohibitions of Chapter 4IB, regulations 46Z9F, 46Z9G, 46Z9H and 46Z9I, only in respect of relevant processed oil products, a defined term capturing specific products that fall within commodity code 2710 and have been processed in a third country from 2709 oil and oil products of Russian origin. The Licence operates by reference to Combined Nomenclature subheadings and is narrowly drawn: the disapplication applies only where the products fall within 2710 19 21 (kerosene-type jet fuel), 2710 19 42 (gas oil with sulphur content not exceeding 0.001% by weight) or 2710 19 44 (gas oil with sulphur content exceeding 0.001% but not 0.002% by weight); both forms of diesel. Refined products outside those subheadings, including motor gasoline, heavy fuel oil, marine bunker fuel, lubricants and naphtha, remain subject to Chapter 4IB even when refined from Russian crude in a third country.

Three points of construction merit emphasis. First, the Licence does not authorise the import of Russian-origin crude under heading 2709; Chapter 4G of the Russia Regulations continues to prohibit that conduct as a matter of UK law. Secondly, paragraph 6 of the Licence reproduces the standard knowledge-and-suspicion proviso: the Licence does not authorise an act that the person carrying it out knows, or has reasonable grounds for suspecting, will result in a breach of the Russia Regulations otherwise than as authorised. Conduct that would, for example, indirectly benefit a person designated under Schedule 1 to the Russia Regulations therefore falls outside the Licence regardless of the commodity code. Thirdly, paragraph 8 expressly preserves obligations arising under the Windsor Framework via section 7A of the European Union (Withdrawal) Act 2018: for goods movements involving Northern Ireland, the EU prohibition under Article 3ma, which contains no diesel or jet fuel carve-out, takes precedence to the extent of any incompatibility.<sup>6</sup>

The Processed Oil Products Licence is of indefinite duration and is subject to periodic review. The Licence records a soft commitment that the secretary of state will endeavour to provide four months' notice of any decision to revoke. Although that commitment is not legally binding, it functions as the practical planning horizon for refiners, importers, airlines and fuel suppliers whose business models depend on continued access to the licensed commodity codes.

<sup>6</sup> Russia (Sanctions) (EU Exit) Regulations 2019, supra n. 1, Chapter 4G: import of Russian-origin oil and oil products.

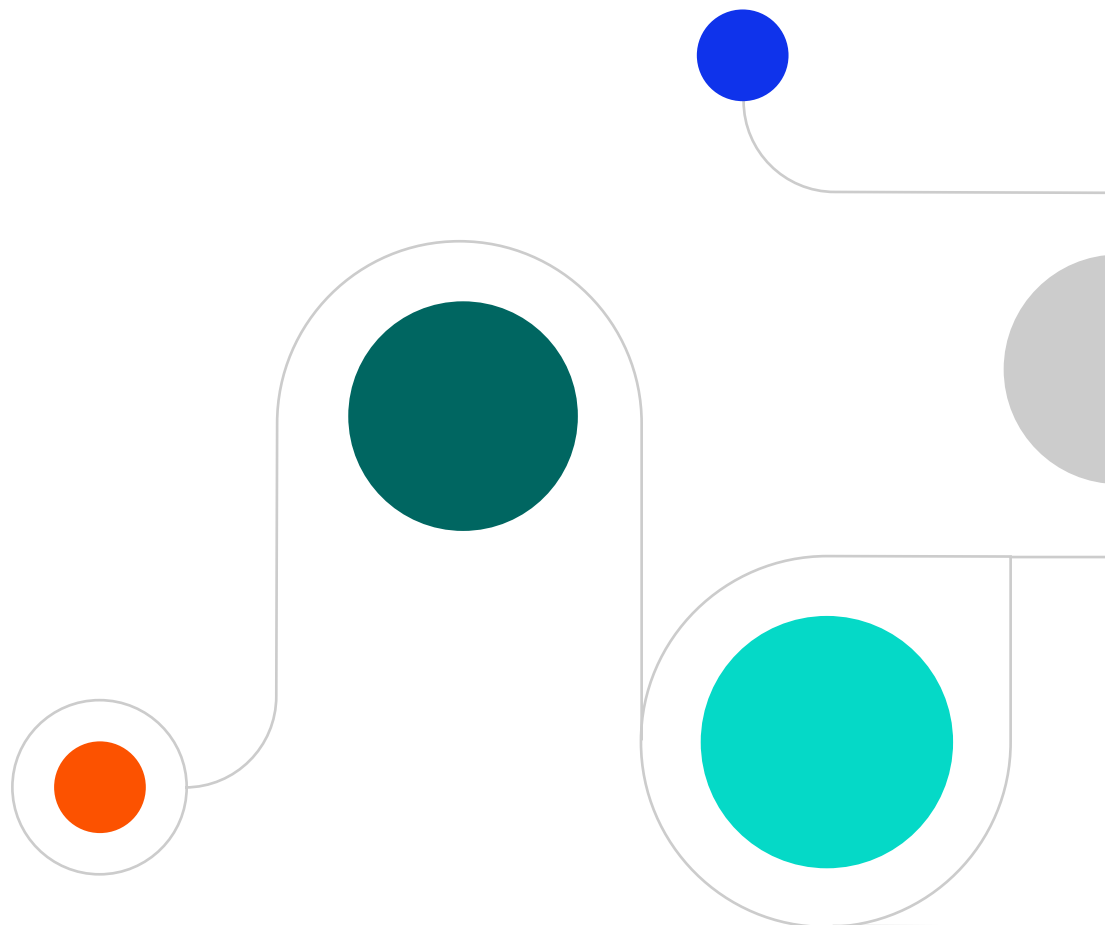
## Implications for operators

The immediate effect of the Licences is to bifurcate UK persons' Russian-energy exposure into a permitted and a prohibited tier. Permitted activity comprises Sakhalin-2 and Yamal LNG short-strip handling, financing and brokering until 1 January 2027 for third country trade, and diesel and kerosene-type jet fuel imports to the UK refined in third countries from Russian crude on an indefinite basis subject to revocation. Everything outside those two perimeters, Arctic LNG 2 services; long-term Sakhalin-2 or Yamal offtake; gasoline, fuel oil, naphtha or lubricants processed from Russian crude in a third country; and any dealings with persons designated under Schedule 1 to the Russia Regulations, remains prohibited and requires either a specific licence or a substantive defence.

A particular vigilance attaches to the LNG Licence's 30-day notification duty. Unlike the OFSI general licences, which do not generally require proactive notification, reliance on the LNG Licence is contingent on the notification: an operator that completes a Sakhalin-2 or Yamal voyage in reliance on the Licence and fails to notify DBT within 30 calendar days loses the protection retrospectively, with the consequence that the underlying Chapter 4LA prohibition reasserts itself.

## How we can help

Our international trade and sanctions team helps multinationals, financial institutions, refiners, traders, shippers and airlines navigate the increasingly granular interface between UK, EU and US Russian-energy measures. We advise on the scope and conditions of trade and financial general licences, on specific-licence applications to OTSI and OFSI, on contractual sanctions risk allocation, on certificate-of-origin and due diligence regimes for refined-products supply chains, as well as on the audit and remediation of compliance programmes against the rapidly evolving Russia Regulations. Whether the immediate question is whether the Processed Oil Products Licence covers a particular consignment, whether the LNG Licence supports a planned Sakhalin-2 voyage or how a UK-EU divergence should be managed across a group's Northern Irish, Irish and continental operations, we are well placed to assist.



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