



24 March 2022

Minister of Foreign Affairs

For approval by

1 April 2022

Russia Sanctions – Approach Going Forward

BRIEFING Overview Submission

PURPOSE To provide an update on immediate next steps in the sanctioning of oligarchs; and to propose a forward work programme to continue implementing the Russia Sanctions Act.

NB: The Minister for Trade and Export Growth has a particular interest in the work on trade measures. You may also wish to consult with Ministers with Power to Act.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	1 April 2022
Deputy Prime Minister	For information by	1 April 2022
Minister Responsible for the GCSB	For information by	1 April 2022
Attorney General	For information by	1 April 2022
Minister for Trade and Export Growth	For consultation by	1 April 2022
Minister of Immigration	For information by	1 April 2022
Minister of Defence	For information by	1 April 2022
Minister of Transport	For information by	1 April 2022
Minister of Commerce and Consumer Affairs	For information by	1 April 2022
Minister of Customs	For information by	1 April 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Senior Responsible Owner	Russian Sanctions Taskforce	s9(2)(a)

Mā te Tari Minita e whakakī – Minister's Office to complete

<input type="checkbox"/> Approved	<input type="checkbox"/> Noted	<input type="checkbox"/> Referred
<input type="checkbox"/> Needs amendment	<input type="checkbox"/> Declined	<input type="checkbox"/> Withdrawn
<input type="checkbox"/> Overtaken by events	<input type="checkbox"/> See Minister's notes	

Comments

Russia Sanctions – Approach Going Forward

Pito matua – Key points

- The most coordinated and comprehensive barrage of sanctions in history are hitting the Russian economy hard. Aotearoa New Zealand now has the framework in place to use sanctions as a tool to complement and reinforce others' sanctions, with our measures demonstrating our condemnation of the invasion of Ukraine by Russia, and contributing to the international effort to erode Russia's ability to wage war.
- Work to progress sanctions under the Russia Sanctions Act is proceeding at pace. This includes necessary further legal work to underpin your decision-making and putting in place arrangements to help New Zealanders, in particular the business community, to understand and comply with sanctions.
- The immediate work is:
- Developing the designation framework (see accompanying submission)
- First sanctioning of oligarchs (8-20 people) who are designated by Australia, the timeline for which is:
 - 28 March: approval for amendments to regulations from Ministers with power to act (at Cabinet) in order to designate these oligarchs
 - 31 March: advice to you on proposed designations with draft regulations
 - 4 April: Executive Council
 - 4 April: Gazetting and public notification (time tbc).
 - 5 April: Entry into force of regulations
 - Announcements can be made after public notification on 4 April
- Officials recommend the following indicative work programme:
- **Immediate term (by end April)**
 - Consideration of any remaining oligarchs designated by Australia
 - Consideration of financial entities
 - Advice on family members and associates
 - Advice on any necessary amendments to the Regulations to refine sanctions on financial services to ensure they are appropriately targeted
- **Near term (by mid-May)**
 - Advice on the process for amendments, revocations and exemptions under Section 13 of the Act
 - Advice on sanctioning high net worth individuals with connections to Aotearoa New Zealand
 - Advice on potential trade measures impacting Russia.
- **Medium term (May and June)**
 - Advice on options to inhibit Russian aviation and shipping moving through Aotearoa New Zealand
 - Advice on sanctioning further Russian individuals and entities, including propagandists, state-owned enterprises and major corporations.

Russia Sanctions – Approach Going Forward

- The work programme comes with risk.
- We are moving at pace in a new function of government: we may not always fully understand the impact or consequences of some decisions; and may at times struggle to support New Zealanders' understanding of, and compliance with, the sanctions.
- Aotearoa New Zealand's sanctions regime will add cost into or remove revenue opportunities for businesses.
- Russia may retaliate against our interests.
- Your decisions under the Act may be subject to legal challenge, particularly in relation to those with assets in Aotearoa New Zealand.
- Officials will therefore progress this work as quickly as possible, but at a pace that allows for prudent due diligence on legal and other regulatory or assurance elements to mitigate, as far as possible, those risks otherwise above.

