

### **13. "NO RE-EXPORT TO RUSSIA" CLAUSE**

RELATED ARTICLE: ARTICLE 12g OF COUNCIL REGULATION 833/2014

#### **1. What is the purpose of Article 12g and how does the “no re-export to Russia” clause work?**

*Last update: 22 February 2024*

Article 12g aims to combat the circumvention of EU export bans and more specifically the situation where goods exported to third countries are re-exported to Russia. Many EU operators already insert "no re-export" clauses in their contracts, as a good practice within their basic due diligence. Article 12g turns this practice into a legal requirement for certain sensitive goods, improving legal certainty in the context of business negotiations and relations. It moreover creates a deterrent effect on those non-EU operators that redirect sanctioned EU goods to Russia, as in the future it exposes them for instance to contractual penalties.

Concretely, Article 12g obliges EU exporters to insert a "no re-export to Russia" clause in their export/sale/supply/transfer or similar contracts. This applies only to specific types of sensitive goods, including goods related to aviation, jet fuel (Annexes XI, XX to the Regulation), firearms (Annex XXXV to the Regulation, as well as Annex I to Regulation (EU) No 258/2012) and common high priority items<sup>19</sup> (Annex XL to the Regulation). For the geographical scope, see Question 4. To ensure its effectiveness, the “no re-export to Russia” clause must contain adequate remedies (see Question 5).

Exporters should not sell their products to any non-EU operator that is not ready to incorporate a “no re-export to Russia” clause in contracts falling under the scope of Article 12g.

Independently of the obligation established by Article 12g, operators should have in place strong due diligence frameworks to ensure sanctions compliance. In its notice of 1 April 2022<sup>20</sup>, the Commission indicated that *“in view of the risk of circumvention, economic operators in the EU are advised to take adequate due diligence measures available in order to prevent circumvention of the [sanctions on Russia]”*. It further stated that *“due diligence measures that exporters and importers are advised to take are, for instance, the introduction in import and export contracts of provisions destined to ensure that any imported or exported goods are not covered by the restrictions. These may take the form of e.g. a statement that the respect of such provision is an essential element of the contract, or of contractual clauses committing the importer in third countries not to export the concerned goods to Russia or Belarus, and not to resell the concerned goods to any third party business partner that does not take a commitment not to export the concerned goods to Russia or Belarus giving rise to liability in case the latter re-exports the items to those countries.”*

#### **2. How is the obligation in Article 12g verified and enforced?**

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EU exporters’ contracts must comply with the obligation in Article 12g prior to or at the latest at the time of the export, sale, supply or transfer of the relevant goods to a third country. Exporters should be able to prove this if requested by their competent authorities.

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<sup>19</sup> [https://finance.ec.europa.eu/publications/list-common-high-priority-items\\_en](https://finance.ec.europa.eu/publications/list-common-high-priority-items_en)

<sup>20</sup> Notice to economic operators, importers and exporters (2022/C 145 I/01), [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022XC0401\(04\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022XC0401(04))

Moreover, paragraph 4 of Article 12g requires exporters to inform their national competent authorities as soon as they become aware of a breach or circumvention of the “no re-export to Russia” clause.

### **3. Does the obligation in Article 12g also apply to existing contracts?**

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The obligation to include the “no re-export to Russia” clause depends on the contract’s date of conclusion.

#### **Contracts concluded before 19 December 2023:**

- Contracts that were already concluded when Council Regulation (EU) 2023/2878 came into force benefit from a one-year transition period until 19 December 2024 included or until the contracts’ expiry, whichever is earliest. For any execution of these contracts as of 20 December 2024, they need to be amended to include the “no re-export to Russia” clause.

#### **Contracts concluded as of 19 December 2023:**

- These contracts must contain the “no re-export to Russia” clause as of 20 March 2024.

### **4. Does it matter in which country the non-EU operator is incorporated?**

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The obligation to include a “no re-export to Russia” clause applies to contracts with operators based in any non-EU country, with the exception of the partner countries listed in Annex VIII to Regulation 833/2014.

Pursuant to Article 12 of Council Regulation (EU) No 833/2014, it is prohibited to participate, knowingly and intentionally, in activities the object or effect of which is to circumvent sanctions law. Operators should also remain vigilant of any attempts by third parties to draw them into circumvention schemes. These considerations apply regardless of which non-EU country the counterpart is based in. If you believe you are witnessing sanctions violations or circumvention, these should be reported to your national competent authority or anonymously via the EU whistle-blower tool<sup>21</sup>.

### **5. What does “adequate remedies” mean, in the context of paragraph 3 of Article 12g?**

*Last update: 22 February 2024*

To ensure its effectiveness, the “no re-export to Russia” clause must contain adequate remedies to be activated in case of its breach. These remedies should be reasonably strong and aim to deter non-EU operators from any breaches. They can include, for instance, termination of the contract and the payment of a penalty. See also the wording suggested in the answer to Question 6 below.

In parallel, according to paragraph 4 of Article 12g, as soon as they become aware of a breach, exporters must inform the competent authority of the Member State where they are resident or established.

### **6. Should operators use a specific wording for the “no re-export to Russia” clause?**

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<sup>21</sup> <https://EUsanctions.integrityline.com>

Operators are free to choose the appropriate wording for the “no re-export to Russia” clause, as long as the outcome fulfils the requirements of Article 12g. In any event, it is recommended that the clause is identified as an essential element of the contract.

While it does not preclude the use of other wordings, the template below can be considered as meeting the obligation in Article 12g. It is recommended in particular for contracts with non-EU operators doing business in jurisdictions seen as posing a high risk of circumvention.

*“(1) The [Importer/Buyer] shall not sell, export or re-export, directly or indirectly, to the Russian Federation or for use in the Russian Federation any goods supplied under or in connection with this Agreement that fall under the scope of Article 12g of Council Regulation (EU) No 833/2014.*

*(2) The [Importer/Buyer] shall undertake its best efforts to ensure that the purpose of paragraph (1) is not frustrated by any third parties further down the commercial chain, including by possible resellers.*

*(3) The [Importer/Buyer] shall set up and maintain an adequate monitoring mechanism to detect conduct by any third parties further down the commercial chain, including by possible resellers, that would frustrate the purpose of paragraph (1).*

*(4) Any violation of paragraphs (1), (2) or (3) shall constitute a material breach of an essential element of this Agreement, and the [Exporter/Seller] shall be entitled to seek appropriate remedies, including, but not limited to:*

*(i) termination of this Agreement; and*

*(ii) a penalty of [XX]% of the total value of this Agreement or price of the goods exported, whichever is higher.*

*(5) The [Importer/Buyer] shall immediately inform the [Exporter/Seller] about any problems in applying paragraphs (1), (2) or (3), including any relevant activities by third parties that could frustrate the purpose of paragraph (1). The [Importer/Buyer] shall make available to the [Exporter/Seller] information concerning compliance with the obligations under paragraph (1), (2) and (3) within two weeks of the simple request of such information.”*