

COMMITTEE on Energy, Housing and Utilities Services

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To:

Secretary of the Treasury of the United States

Janet Yellen

US Department of Treasury

United States Secretary of State

Antony Blinken

**Secretary of State for Foreign, Commonwealth
and Development Affairs of the United Kingdom**

David Cameron

Minister of Foreign Affairs of Norway

Espen Barth Eide

Vice-president of the European Commission

**High Representative of the Union
for Foreign Affairs and Security Policy**

Josep Borrell

Appeal of the Verkhovna Rada of Ukraine's Committee on Energy, Housing and Utilities Services regarding the need for further sanctions on Russian LNG exports

We express our deep gratitude to the United States of America, United Kingdom, Norway and the European Union for their steadfast support of Ukraine and for all the measures taken to reduce the financial income from the export of fossil fuels, which is the main source of filling the budget of Kremlin's terrorist regime.

In 2024, the Kremlin is set to allocate nearly a third of its total expenditures to the military and military-industrial complex, marking the highest allocation since the Soviet era. With 10.775 trillion rubles earmarked in the budget for the military, this figure represents a staggering 70% increase from 2023, 2.3 times more than

2022, and three times higher than pre-war 2021. Notably, the budget will designate 30% for the army and private military companies, and with all security forces combined spending will account for 40% of the total budget of the Russian Federation.

To finance its war of aggression, the Kremlin has become ever more reliant on exports of fossil fuels for budget income. Oil and gas companies today constitute the most significant taxpayers in Russia, playing a pivotal role in shaping the balance of payments and stabilizing the national currency.

Since February 24, 2022, Russia has amassed more than [\\$600 billion in profits from fossil fuel exports](#) and is rushing to develop new Siberian and [Arctic fields](#). If, however, international sanctions on Russia's fossil fuel industry are maintained and rigorously enforced, the [International Energy Agency projects](#) that the Kremlin's profits from oil and gas could plummet by 40 to 50 percent by 2030.

Russia's oil and gas infrastructure, including production facilities, gas pipelines and processing plants, is notoriously leaky and emits massive amounts of methane into the atmosphere. According to the [IEA's global methane tracker](#), Russia is the second biggest global energy-related methane emissions source.

In view of the abovementioned facts, we are deeply concerned that exports of Russian liquefied natural gas (LNG) to global markets are expanding, while the opposite is required to cut the Kremlin's budgetary income that funds the war of aggression and avoid the severe climate impacts of uncontrolled and unaccounted emissions in Russian LNG supply chain.

Regrettably, while Russian LNG exports were not covered by international sanctions and restrictive measures, in 2022 and 2023 the aggressor state reaped a surge in associated revenues, supplying record volumes and aiming for further rapid expansion.

According to official statements published on March 9, 2023, Russia plans to nearly triple its LNG export capacity by 2030, from the current 35 million tons per year to 100 million tons per year. To achieve that, Russia aims to build four new LNG terminals in the Arctic, in addition to the existing Yamal LNG.

We highly appreciate the decision taken by U.S. Department of State and the Office of Foreign Assets Control on November 2, 2023, to impose sanctions on ARCTIC LNG 2 LLC, the operator of the Arctic LNG 2 project, a flagship LNG initiative by a major Russian gas company Novatek. This project as first in line was a key element in Russia's plan to boost its global share of the global liquefied natural gas market. Before Russia's full-scale invasion of Ukraine, the first stage of the Arctic LNG-2 terminal was planned to be launched in 2023 and reach full capacity of almost 20 million tons of LNG per year by 2026.

Sanctions against Arctic LNG 2 have proved to be effective, with international companies exiting from the project and Novatek declaring force majeure over LNG supplies from the first liquefaction train. Due to the lack of available LNG tankers supplies from the project are facing logistical bottlenecks.

To solve that, Russia aims to achieve increasing self-reliance in the construction of ice-capable LNG carriers. For Arctic LNG 2 Novatek plans to build 15 new Arc7 ice-class tankers. The first three tankers for Arctic LNG 2 were constructed at Russia's Zvezda shipyard with assistance from Samsung Heavy Industries and are due to be operational in 2024.