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

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The Ministry of Foreign Affairs and Trade

Russia Sanctions – Approach Going Forward

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|--|-----------------|
| 1 | Note that sanctions are having their desired effect on Russia, with Aotearoa New Zealand now having the legal framework in place to contribute to the international effort; | Yes / No |
| 2 | Approve the forward work programme for activity under the Russia Sanctions Act. | Yes / No |
| 3 | Note the imperative for officials to ensure that while progressing as quickly as possible, the work programme is paced to allow prudent due diligence to mitigate, as far as possible, the legal and other risks associated with this unique regulatory function. | Yes / No |
| 4 | Refer a copy of this submission to Ministers with Power to Act (those designated by Cabinet on 7 March 2022). | Yes/No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Date: / /

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The Ministry of Foreign Affairs and Trade

Russia Sanctions – Approach Going Forward

Pūrongo – Report

1. In what has been described as the biggest imposition of economic sanctions in history, G7 countries, the European Union, Switzerland, Korea, and Australia have all imposed a barrage of sanctions on Russia in response to its invasion of Ukraine.
2. These have served to decouple the Russian banking system from the global economy; constrained the Russian elite's ability to travel or move their assets; and restricted Russia's imports and exports.
3. Sanctions have hit the Russian economy very hard. The Russian rouble has lost 40% of its value, inflation is forecast at 20%, and its official cash rate has doubled to 20%. GDP is projected to go into reverse, with shortages of consumer goods and cash in Russia.

Aotearoa New Zealand's Response

4. Since Parliament unanimously passed the Russia Sanctions Act on 10 March, you have approved regulations that provided for asset freezes on President Putin and 12 members of his Security Council, together with 19 entities. The regulations also enabled us to extend travel bans to more than 360 additional political and military leaders.
5. From a "standing start", Aotearoa New Zealand now needs to do the necessary work to meet the Act's purpose, including by expanding measures to cover additional individuals and entities, as well as considering what further activities we wish to prohibit (e.g. certain imports, exports).
6. In considering furthering the Act's objectives, Aotearoa New Zealand future measures may contribute to achieving one of the following three outcomes:
 - *Support our condemnation of the invasion of Ukraine* by exerting pressure on key decision-makers and constraining the elite's operating space. As each new regulation is adopted, the announcement of new sanctions measures sends a signal to Russia and the rest of the world that Aotearoa New Zealand remains focused on what we can do to counter Russian aggression.
 - *Erode Russia's ability to wage war*, either by denying it strategic goods and services or undermining Moscow's ability to sustain the war.
 - *Complement or reinforce others' sanctions* and enhancing effectiveness by applying these comprehensively. Preventing Aotearoa New Zealand from providing services to, or becoming a safe-haven for the assets of Russian oligarchs, banks and other actors is important; similarly, we should not become a market to which Russia diverts trade given it is shut out of other markets.
7. With a view to delivering on the purpose of the Russia Sanctions Act, we propose a forward work programme bringing forward measures (i) in the immediate future, by end April; (ii) in the near term, by mid-May; and (iii) in the medium term (May, June).

Oligarchs

8. As you have directed, officials are focused on designating oligarchs to prevent Aotearoa New Zealand from becoming a safe haven for the transfer of wealth or assets by high net worth individuals sanctioned in other jurisdictions. In an accompanying submission, we are

Russia Sanctions – Approach Going Forward

proposing a sanctions designation process. Subject to your approval of that framework, we are aiming to provide you with cases to consider in the following tranches:

Immediate

9. We expect to provide you next week with statements of case for 8-20 individuals already designated by Australia.
10. Under its Autonomous Sanctions legislation, Australia has designated and declared 51 persons who fit the broad descriptor of oligarchs, political and economic elites, and their immediate family members. Of these:
 - 16 were designated prior to the Russian invasion of Ukraine (their designation relates to the 2014 Crimea crisis)
 - 18 are family members (9 of these individuals designated as part of the 2014 Crimea crisis)
 - 17 were designated after the 24 February invasion

11. s6(b)(i)

12. s6(b)(i)

13. While Section 10(2) of the Act allows Regulations made under the Act to be applied to relatives of designated or “sanctioned” persons without having to meet any additional tests (i.e. beyond proof of them being a relative of a sanctioned person) it does not require it. Doing so would require a substantive amendment to the Regulations and we have not as yet been able to complete preparation of s9(2)(g)(i), s6(a)

who have already been designated by Australia we will assess them against our designation framework in their own right.

