

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT)
(NO.16) REGULATIONS 2022

Monday 21 November 2022

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 25 November 2022

© Parliamentary Copyright House of Commons 2022

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: CAROLYN HARRIS

- | | |
|---|--|
| † Benn, Hilary (<i>Leeds Central</i>) (Lab) | † Mitchell, Mr Andrew (<i>Minister of State, Foreign, Commonwealth and Development Office</i>) |
| Browne, Anthony (<i>South Cambridgeshire</i>) (Con) | † Mohindra, Mr Gagan (<i>South West Hertfordshire</i>) (Con) |
| † Costa, Alberto (<i>South Leicestershire</i>) (Con) | † O'Hara, Brendan (<i>Argyll and Bute</i>) (SNP) |
| † Courts, Robert (<i>Witney</i>) (Con) | † Sambrook, Gary (<i>Birmingham, Northfield</i>) (Con) |
| Cruddas, Jon (<i>Dagenham and Rainham</i>) (Lab) | † Wakeford, Christian (<i>Bury South</i>) (Lab) |
| † Gideon, Jo (<i>Stoke-on-Trent Central</i>) (Con) | † Walker, Mr Robin (<i>Worcester</i>) (Con) |
| Greenwood, Margaret (<i>Wirral West</i>) (Lab) | † West, Catherine (<i>Hornsey and Wood Green</i>) (Lab) |
| Hardy, Emma (<i>Kingston upon Hull West and Hessle</i>) (Lab) | Anna Kennedy-O'Brien, <i>Committee Clerk</i> |
| † Harris, Rebecca (<i>Comptroller of His Majesty's Household</i>) | |
| † Jones, Mr David (<i>Clwyd West</i>) (Con) | † attended the Committee |

First Delegated Legislation Committee

Monday 21 November 2022

[CAROLYN HARRIS *in the Chair*]

Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022

4.30 pm

The Minister of State, Foreign, Commonwealth and Development Office (Mr Andrew Mitchell): I beg to move,

That the Committee has considered the Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022 (SI 2022, No. 1122).

It is a pleasure to serve under your wise chairmanship, Ms Harris. The statutory instrument was laid before Parliament on 2 November. It was brought forward under powers provided by the Sanctions and Anti-Money Laundering Act 2018, and amends the Russia (Sanctions) (EU Exit) Regulations 2019.

I will start with the oil price cap. Through the amendments made by these regulations, the UK and our international partners will continue to put immense pressure on Putin and Russia. This is part of the largest and most severe economic sanctions package that Russia has ever faced. Working with our partners across the world, the UK continues to impose a range of sanctions on Russia. This legislation is a further important step undermining Putin's ability to fund his illegal war in Ukraine.

We are now further targeting one of Putin's most significant sources of funding, oil. The regulations build on existing bans on the import of oil to the UK. Oil is a key sector for the Russian economy, and plays a vital role in funding Russia's war effort in Ukraine. Crude oil and oil products are Russia's most lucrative export, accounting for 10% of GDP in 2021. About 75% of those products were transported by sea. The new powers allow the UK to move in lockstep with our allies to limit the revenues that Russia can derive from the sale of oil transported by sea.

It is important, however, to protect vulnerable countries for which energy security is critical, so while this measure targets Russia, it also aims to maintain the flow of oil at a stable price in order to manage the inflated global energy prices that are the direct result of Putin's actions. The regulations implement a core part of the policy that will prevent countries from using the UK's services to transport seaborne Russian oil and refined oil products unless it is purchased at or below the oil price cap set and agreed by the price cap coalition, consisting of the G7, the European Union and Australia.

Importantly, the UK and our coalition partners will not be purchasing Russian oil. We and our partners have introduced our own domestic import bans on Russian oil from 5 December. Instead, this measure is about ensuring that UK, European and G7 services cannot be used to facilitate the trade in Russian oil.

The legislation's ban on services, including insurance, brokerage and shipping, will be coupled with a general licence providing the basis for an oil price cap exception. That will allow third countries to continue accessing services only if they purchase Russian oil at or below the cap. The measure will therefore restrict Putin's ability to fund his illegal war in Ukraine, while allowing oil to flow in a tight market, which will enable all countries—lower-income countries in particular—to purchase affordable oil.

A key element of the regulations is the UK's world-class insurance sector. It provides important services that enable the movement of oil by sea—in particular, protection and indemnity insurance. There, our reach is significant: the UK is a global leader in the provision of third-party liability insurance, writing no less than 60% of global cover. Together with our G7 partners, the 13 protection and indemnity clubs collectively write about 90% of such cover.