Net profit for Novatek's first terminal Yamal LNG, which has operated since 2017, more than doubled in 2022 to 840.2 billion roubles from 400.3 billion roubles in 2021.

Existing 15 specialized ice-class Arc-7 LNG tankers already shuttle LNG along Russia's Northern Sea Route for the Yamal LNG project. With the new batch of tankers to be built at Zvezda shipyard for Arctic LNG 2, the company is looking to double that figure.

Moreover, Russia aims to establish year-round exports of liquefied natural gas from the Arctic to Asia through the North Sea Route in 2024, which threatens to put additional pressure on this environmentally sensitive region of the planet.

If Russia succeeds in further expansion of its LNG export and building out of infrastructure along the North Sea Route in 2024, it would provide Russia with additional resources to sustain its war against Ukraine, and will also lead to dire climate consequences.

Recent [investigations show](#), that construction of second liquefaction train of Arctic LNG 2 is nearing completions, with three final modules manufactured in China are currently being transported on board of three specialized heavy-lift carrier vessels. Two modules are now being transported by Red Box Energy Services Ltd. on board AUDAX and PUGNAX heavy-lift carriers, which left China on January 6 and are expected to arrive in Russia in mid-February via the Northern Sea Route. The third module is being shipped by Ocean Grand Shipping Ltd. on board of HUNTER STAR vessel, which departed from China southward on January 15. This ship is likely to be passing territorial waters or exclusive economic zones of EU member states, especially if it goes through the Suez Canal to the Mediterranean Sea.

The continuation of Russian expansion in the Arctic can increase geopolitical tensions in the region and lead to the militarisation and deployment of new types of weapons in the most environmentally sensitive region of the planet, including new nuclear weapons.

We also must underline that LNG supplies from Russia to Europe could be stopped by the Kremlin at any time unilaterally, giving political leverage to the terrorist regime.

Therefore, sanctions against Russian LNG exports are not only necessary to deprive Russia of its future gas export revenues and undermine its military efforts in Ukraine but also will represent a crucial contribution to mitigating climate change.

Recognizing the effectiveness of the embargo on Russian coal and oil, we urge continued progress on the path of stronger sanctions against all Russian fossil fuels, particularly embargo on LNG.

Out of 15 operational ice-class LNG tankers, that are currently enabling exports from Yamal LNG, 11 are insured in the United Kingdom and 3 in Norway. EU-registered companies operate as managers of 9 of these vessels, while UK-registered ship managers cover another 5 vessels. Therefore, Ukraine's allies have a strong leverage on Russian LNG exports.

On the other hand, by prolonging dependence on Russian LNG, the engaged international energy companies, commodity traders, shippers, insurers, and banks are contributing to funding of Kremlin's war in Ukraine and also exacerbating the climate crisis. It is the responsibility of governments to set regulations and sanctions that would force a halt to the expansion of Russian LNG exports.

In this context, the Committee on Energy, Housing and Utilities Services addresses the US Government, European Union, Norway and the UK with the urge to take the following steps:

- Introduce comprehensive sanctions against the Russian LNG sector to block Russia's plans to expand LNG production and, in particular, to fully stop the Arctic LNG-2 project and limit exports from Yamal LNG;
- Introduce targeted sanctions against LNG tankers, listed in Annex 1 to this Appeal, that are used for exports of Russian LNG;
- Introduce secondary sanctions against owners of vessels engaged in transporting components for construction of Arctic LNG 2 and/or other Russian infrastructure in the Arctic, namely Red Box Energy Services Ltd. and Ocean Grand Shipping Ltd., and designate as blocked property [heavy load carriers](#) PUGNAX (IMO 9763849), AUDAX, (IMO 9763837) and HUNTER STAR (9830679);
- Consider sanctions against the provision of transport, insurance and any other financial services for the export of Russian LNG.

We are grateful for your continued support and look forward to your positive decision regarding the need to impose further sanctions against the Russian LNG sector.

Annex:

1. List of Russian LNG tankers

Approved at the meeting of the Committee on February 1, 2024.

On behalf of the Committee members,

**CHAIRMAN OF THE COMMITTEE ON ENERGY, HOUSING AND UTILITIES SERVICES OF
VERKHOVNA RADA OF UKRAINE**

Andriy GERUS

