

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT)
(NO. 2) REGULATIONS 2023

Monday 10 July 2023

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Friday 14 July 2023

© Parliamentary Copyright House of Commons 2023

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: † GRAHAM STRINGER

- | | |
|---|--|
| † Benn, Hilary (<i>Leeds Central</i>) (Lab) | † McDonald, Stewart Malcolm (<i>Glasgow South</i>) (SNP) |
| Blake, Olivia (<i>Sheffield, Hallam</i>) (Lab) | † Moore, Damien (<i>Southport</i>) (Con) |
| † Carden, Dan (<i>Liverpool, Walton</i>) (Lab) | † Morton, Wendy (<i>Aldridge-Brownhills</i>) (Con) |
| † Doughty, Stephen (<i>Cardiff South and Penarth</i>) (Lab/Co-op) | † Penning, Sir Mike (<i>Hemel Hempstead</i>) (Con) |
| † Elmore, Chris (<i>Ogmore</i>) (Lab) | † Simmonds, David (<i>Ruislip, Northwood and Pinner</i>) (Con) |
| † Ford, Vicky (<i>Chelmsford</i>) (Con) | † Trevelyan, Anne-Marie (<i>Minister of State, Foreign, Commonwealth and Development Office</i>) |
| † Foy, Mary Kelly (<i>City of Durham</i>) (Lab) | |
| † Harris, Rebecca (<i>Comptroller of His Majesty's Household</i>) | Stella-Maria Gabriel, <i>Committee Clerk</i> |
| † Howell, John (<i>Henley</i>) (Con) | |
| Kawczynski, Daniel (<i>Shrewsbury and Atcham</i>) (Con) | |
| † Mackrory, Cherylyn (<i>Truro and Falmouth</i>) (Con) | † attended the Committee |

First Delegated Legislation Committee

Monday 10 July 2023

[GRAHAM STRINGER *in the Chair*]

Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2023

4.30 pm

The Chair: Before I call the Minister to move the motion, it is close in here, so if right hon. and hon. Members wish to take their jackets off, they should feel free so to do.

The Minister of State, Foreign, Commonwealth and Development Office (Anne-Marie Trevelyan): I beg to move,

That the Committee has considered the Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2023 (S.I. 2023, No. 665).

The regulations amend the Russia (Sanctions) (EU Exit) Regulations 2019. This statutory instrument was laid on 19 June 2023 under powers provided by the Sanctions and Anti-Money Laundering Act 2018. The instrument was considered and not reported by both the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee. It was approved by the House of Lords on 5 July.

The regulations contain measures that increase the pressure on Mr Putin as we continue to support Ukraine and its people in their resistance to his illegal war. The first part of this legislation is an amendment to enable us to keep sanctions in place until Russia pays for damage it has caused to Ukraine. In March this year, the World Bank estimated that the reconstruction of Ukraine will cost more than \$400 billion, a figure that rises daily. On 21 and 22 June, the UK co-hosted the Ukraine recovery conference here in London, galvanising international support. By the end of the conference, international commitments towards Ukraine's recovery and reconstruction topped more than \$60 billion.

The Prime Minister's message at the conference was clear: Russia must pay for the destruction that it has wreaked. That is why we are keeping up economic pressure on Russia with an unprecedented package of sanctions targeting more than 1,600 individuals and entities since the start of the invasion. That includes dozens of banks with clearable assets worth £1 trillion and more than 130 oligarchs, freezing £18 billion in assets and costing Russia £20 billion in trade.

We have maximised the impact of those measures by co-ordinating with key international partners. Together, we constrain the funding for Mr Putin's war machine, inflict huge economic cost and demonstrate our support for Ukraine. Russia's economy faces a deficit of nearly \$50 billion in 2022, the second highest of the post-Soviet era. With our partners, we are choking off Putin's access to key technologies that he needs on the battlefield.

We have not stopped there. This legislation marks further progress in our battle against Putin's unwanted aggression. Building on the commitment by G7 leaders in May that sovereign assets will remain immobilised

until Russia pays up, this statutory instrument enables us to keep sanctions in place until Russia does that. I am proud that the United Kingdom is the first member of the sanctions coalition to make that commitment real. We will continue to demonstrate international leadership as we look to increase the pressure on Putin and those who support him.