Immediate term (by end April)

14. We propose to:

- continue assessing those designated by Australia (and other partners), with the aim of completing all those assessments by the end of April;
- provide general advice about the treatment of family members (which will likely go beyond oligarchs);
- s9(2)(g)(i)

Russia Sanctions – Approach Going Forward

s9(2)(g)(i)

Near term (by mid-May)

15. The review mechanism provided for under the Act will need to be in place before you consider designating any individuals with Aotearoa New Zealand connections. We propose to provide you with advice on this mechanism by mid-May.
16. We are also aiming to provide at least initial advice on sanctioning high net worth individuals with connections to Aotearoa New Zealand within this timeframe.
17. ^{s9(2)(a)} Russian investors who have investments in Aotearoa New Zealand that attract public interest in whether they will be sanctioned are Alexander Abramov (owner inter alia of Helena Bay Lodge in Northland) ^{s9(2)(a)}
To the best of our knowledge, ^{s9(2)(a)} are currently subject to overseas sanctions, although Abramov has been included in a 2018 US Treasury's list of 210 senior political figures and oligarchs in Russia. ^{s6(a)}
18. While we do not know the extent of other oligarchs' portfolio holdings in Aotearoa New Zealand, it is likely that individuals have 'anonymised' their financial affairs through the use of secrecy jurisdictions, shell companies and trustee services. This will present a compliance challenge, which other international partners are only now beginning to confront.
19. We will also need to do some groundwork on the implications of any such designation for New Zealanders within Aotearoa New Zealand (e.g. what will be the immediate impact on the jobs of those employed by the companies of such individuals have invested in), so that you are well-placed to respond to questions on this, should you do decide to designate them.

Medium term (May and June)

20. We propose to continue assessing on a regular basis new oligarchs designated by Australia and other partners.

Financial entities

21. Russia's central bank and its large commercial banks have been the focus of sanctions from the G7, EU and Australia, with these measures having a material impact on Russia's ability access foreign reserves, service debt, and sustain the rouble. As you have identified, early consideration of the case for sanctioning these entities is required to ensure Aotearoa New Zealand does not become a safe haven or place to divert assets to. We propose to provide initial advice by the end of April (immediate term).
22. Other countries' sanctions on financial entities (together with Russia being decoupled from SWIFT) are already impacting remaining New Zealand firms doing business in Russia, which are struggling to close transactions. We are mindful Aotearoa New Zealand acting will exacerbate that problem: this is likely to be the most material way in which Russia sanctions will affect our business interests. At a national level, the impacts are likely to be minor. Before the invasion, Russia accounted for only 0.5% of our exports, and dairy accounted for just over half of that. Fonterra's decision to withdraw will have significantly reduced that exposure.
23. That being said, there are a series of companies with exposure, including:

Russia Sanctions – Approach Going Forward

- Companies with ongoing export interests, ^{s9(2)(ba)(i)}
Tatua, Fisher & Paykel Healthcare, and the Dairy Goat Cooperative.
 - Smaller firms for which Russia is a large market, e.g. it accounts for 25-30% of the revenue ^{s9(2)(ba)(i)}
 - Companies with a presence in Russia, e.g. AJ Hackett, Les Mills, and Mainfreight.
24. Before providing advice on the designation of additional financial entities we are considering whether there should be any clarification of the scope of the services prohibition in the Regulations (currently broad and general) to enable sanctions to be targeted.
25. We also need to design measures in such a way as to allow continuity of our Embassy's operations in Moscow (e.g. through an ability to access funds) can continue to operate effectively, and being mindful of our host country obligations under the Vienna Convention on Diplomatic Relations in respect of the Russian Embassy in Wellington.