The potential impact of the measure, and the central role of the UK, cannot be overstated. The ban on providing services for Russian seaborne oil will come into force on 5 December. A further ban on providing services for Russian seaborne refined oil products comes into force on 5 February—a date that ensures alignment with our international partners.

Hilary Benn (Leeds Central) (Lab): I strongly support the measure. On a point of clarification, I looked at the two commodity codes: 2709 and 2710. Do they extend to products such as lubricating oils, which enable ship engines to operate?

Mr Mitchell: That is an extremely good question. The answer is yes, and I will elaborate on that when I wind up the debate.

This important measure will be enforced by the office of financial sanctions implementation, based in the Treasury; the office will work closely with industry. That robust enforcement regime will be backed up by prosecutions if necessary. Together with actions taken by our partners in the G7, the EU and Australia, the measure represents one of the single biggest sanctions placed on Russia, targeting its largest source of revenue. The regulations demonstrate our determination to target those who participate in or facilitate Putin's illegal war of choice, and we will continue to introduce further sanctions, hopefully with the approval and support of Opposition parties, which have so far been absolutely steadfast in giving such support. I thank those on the Opposition Front Bench for that, and commend the regulations to the Committee.

4.37 pm

Catherine West (Hornsey and Wood Green) (Lab): It is a pleasure to serve under your chairmanship, Ms Harris. I thank the Minister for his speech on the changes to the UK's sanctions regime. I am sure that the entire Committee would agree that last week's events in Kherson, and the retaliatory air strikes unleashed by President Putin on civilian targets in Ukraine, illustrate both why we are here, and exactly what we are defending. Since he lashed out following Kherson's liberation, the situation in Kyiv and other major cities has deteriorated to an alarming state; millions across Ukraine face blackouts

as we enter the depths of winter. Ukrainian state-owned grid operator Ukrenergo reported that 40% of Ukrainians were experiencing difficulties due to damage to at least 15 major energy hubs across the country.

That deliberate and callous tactic, in flagrant disregard of the laws of conflict, is by no means a new feature of the way that Putin wages war. At every setback of his army, Putin attacks Ukraine's civilian population with more airstrikes. The message is clear: Putin is digging in, and clearly upping the ante daily. The regular drumbeat of the war is being repeated in Kherson: there was liberation, closely followed by Ukrainian investigators uncovering bodies that bear signs of torture. Ukrainian Interior Minister Denys Monastyrsky stated that he expects many more dungeons and burial places to be uncovered in the coming days.

We must be clear about the context of today's debate and decision. With that callous brutality from Putin and his thugs, our support has never counted for more and must not waver. It is critical that we press on through the difficult winter ahead and stand resolute in support of the Ukrainian people, whether that means shoring up our diplomatic coalition against the war, maintaining our material and humanitarian support, or ensuring that our sanctions regime against the Kremlin and its backers is airtight, so Labour will—as we have always done in the wake of the illegal and senseless war that Putin has thrust on the world—of course fully support the measure, and we will not seek to divide the Committee.

We welcome the fact that the implementation of the ban on the importation of liquefied natural gas—LNG—will be brought forward from January to the beginning of December, although it was striking that there was such a delay at all. Can the Minister say why there was that initial delay, and outline the steps being taken to ensure that there is not a prolonged delay in the implementation of any of our other sanctions? Those who prop up Putin's regime will seek to exploit such delays, so it is critical that changes such as those we are discussing be instituted rapidly, and that proper guidance be offered to partners in the private sector to prevent any issues. I hope that the Minister can provide reassurance on that.

Labour fully supports the Government's decision to prohibit the supply or delivery of shipments of oil products originating from Russia to ensure that we deny Russian businesses access to UK vessels that could facilitate the transportation of oil products. We also welcome the steps being taken to prohibit UK businesses from providing financial insurance and other services to facilitate the movement of oil products. We need to not only cut off the source of those transactions, but prevent people from simplifying these processes. That is the right thing to do, and we are very pleased to support the measures.

There seem to be exceptions to the prohibitions, including when a person provides the justification to the Treasury, within the relevant period, that the act is dealing with an emergency. Could the Minister outline what other exceptions will be included, and what constitutes an emergency? Could he give examples? There will, of course, be legitimate exceptions, and it is right that there be a mechanism to accommodate them, but perhaps he could elaborate on this point in winding up.

