

EU Reaches Initial Deal on Russia Sanctions, Spares Gas

By [The Moscow Times](#)

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Van Rompuy, right, and Barroso arriving at a news conference in Brussels.

BRUSSELS — The European Union has reached an outline agreement to impose the first economic sanctions on Russia over its behavior in Ukraine but scaled back their scope to exclude technology for the crucial gas sector.

The EU also imposed travel bans and asset freezes on the chiefs of Russia's Federal Security Service, or FSB, and foreign intelligence service and a number of other top Russian officials, saying they had helped shape Russian government policy that threatened Ukraine's sovereignty and national integrity.

FSB director Alexander Bortnikov and Mikhail Fradkov, a former prime minister who now heads the foreign intelligence service, were among 15 Russians or Ukrainians and 18 companies and other organizations named in the EU's latest sanctions list.

Also targeted were the secretary of Russia's Security Council, Nikolai Patrushev, Chechen leader Ramzan Kadyrov, who the EU said had made statements supporting Russia's annexation of Ukraine's Crimea region and the insurgency in eastern Ukraine, and several Ukrainian separatist leaders.

After months of hesitation, the EU is set to go beyond asset freezes by imposing sanctions on sectors of the Russian economy.

The 28-nation bloc toughened its stance toward Moscow following last week's downing of a Malaysia Airlines plane, killing 298 people, in an area of eastern Ukraine held by Russian-backed separatists.

EU ambassadors reached a preliminary agreement on Friday.

European Council President Herman Van Rompuy wrote to EU leaders asking them to authorize their ambassadors to complete an agreement by Tuesday. That would avoid the need for leaders to hold a special summit to approve the sanctions.

Van Rompuy said the proposed sanction package "strikes the right balance" in terms of costs and benefits to the EU and in its flexibility to ramp up sanctions or reverse them over time.

"It should have a strong impact on Russia's economy while keeping a moderate effect on EU economies," he wrote in the letter, seen by Reuters.

But Van Rompuy said the sanctions on access to capital markets, arms and high-tech goods were likely to apply only to future contracts, leaving France free to go ahead with the controversial delivery of Mistral helicopter carriers being built for Russia.

The narrowing of the proposed measures highlighted the difficulty of agreeing to tough sanctions among countries which have widely different economic interests and rely to varying degrees on Russian gas.

European Commission President Jose Manuel Barroso said late on Friday that following the ambassador's discussions the commission had adopted a draft legal text for the Russia sanctions package.

"The final decision now lies with the EU's member states, but I believe that this is an effective, well-targeted and balanced package providing the flexibility to adjust our reaction to changes on the ground. I hope that member states will agree on this package of restrictive measures next week," he said in a statement.

The measures are not an end in themselves, "but a means to achieve a negotiated and political solution to the crisis. ... I call on Russia to take decisive steps to stop the violence and genuinely engage in peace plan discussions," he said.

Key measures include closing EU capital markets to state-owned Russian banks, an embargo on arms sales to Moscow and restrictions on the supply of dual-use and energy technologies. They would not affect current supplies of oil, gas and other commodities from Russia.

Van Rompuy said there was an "emerging consensus" among EU governments that "the

measures in the field of sensitive technologies will only affect the oil sector in view of the need to preserve EU energy security."

The commission had proposed restricting equipment for deep-sea drilling, shale oil and Arctic energy exploration.

Pipeline Projects

If the sanctions had applied to gas technology, they could have affected Gazprom's huge South Stream pipeline project to Europe and Novatek's Arctic Yamal liquefied natural gas facility.

That in turn would have hit large EU energy suppliers and manufacturers with an interest in the project, including in Germany, Austria and Italy. The prospect of EU sanctions sent shares in French energy services firm Technip plunging 8 percent on Thursday.

Gazprom's main partners in South Stream are Italy's Eni , France's EDF, Austria's OMV and Germany's Wintershall, a subsidiary of German chemical giant BASF.

Van Rompuy said EU governments also agreed that the sanctions should not be applied retroactively, particularly in the area of arms trade and restrictions on access to capital markets.

France was determined to uphold existing contracts with Russia to preserve a 1.2 billion euro (\$1.6 billion) 2011 deal to supply two Mistral helicopter carriers.

EU governments also agreed that a ban on exports of dual-use technology — for use in both military and civilian products — would be limited at this stage to military users, Van Rompuy said.

The EU's latest list brought the number of people under EU sanctions to 87 and the number of companies and other organizations to 20.

Further Sanctions List

A further sanctions list could be agreed as early as Monday under new criteria targeting companies and people who support Russian decision-makers responsible for annexing Crimea or destabilizing eastern Ukraine, Van Rompuy said. New restrictions on trade and investment in Crimea could also be agreed on Monday, he said.

Dutch Prime Minister Mark Rutte, whose country is seen as having a key role in shaping the EU response because it lost 194 citizens in the plane crash, said he would back sanctions unless Moscow halts weapons supplies to the rebels.

"We want as a country that has acquired a certain moral obligation as a result of this tragedy to promote Europe taking a common line on this," he told parliament in The Hague.

See also:

[EU Sanctions on Russian Banks Would Stifle Investment, Lending](#)

[South Stream, Yamal in EU Firing Line](#)

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