Potential Trade Measures

26. Likeminded partners have targeted particular sectors of trade with import bans; hiking tariffs; and imposing export prohibitions. Adopting appropriate trade sanctions alongside other partners will demonstrate solidarity with partners. We propose to provide advice on a targeted and graduated trade sanctions response by mid-May (near term).
27. Our trade with Russia is relatively small. We exported NZ\$293 million of goods in the year to June 2021, and imported just NZ\$90 million. Dairy products, particularly butter, made up more than half of these exports, with fruit, seafood products and wine also significant shares. Imports have fallen substantially in recent years. Oil (NZ\$54m), fertiliser (\$27m), wood (\$5.6m) and plastics (\$3.8m) are the major import categories, with a long tail of products worth less than \$2m in imports in 2021. Fonterra has now pulled out of the market (half of our exports) and other exporters are unable to export in (and are currently diverting to other markets. The closure of the Marsden Point refinery has led to a halt in imports of crude oil from Russia, which should see that category also collapse.
28. *Prohibit imports of a targeted range of products.* Of the measures available to New Zealand, import (or export) prohibitions are the most direct and straightforward to implement. Amplifying international partners' actions, these could be targeted to strategically significant sectors. For example, oil & gas revenues provided the Russian Government over a third of its revenues in 2021. We propose to explore a ban on imports from Russia of oil, gas and coal, which would have important symbolism but limited impact on Aotearoa New Zealand. We will also include options around other Russian products, for example by banning imports of iconic products like vodka and further products that could be added.
29. Another option is raising tariffs on goods from Russia, likely outside the Russia Sanctions Act framework. The G7 has adopted an initiative to revoke Russia's 'Most Favoured Nation ('MFN')' treatment in their tariff schedules enabling them to raise tariffs on Russian products. Unlike G7 Members, we do not have a separate 'non-MFN' schedule of tariffs in our tariff schedule, making a similar approach here complex. ^{s6(b)(i)}

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30. New Zealand's removal of MFN for Russia - which remains a WTO member (and can't be easily expelled) - will also have limited additional impact compared to the other measures. Its removal however risks signalling the further erosion of a core WTO principle. The removal of MFN from a current WTO member will raise further questions regarding the efficacy and utility of this already weakened institution and its medium term relevance. This would be unhelpful to our wider objectives in support of a rules-based international trading system. We also understand that ^{s6(a)} have also not removed MFN - while, like us instituting sweeping measures and restrictions against Russia.
31. If at a later date, Ministers did want options on increasing the cost of Russian (and Belarusian) imports, officials could provide advice on either increasing tariffs in the manner of the G7 or introducing levies on some or all Russian (and Belarusian) imports. ^{s9(2)(f)(iv)}
32. *Prohibit exports of a targeted range of products and for a set of end users.* Likeminded partners have variously banned the export to Russia of strategic goods and technologies, inputs to sustain key industries like oil refining and construction, as well as luxury goods. Similarly, there are a range of identified entities which sustain Russia's military capability. The EU, UK and US have also instituted export controls on these entities and technologies and software destined for the defence, aerospace, and maritime sectors in Russia (and Belarus). Aotearoa New Zealand has been asked to ensure we are not supporting those sectors through our exports.
33. The impact of our imposing export prohibitions would be more limited than some other countries, given the dominance of staple food products in our export profile. That said, we propose to provide advice by mid-May on restricting exports of strategic goods and technologies beyond those covered by current export control settings on dual-use military goods – for example electronics, communications and other IT equipment, plus certain goods destined for the defence, aerospace, and maritime sectors. We also propose to examine the potential for bans of other goods that are part of partners' approaches, especially luxury goods. We have not been able to identify any partner that has banned the export of staple foods or medical equipment, which could have implications for ordinary Russians.
34. ^{s9(2)(h)}

That said, officials will also be mindful of the fact that, through his invasion of Ukraine, Putin has shown a flagrant disregard for the international rules-based framework, and all measures should be considered to raise the diplomatic, political, and economic consequences of his actions.

Inhibiting Aviation and Shipping

35. Likeminded partners have taken or plan to take a variety of measures targeted at inhibiting Russia's aviation and shipping services. Russian aircraft are banned from the EU, Canada, UK and US airspace, with measures also taken against Russian-owned and/or flagged vessels. We are aware the same partners are looking at denying Russian (and Belarusian) aircraft and vessel enabling services, like insurance and technical support.
36. We would propose to provide advice in May (medium term) on options to inhibit Russian aircraft and vessels entering Aotearoa New Zealand. We are aware there is ^{s9(2)(f)(iv)}

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s9(2)(f)(iv)

Individuals and other entities

37. As we move into May and June, we expect to be able to resource statements of case covering a wider range of individuals and entities, including:

- Extending asset freezes to the 364 of individuals currently subject only to travel bans;
- Identifying further political, military and other leaders that are subject to travel bans and asset freezes in other jurisdictions but not included on our lists (e.g. Belarusians, members of the Russian Upper House); and
- Identifying further entities that are subject to asset freezes or prohibitions on delivery of services, such as businesses at the commanding heights of the Russian economy and propaganda outfits.