As internal criticism of Mr Putin's war grows, we will introduce a new route for those under sanctions to request that their frozen funds are used for Ukrainian reconstruction. Let me be clear: there is no negotiation, no quid pro quo, no relief from sanctions and no access for those individuals to their assets while they remain under sanction. However, if they wish to do the right thing and use their frozen funds to help right the wrongs caused by Putin's invasion, there will be an approved route for them so to do.

We will also tighten the net on those hiding assets in the UK. We will require individuals and entities in the UK, or UK persons overseas designated under the Russia regime, to disclose assets they hold in this country. A failure to do so could result in financial penalties or the confiscation of assets. We will legislate to require those holding assets in the UK on behalf of the Central Bank of Russia, the Russian Ministry of Finance or the Russian national wealth fund to disclose them to the Treasury. Our action will increase transparency on where such assets are held and limit opportunities for sanctions evasion.

Several Committee members participated in the debate in the House of Commons on 27 June and will be aware of the active debate with our international partners on the use of sanctioned assets to support Ukraine's recovery. No country has yet found a solution that we are confident is legally sustainable, but we are working closely with our allies on the handling of seized Russian assets and will continue to do so.

John Howell (Henley) (Con): I do not want to detain the Committee; I will just say that I welcome the regulations. It was agreed at the Reykjavik summit that countries should put in place, through their own legislation, this sort of move to have a go at the Russians. Does the Minister see this as a good model that we can export to other countries to follow?

Anne-Marie Trevelyan: I thank my hon. Friend for his support and for that important question. As we are the first to introduce such legislation, we hope that it will act as a basis from which others might wish to build their programmes. Our partners are also working on solutions, and we are working very much hand in hand. If progress is made by international partners, we will learn from that, too. Importantly, nothing is off the table. We have a cross-Government taskforce carefully considering all proposals, including those that our partners might bring forward.

The second part of the legislation amends the definition of non-Government controlled Ukrainian territory, including Crimea and the non-Government controlled areas of the Donetsk and Luhansk oblasts, to incorporate all the non-Government controlled areas of the Kherson and Zaporizhzhia oblasts. The change reflects the dynamic situation that we see on the ground. The way the regulations are drafted will allow our sanctions to keep pace with the changing circumstances of the conflict and the shifting territorial control in the oblasts.

Measures applying to non-Government controlled Ukrainian territory in areas of finance, trade and shipping will therefore now apply to all the areas not currently under the control of the Ukrainian Government.

Hilary Benn (Leeds Central) (Lab): I understand entirely that the regulations need to be changed because of the changing shape of the battlefield, as the Minister described it. However, does that mean that if the Russians were to gain further territory, heaven forbid, that went beyond the geographical confines set out in the regulations, we would have to come back and have new regulations to change the geographical coverage? Therefore, have the Government considered just defining this as non-Government controlled Ukrainian territory, which would cover any places that were not held by the Ukrainians at any given time, as the battle goes back and forth?

Anne-Marie Trevelyan: The right hon. Member raises an important question and I will ensure that he is given a full written answer on the legal position. However, I think he would agree—he has stated this himself—that we do not wish to consider that position at the moment. We will therefore bring in the statutory instrument as it stands, but in the meantime, I am happy to drop him a line setting out the legal proposition that he suggests.

The UK is unwavering in its support for Ukraine's independence, territorial integrity and sovereignty. The measures will restrict the ability of the so-called "authorities" in these regions to access UK goods and services, investment and finance. Exceptions remain in place to cover the delivery of humanitarian assistance or the maintenance of medical facilities to ensure that the sanctions are targeted to avoid affecting civilians as much as we can.

To conclude, these latest measures demonstrate our determination to target those who participate in or facilitate Putin's illegal war. We will continue to work in unison with Ukraine and our international partners until Ukraine is restored and the region is secure. The UK Government will not stop the pressure on Putin and his associates until they have withdrawn from Ukraine, and we welcome the clear and continued cross-party support for these actions. I commend the regulations to the Committee.

4.38 pm

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): It is a pleasure to serve with you in the Chair, Mr Stringer. I thank the Minister for outlining the changes to the UK's sanctions regime that are set out in today's regulations. We will not seek to divide the Committee, but I have a series of questions for the Minister.

