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4 April 2025

Dear Emily, Peter,

I am writing to update you on this Government's sanctions work, following on from my written statement on 18 December. I hope this will provide you with a helpful overview of the latest developments in UK sanctions policy, implementation and enforcement and support robust parliamentary scrutiny and oversight of sanctions policy. Your interest in these issues, and any further questions or comments you may have, are most welcome.

Russia

As the Prime Minister announced in Parliament on 3 March, the Coalition of the Willing convened by the Prime Minister has agreed to keep tightening the restrictions on Russia's economy to weaken Putin's war machine and bring him to the table. The Prime Minister will update the House with further details in due course.

As Ukraine passed the grim milestone of three years since Russia launched its full-scale and illegal invasion, this Government announced our biggest package of sanctions since the early days of the war. We sanctioned over 100 targets, including 40 oil tankers, third-country suppliers to Russia's war machine, and senior North Korean generals and officials complicit in deploying over 11,000 troops to Russia and enabling Russia's use of North Korean weapons on the battlefield. For the first time, we also used new powers to target a foreign financial institution (a Kyrgyz bank) for operating in Russia's financial services sector.

These sanctions are having an impact; sanctions have deprived Russia of at least $450 billion since February 2022. By one estimate, that's equivalent to around three more years of funding for the invasion. The Russian economy is operating near full capacity and battling inflation of 9.5%. Higher interest rates of 21% and economic isolation have made government and corporate borrowing extremely costly.

Over 35% of Russia's shadow tanker fleet is estimated to be sanctioned by the UK, US and EU, significantly restricting Russia's ability to transport oil. Most UK-sanctioned tankers have struggled to fully re-enter the Russian oil trade and Russia has been forced to shoulder a 25% reduction in oil and gas revenues from January to October 2024, compared to the same period in 2022.

Thanks to UK and partner sanctions, Russia is also being forced to pay more for fewer or lower quality supplies. For instance, Russia is now paying over 135% more for microelectronics, costs for advanced machine tools from China and Türkiye have also increased by more than 320%, and Russia is now paying over 210% more to import critical US-origin items through third countries.

Frozen Russian Assets

We must also keep military aid flowing to Ukraine. The UK is contributing £2.26 billion to a wider G7 scheme totalling $50 billion in additional support to Ukraine, repaid using the profits from sanctioned Russian assets. The first payment, over $750 million, was received by Ukraine in early March and will be used to strengthen their defence capabilities in the face of Russian aggression.

The Government remains committed to seeing that Russia pays for the damage caused to Ukraine. With this in mind, we are working with our international partners on legally compliant options to make Russia pay. The Foreign Secretary discussed this with G7 Ministers at the most recent meeting in Charlevoix in March, and we will keep Parliament updated on this important matter.

Syria

On 13 February 2025, I informed Parliament that the Government would bring forward measures in the coming months adapting the Syria sanctions regime and lifting sanctions that apply to energy, transport and finance sectors; these regulations will be debated in both Houses of Parliament once laid following the standard procedure for this type of sanctions Statutory Instrument. Prior to that, on 12 February, the UK had issued a Humanitarian General Licence allowing payments to be made in respect of relevant humanitarian assistance activities in Syria. On 6 March, the UK lifted the asset freezes on 24 state-owned entities that were previously used by the Assad regime to fund the oppression of the Syrian people. The UK maintains sanctions on members of the Assad regime and the sanctions imposed on those involved in the illicit trade in the drug captagon also remain in place.

Considering recent violence in Syria, Minister Falconer made a statement to the House of Commons on 10 March setting out the Government's priority of supporting a Syrian-led and Syrian-owned political transition that leads to an inclusive, non-sectarian and representative government. As part of that objective, it is important we support the economic development that Syria's people desperately need. To that end, we will continue to keep our sanctions on Syria under review.

Irregular Migration

On 9 January, the Foreign Secretary announced plans to develop a new sanctions regime targeting dangerous irregular migration and organised immigration crime. This will be a global regime – expanding our reach so that we can target individuals and entities that enable and facilitate these dangerous journeys. The innovation is a tangible example of how under this Foreign Secretary the FCDO serves as the international delivery arm of the Government's Plan for Change. The new regime will be the world's first dedicated sanctions regime targeting organised immigration crime and will enable us to use sanctions to complement other tools as part of the government's wider strategy to tackle irregular migration.