On-going review

38. We will need to regularly review these listings and work areas, and their relative prioritisation, to ensure we continue to contribute to a collective and comprehensive response to Russia's illegal invasion of Ukraine.

What are the risks?

39. As we expand our sanctions regime, we are entering new terrain for Aotearoa New Zealand by implementing wide-ranging measures on a country outside the UN framework. We are doing that at pace and in circumstances in which everyone involved (in and outside Government) is on a steep learning curve.

40. We draw your attention to the following risks with the proposed work programme.

41. *Complexity*: Officials are working with a new, untested, legislative regime. We are likely to strike issues we are not yet aware of, the resolving of which may impact timeframes in the work programme.

42. *Compliance*: It will be important that we have in place robust and transparent processes to explain decisions you make as Minister. There will also be complexities for Aotearoa New Zealand businesses to understand the sanctions regime and ensure they are compliant with it.

43. *Impact of our sanctions on Aotearoa New Zealand businesses*. An inevitable consequence of the introduction of sanctions is that there will be compliance and enforcement costs, some of which will fall on firms (e.g. monitoring for prohibited activity). Some businesses may lose revenue, with a handful of medium and smaller sized companies having relatively greater exposure than bigger entities (e.g. lost export markets). There are supply chain risks, with some identified around the importance of Russian fertiliser, as well as the role Russian fishermen play in our industry.

44. *Our understanding of consequences of sanctions*. Officials may not always fully understand the impact or consequences of some decisions you take under the Act. We may also

Russia Sanctions – Approach Going Forward

struggle at times to support New Zealanders' understandings of, and compliance with, the sanctions or businesses may have unrealistic expectations about how we can support them to find ways to trade consistent with the sanctions regime.

45. *Partner information.* For much of our work programme, provision of material and information from partners will be key to our ability to move at pace. While partners have proven themselves willing to-date, they are also working at pace and under pressure themselves so may not always be as responsive as we might hope in the management of our requests.
46. *Russia has clearly signalled that it will retaliate against sanctions.* We might expect measures targeting the New Zealand Government (e.g. travel bans), or that could impact the operations of our Embassy and/or embassy staff in Moscow. Businesses could also be impacted, with suggestions of forced nationalisation of foreign companies and harassment of local staff. There are also elevated concerns for nation –backed cyber security incidents.
47. *Beyond Russia.* The Russia Sanctions Act provides for measures against Russia or “a country that may be assisting Russia”. We have used this clause already to sanction Belarusian political and military leaders, vessels and aircraft. Other countries may also already be assisting Russia, or potentially may do so in the future. ^{s6(a)}
48. *Legal risk.* There is a possibility that some of our sanctions could be exposed to legal challenge particularly if we were to sanction those persons with assets here (e.g. from impacted high net worth individuals), we are working to ensure we have in place appropriate processes to support decision-making and minimise the prospects of successful judicial review. We will also be designing policies that support exemption requests and reviews. Any succesful legal challenge potentially will call into question other decisions either already enacted or identified as part of future sanctions work.
49. *Resources.* As we design and plan what is an extensive new piece of work, we will better understand the resource implications for MFAT and for other agencies. Further advice will be provided to Ministers on this.
50. Officials will therefore progress this work as quickly as possible, but at a pace that allows for prudent due diligence on legal, regulatory, and assurance elements to mitigate, as far as possible, the risks outlined above.



12 May 2022

Minister of Foreign Affairs

For approval by

19 May 2022

Russia Sanctions Act – Update on Work Programme

BRIEFING Overview Submission

PURPOSE To update you on sanctions work under the Russia Sanctions Act and provide a forward work programme.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	16 May 2022
Deputy Prime Minister	For information by	16 May 2022
Minister Responsible for the GCSB	For information by	16 May 2022
Attorney-General	For information by	16 May 2022
Minister for Trade and Export Growth	For information by	16 May 2022
Minister of Immigration	For information by	16 May 2022
Minister of Defence	For information by	16 May 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Secretary	Russia Sanctions Taskforce	s9(2)(a)
	Unit Manager	Russia Sanctions Taskforce	