We must be mindful that there are many powerful interests in Russia and beyond who will exploit exceptions to the hilt if it means that they can continue to have unfettered access to UK vessels and other services in transporting oil. As we have all come to recognise, oil is a centrepiece of the Russian economy, and its export is integral to not only Putin's war machine, but his criminal regime. Will the Minister please outline to the Committee in detail the nature of these exceptions, and say how the Foreign, Commonwealth and Development Office, in conjunction with the Treasury, will ensure that they are not exploited, to the financial benefit of Russia's oligarch class?

Finally, I thank staff in the FCDO, OFSI and beyond who are working determinedly to fulfil the vision of the recommendations of the Russia report. They are not only ensuring that the UK sanctions regime is rigorous on paper, but doing the difficult, necessary and painstaking work of implementing it. The Government should be removing all barriers from their path, so that officials can do their job effectively.

The Minister will have read the report of our debate last week with his colleague, the Minister of State, Foreign, Commonwealth and Development Office, the right hon. Member for Berwick-upon-Tweed (Anne-Marie Trevelyan). The point that we made together was simply that we need to maintain the resources for this issue, and ensure that we have enough to make the sanctions very effective. We are watching this area like a hawk, because it will be very important in stopping the war.

The Labour party has been clear since before the invasion, and indeed since the Russia report by Parliament's Intelligence and Security Committee, that we should take a tougher line. The Kremlin's malign regime constitutes a significant threat to our security, so we are actually improving our security by putting these measures in place. On the surface, they are for Ukraine, but they also strengthen our position.

I did not receive a full answer to a question I asked last week about the timing of the implementation of the report's other recommendations from this Minister, the right hon. Member for—

Mr Mitchell: For the royal town of Sutton Coldfield.

Catherine West: The right hon. Member for Sutton Coldfield is familiar with the recommendations of the Russia report, because he was a member of the all-party group on anti-corruption. The Economic Crime (Transparency and Enforcement) Act 2022 was very welcome, but I know that the Minister shares my concerns that in some places it did not go far enough. Certain measures, such as the reforms to Companies House, are taking forever to be implemented. I hope that now that he and the Minister for Security hold the positions that they do, they will together push the Government much harder on reforming Companies House, and on other measures, so that we can ensure that our system is as secure as possible.

Labour Members see no legitimate reason why the recommendations have not been implemented, but we hope that the Minister can finally provide more clarity today. We also hope we can continue to work closely with Ministers, so that we can play a fundamental role in helping Ukraine to weather the storm, win the war and build a future that is secure, prosperous and free.

4.44 pm

Mr Mitchell: First, I shall answer the question asked by the right hon. Member for Leeds Central, whom I used to shadow many years ago. He asked whether oils and downstream products were included. The answer is yes. He asked specifically whether that included lubricating oils for ship engines and so forth, and the answer is that they are indeed included; I can give him that full answer.

I thank the hon. Member for Hornsey and Wood Green for both the spirit and content of her excellent speech, which were extremely welcome. The unity across the Front Benches on not only this SI but the issue generally will be noticed, both by those joining us in imposing such sanctions, and by those against whom the sanctions are directed. In this great House of Commons, we often do not agree on much, so it will be doubly noticed that, on this issue, there is complete agreement.

The hon. Lady asked at least three questions, and I will answer three, but if I fail to answer any other point she made, I will of course write to her and make that letter available to all members of the Committee. I will take her points in no particular order. She is absolutely right in her point about Companies House: she and I, as well as the Minister for Security, complain continually that it is a library, not an investigating body. I can tell her that I have taken a meeting today with officials on

that very subject. I am delighted to tell the hon. Lady that I think that there will be significant progress on this matter through the second economic crime Bill—the Economic Crime and Corporate Transparency Bill—which is before the House. She will want to look at that progress, but many of the arguments that she and I have put to the Government have been accepted. I can claim no responsibility for that, because I joined the Government after those decisions had been made.

Most importantly, the hon. Lady asked about any delay to the oil import ban. I can tell her that there has been no delay; the ban has been brought forward from 31 December to 5 December to align with the oil price cap. I hope that she will be satisfied on that point.

Thirdly and finally, the Lady asked whether I could think of any exceptions and whether any action might therefore need to be taken. We are not aware of any, but I have no doubt whatever that the Treasury will watch the issue with the greatest possible care. If such a situation were to arise, the Treasury and the Government would be entirely reasonable. On that point, I rest my case and invite the Committee to support the instrument.

Question put and agreed to.

4.48 pm

Committee rose.