The Foreign Secretary is leading the way in driving closer cooperation with our European partners on irregular migration. Last month the Foreign Secretary co-chaired with the Italian Foreign Minister a meeting of European partners in the margins of the Munich Security Conference, at which Ministers welcomed the UK's initiative to make more innovative use of tools such as sanctions to tackle irregular migration and agreed on the need to cooperate even more closely on this shared challenge.

Combatting illicit finance and corruption

Tackling illicit finance and corruption is one of the Government's key priorities. We are driving forward an Illicit Finance Campaign, working in partnership with colleagues to deliver a powerful whole-of-Government approach both at home and internationally. Sanctions form a key part of UK action, disrupting and holding to account corrupt actors and their professional enablers, including those with a connection to the UK.

On 2 April, we announced sanctions targeting a network of pro-Russian actors centred on the organisation Evrazia, which is operating in Moldova on behalf of corrupt fugitive oligarch Ilan Shor, designated by the UK in 2022. Evrazia has been used by Shor to destabilise Moldovan democracy and spread Russia's malign influence. This package also included sanctions targeting corrupt officials and prosecutors in Georgia and Guatemala, who are abusing their positions to undermine democracy and the rule of law. Alongside other levers, our sanctions will help to make sure the UK cannot be a safe haven for illicit finance and the proceeds of corruption and will be targeted to complement other countries' own efforts in tackling this issue.

Sanctions Enforcement

Supported by colleagues in a range of departments, I have led a cross-Government review of sanctions enforcement. The review has examined whether we have the right powers, capacity and resourcing on sanctions policy, implementation and enforcement, with an urgent focus on strengthening the latter. The review considered in particular how we can improve compliance, increase the deterrent effect of sanctions and whether we have all the tools and powers we need.

An important element of the review has been hearing from sanctions experts outside government. We have spoken to stakeholders from industry, NGOs, think tanks and academia, as well as international partners about what works well in their systems. I will update Parliament on the outcomes.

The UK has a strong compliance culture, but that has to sit alongside robust enforcement. Russia, in particular, is straining every sinew to get round sanctions and there will always be bad actors who will seek to evade sanctions. Last month, OFSI imposed a monetary penalty of £465,000 against Herbert Smith Freehills CIS LLP Moscow ("HSF Moscow") for breaches of UK financial sanctions imposed on Russia. The monetary penalty relates to six payments made by HSF Moscow, with a collective value of £3.9 million, to designated persons subject to an asset freeze. OFSI also published its annual report covering 2023-24 which highlights 396 cases progressed and 242 closed, more than tripling the number of closed cases from the previous year.

Since February 2022, His Majesty's Revenue and Customs has issued six compound settlements against UK companies that have breached the Russia sanctions regulations for a total of over £1.3 million, including one in August 2023 for £1 million and the latest in August 2024 for just over £58,000.

International engagement and cooperation
Sanctions continue to be a key part of foreign policy discussions with our allies and we continue to coordinate our sanctions approach. For example, on 11 March, alongside Australia and the US, we sanctioned ZSERVERS, a key enabler of cyber ransomware which generated more than $1 billion in 2023 alone. Our Russia package on 24 February was coordinated with the announcement of new Russia measures by the EU, Canada, Australia and New Zealand.

In addition to the above areas, since my last update we have also deployed sanctions targeting Nicolás Maduro's regime in Venezuela and for violations and abuses during Sri Lanka's civil war.

I look forwarding to engaging with you as we continue to use the range of our geographic and thematic sanctions regimes to advance UK objectives and deter and disrupt malign activity, including via the Foreign Affairs Committee's inquiry on sanctions scrutiny.

I am copying this letter to the Chairs of the Treasury Committee, the Business and Trade Committee and the Transport Committee, as well as the UK's Anti-Corruption Envoy.

Yours sincerely,

Stephen Doughty

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