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions Act - Update on Work Programme

Pito matua – Key points

- Since March, you have approved sanctions on over 750 individuals, entities or assets across a broad range of categories, and agreed comprehensive trade measures
- The number and breadth of sanctions approved to date places us in a respectable position as compared to our international partners
- Our sanctions have directly contributed to the most comprehensive set of economic sanctions ever applied to a major global economy. The impact of these global sanctions has contributed to a significant weakening of the Russian economy.
- It remains important to maintain an ambitious pace of sanctions over the coming months, but this needs to be balanced against the need to ensure that we have the bandwidth to undertake the necessary policy work and due diligence to ensure the threshold for sanctioning under the Act is met.
- Official's recommend moving to a cycle of announcements on a fortnightly basis while preserving the ability to compress timelines where appropriate, for example, in response to events on the ground or to meet expectations of our partners.
- An indicative forward work programme is provided through to 31 July.

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Russia Sanctions Act - Update on Work Programme

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|--|-----------------|
| 1 | Note progress to date under the Russia Sanctions Act to impose sanctions across a broad range of political, economic, and military actors as well as comprehensive trade measures. | Yes / No |
| 2 | Note that these sanctions and trade measures have directly contributed to the most comprehensive set of economic sanctions ever applied to a major global economy, and their number and breadth places us in a respectable position compared to our international partners. | Yes / No |
| 3 | Note that these global sanctions are collectively having a severe economic impact on Russia. | Yes / No |
| 4 | Note the importance of continuing to work at pace to support further sanctions announcements needs to be balanced against the required bandwidth to undertake the necessary policy work and due diligence. | Yes / No |
| 5 | Agree to shift to a cycle of announcements on a fortnightly basis while preserving the ability to compress timelines where appropriate. | Yes / No |
| 6 | Note that we are moving into a phase where we will need to traverse more complex policy issues and which will require significant work to inform both the design of sanctions and ensuring effective compliance and enforcement of them. | Yes / No |
| 7 | Agree the indicative forward work programme. | Yes / No |
| 8 | Refer a copy of this submission to Ministers with Power to Act (those designated by Cabinet on 7 March) | Yes / No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Rt Hon Jacinda Ardern
Prime Minister

Date: / /

Date: / /

Russia Sanctions Act - Update on Work Programme

Hon Grant Robertson
Deputy Prime Minister

Date: / /

Hon Andrew Little
Minister Responsible for the GCSB

Date: / /

Hon David Parker
Attorney General

Date: / /

Hon Damien O'Connor
Minister for Trade and Export Growth

Date: / /

Hon Kris Faafoi
Minister of Immigration

Date: / /

Hon Peeni Henare
Minister of Defence

Date: / /

Proactively Released by
The Ministry of Foreign Affairs and Trade

Russia Sanctions Act - Update on Work Programme

Pūrongo – Report

1. In the eight weeks since the passing of the Russia Sanctions Act in March, you have approved a series of sanctions on over 750 individuals and entities broadly focused on the following categories:
 - Russia's political elite, including members of the executive, State Duma, Federation Council and Security Council
 - Russia's military elite, including key military leaders;
 - Key military institutions, defence entities and militias;
 - Individuals associated with separatist governments in the Donetsk and Luhansk regions
 - Russia's business elite, including oligarchs;
 - The Russian Central Bank, Sovereign Wealth Funds and National Development Bank, together with commercial banks covering 80% of Russia's financial assets
 - Propagandists, disinformation and cyber entities;
 - A ban on Russian and Belarusian government and military aircraft and ships entering New Zealand
 - A ban on aircraft and ships owned or controlled by sanctioned individuals or entities entering Aotearoa New Zealand
 - Subject to your decision on designations, you will next week announce sanctions against 23 Belarusian leaders and 4 defence entities
2. In line with partners, Aotearoa New Zealand has also implemented comprehensive trade measures against Russia: the imposition of a 35% tariff on all goods of Russian origin, and a ban on the export of certain industrial products to Russia and Belarus.
3. In seeking to reinforce partners' sanctions, we have focused our effort on tailoring our approach to maximise the effect on Russia taking account of Aotearoa New Zealand's context. Like others, we have sought to decouple the Russian and Aotearoa New Zealand economies by making financial transactions difficult and trade prohibitive. While our approach to banks is similar to partners, a good example of tailoring is the way Ministers chose measures that would have greatest effect in light of Aotearoa New Zealand's trade profile with Russia. Since Aotearoa New Zealand no longer imports hydrocarbons from Russia, Ministers decided against copying other jurisdictions in applying an import ban on fossil fuels, preferring instead the more materially impactful approach of an across-the-board 35% tariff on all Russia imports.
4. Our sanctions have directly contributed to the most comprehensive set of economic sanctions ever applied to a major global economy. The impact of sanctions on Russia will evolve over time but already they have already contributed to a significant weakening of the Russian economy:
 - The IMF is projecting a deep recession for the Russian economy, forecasting the country's GDP to fall by 8.5% this year, and by 2.3% in 2023.
 - Inflation has risen to 17.3% the highest level since 2002