Over the weekend, we passed another grim threshold. It has now been more than 500 days since this phase of Russia's appalling, illegal and heinous war of aggression against Ukraine began. We remain in awe of the endurance and persistence that the people and armed forces of Ukraine—the whole of Ukrainian society—continue to exhibit in the face of Russia's brutal and relentless campaign.

I reiterate that Labour Members—indeed, I hope I speak for all members of the Committee—will continue to stand together with Ukraine for as long as the war

takes and during the period of recovery and reconstruction that will follow. We also continue to support the Government in the steps they are taking to aid Ukraine, bringing a halt to Russia's war machine and holding the regime in the Kremlin to account. The Minister clearly set out the very substantial costs of reconstruction and rebuilding that will be required, even if the war were to end today, but we are likely to see those costs continuing to escalate significantly, particularly when it comes to the removal of landmines and unexploded ordnance and when we see the terrible damage done to the Kakhovka dam and elsewhere.

We support these measures in total and, as I said, we will not seek to divide the Committee. Providing a clear legislative basis for keeping Russian assets frozen until compensation is paid to Ukraine is essential. As the regulations set out, we must move beyond encouraging Russia to cease its actions—as was attempted initially through previous sanctions regimes—to taking a much tougher position and holding it to account more fully by retaining relevant assets until compensation is delivered to Ukraine to account for all the destruction wrought by Putin and his regime.

Although we welcome these steps, and I note the comments of the Minister, it is nevertheless disappointing that there does not yet appear to be any movement towards fully seizing and repurposing frozen Russian state assets to supporting Ukraine's recovery. As you will recall, Mr Stringer, we passed a motion unanimously in the House last week that would require the Government to introduce a Bill within 90 days to do that. I hope that the Minister can say a bit about where the Government are getting to on that and whether they propose to bring forward measures, particularly given that we have seen encouraging signs from the United States, Canada and, indeed, the European Union. [*Interruption.*] I will happily give way—

Vicky Ford (Chelmsford) (Con) *indicated dissent.*

Stephen Doughty: Oh, I thought the right hon. Member for Chelmsford was indicating that she wanted to intervene.

I hope that the Minister will explain what steps the Government are taking and how much she expects there to be the voluntarist approach that she outlined. It would be a wonderful world if some of these people were to see the light of day and actually provide resources. What assessment has she made of that, and have the Government received any indications that some of those who are frozen will seek to do this voluntarily? We will have to move much harder.

I have a couple of further questions, given that the regulations relate to the sources of funding for the the pursuance of the war—the Minister said she wanted to ensure that those were choked off—as well as to shipping, ports and other maritime matters. I want to raise the issue of the transportation, refining and importation of oil and gas products that originate in Russia. The current sanctions regime, which the regulations amend, stipulates that once Russian crude oil is transported to a third country and refined into a product such as diesel or jet fuel, that product is no longer considered of Russian origin. It can therefore be transported, shipped and imported if it is kept below the set price cap. Is it therefore possible that Russian oil, in refined form, is

[Stephen Doughty]

ending up in the United Kingdom? What assessment have the Minister and the Government made of that risk?

Given that the regulations are about ensuring that Russia pays for damage that it has done in Ukraine, what is the impact in Ukraine of allowing and enabling the continued flow of Russian oil and gas products elsewhere through third parties, providing revenues that could fuel its war machine? If it is getting the money in from elsewhere and using it to fund the war, and we are not yet able to seize the assets—although we are hoping that, voluntarily, some of them may give them up—that seems to be a stark contradiction. Is the Minister aware of any UK companies involved in the shipping or facilitation of those products?

What assessment has been made pertaining to the enforcement of the price cap? I understand that a series of enforcement measures will be taken in relation to the shipping aspects of the sanctions regime. Is the Foreign, Commonwealth and Development Office maintaining records of attestations of when the price cap has been breached, and if that has been done, by which companies or organisations? If the Minister does not have that information to hand, perhaps she can write to the Committee with those answers. I hope that she will provide a clear list of whether we are aware of any breaches of the price cap and answer the question about the wider risk that oil coming from Russia is ending up in the UK or with our allies, fuelling the Russian war machine.

The Minister talked about the enforcement of sanctions. I remain concerned that we are yet to see the level of enforcement, fines and actions taken by some of our allies. We have a strong sanctions regime, but that must come with enforcement. Otherwise, there will not be the deterrent effect and we will see people continuing to try to evade it. I hope the Minister can say whether she has assessed the number of enforcement actions taken, how they compare with those of our allies and whether we are really providing resources to the enforcement side of things—obviously in the Treasury and elsewhere—to ensure that we take the toughest position possible. We can get all of this right, extend it geographically and put a long-term lock on that commitment until Russia pays reparations, but if we are not doing anything in the meantime and people are evading sanctions, that will be a huge problem. I hope that the Minister will answer some of those questions.

The Government can continue to rely on the support of the Opposition in making it untenable for Russia to continue to wage its illegal war and in ensuring that it pays for the damage it has done to Ukraine and the suffering it has caused.

4.45 pm

Vicky Ford: I want to make three points. First, it is extremely good to be in this Committee, making these decisions. This is Russia's illegal war, and it should pay for the damages it has caused. Making sure that assets have been frozen and can stay in the deep freeze until Russia pays for the damage is the right thing to do. I am glad that the Minister is still working with other international partners on whether we can go further and use some of the funds now.

Secondly, to make a minor point, I think there are two small typos. We need a comma between “Kherson” and “Luhansk” in regulation 3(b), and a comma between “Donetsk” and “Kherson” in regulation 6—just to ensure that we refer to them correctly.

Thirdly, the use of sanctions and frozen assets has had a positive impact on reducing Russia's ability to pay for its war. I urge my great and right hon. Friend the Minister, when she goes back to the Foreign Office, to make officials look harder at whether we can do what has been done in the Ukraine war in other situations. In particular, I am thinking about the warlords in Sudan. I believe—as do many Sudan watchers—that more action on freezing assets and sanctioning individuals could make a dramatic difference. I am not expecting an answer on that from her, but I am asking her to take another look.

4.46 pm

Anne-Marie Trevelyan: I thank all the Committee members who have contributed to the debate and for their continued support in this, sadly, ongoing and growing area of policy that we need to continue to deliver on.

I will try to answer the questions and if I miss anything, I will write to Members. On the question of seizure, the Government have made it clear in Parliament and through collective statements at the G7 that Russia absolutely must pay for the damage it has caused. The continued commitment to that objective is demonstrated by our laying this new legislation to enable us to keep assets frozen. We continue to work on that, and nothing is off the table. The UK will remain a robust partner, and we will ensure, before announcements, that the safety, robustness and legality of any asset seizure proposals will hold firm. That is as important as the demonstration of our determination. This must work.

I have a couple of examples. Canada has brought in initial legislation; it has not seized any assets through a legally tested mechanism, but we are working closely with the Canadians to see how their attempt progresses. The US has introduced bipartisan legislation that will give the Executive the power to seize Russian sovereign assets and transfer them to Kyiv, but that legislation is still in a state of debate, and no conclusion or certain outcome has as yet been reached. We all want to continue to work together to test and think how we can use the resources and legal frameworks available to get that in place.

If I may, I will write in response to the question of the oil cap breaches and the challenges of the oil sold through third parties. That is being monitored closely.

To reassure colleagues, I hope that the economic deterrence initiative—set out as part of the funding programme in the integrated review refresh—will provide funding of about £50 million over two years to improve sanctions implementation and enforcement, so that we can maximise the impact of the financial sanctions. That will support both the sanctions directorate in the FCDO and the Office of Financial Sanctions Implementation team, which has—to address the challenge from the hon. Member for Cardiff South and Penarth—the unenviable task of ensuring that we keep on top of the enforcement piece.

The measures are the latest addition to our package of sanctions, which are having an important and damaging impact on Putin's war machine. Working together with allies, we will all stand firm and resolute with the people of Ukraine, and we will continue to support them until they prevail. I absolutely hear the comments of my right hon. Friend the Member for Chelmsford about other sanctions regimes. We must not forget that the sanctions directorate works 24/7, 365 days a year, to ensure that

we put to maximum use the tools that we have in legislation. We will continue to do that where we sadly need to do so. In the meantime, I hope and trust that the Committee will support the regulations.

Question put and agreed to.

4.50 pm

Committee rose.