Russia Sanctions Act - Update on Work Programme

- A high number of foreign companies (including Fonterra) deciding to shut down their operations in Russia
 - International supply chains have largely shut down after container companies Maersk, UPS, DHL and other transportation firms exited Russia.
5. The breadth of our sanctions and the extent of their corresponding prohibitions places us in a respectable position compared to our international partners including 5 Nations, EU, Japan and others. ^{s6(a)}
 6. New Zealand has sanctioned just over 750 individuals and entities since the invasion, compared to 859 by Australia, and approximately 820 by Canada. The United States, the United Kingdom and EU have a greater number of individuals and entities listed (e.g. the US has applied visa restrictions on 2,600 individuals). Their numbers are, however, inflated by designating family members of the principal actors (e.g. Putin's daughters) or associates of businesses (e.g. board members) who are already covered by association through our regulations. It is also the case that their people to people links and economies are far more intertwined with Russia than are Australia's and New Zealand's.
 7. The number of banks and other financial entities we have designated is similar to that of Australia (Australia has sanctioned approximately 21 financial institutions, whereas we have sanctioned 19). Likewise the number of disinformation and malicious cyber actors sanctioned is close to that of Australia (we sanctioned a total of 22 individuals for disinformation, compared to Australia's 33, and we have sanctioned three actors for malicious cyber activity while Australia has sanctioned one since the invasion). On oligarchs we have sanctioned 36 compared to Australia's 70 and there is scope for us to build on our list in the coming period.
 8. As we have been playing "catch-up", the reality is the United States and United Kingdom have been forging their way into new areas of opportunity. The areas where opportunity for Aotearoa New Zealand lie now include a focus on (i) undermining Russia's military and industrial resilience by targeting SOEs and its military industrial complex; (ii) going beyond targeting trade restrictions on goods to whole services sectors; (iii) considering the desirability of bans on foreign investment into and from Russia; and (iv) a ban on ships and aircraft entering Aotearoa New Zealand.
 9. We expect our international partners to maintain an ambitious pace of announcements. The challenge for us is to tailor measures appropriate to the Aotearoa New Zealand context while demonstrating a united front. Russia will be looking to take advantage of any perceptions of a weakening of resolve from those who have been at the forefront opposing the invasion and providing support to Ukraine.
 10. While we think it important to continue to work at pace to support further sanctions announcements, this needs to be balanced against the need to ensure that we have the bandwidth to undertake the necessary policy work and due diligence. This is important to ensure you have all relevant information to support your assessment that the threshold under the Act is met and that complex policy issues are well traversed with other government agencies. We likewise need sufficient time to identify and manage the potential impacts of sanctions on Aotearoa whether they be individuals or members of the business community.

Russia Sanctions Act - Update on Work Programme

11. Officials therefore seek your agreement to moving to a cycle of announcements on a fortnightly basis, while preserving the ability to compress timelines where appropriate, for example in response to events on the ground or to meet reasonable expectations of our partners.
12. Officials will continue work to ensure the Regulations remain fit for purpose through continuous improvements.

Indicative Forward work programme

13. We will continue to build on our lists by regularly proposing **additional individuals and entities** for designation under categories already announced (political and military elite, banks and other financial entities, oligarchs, military institutions, defence entities and militias, individuals associated with separatist governments in the Donetsk and Luhansk regions).
14. The sanctions imposed by Aotearoa to date have, largely, ^{s9(2)(g)(i)} We are now moving into a phase where we will need to traverse more complex policy issues and which will require significant work to inform both the design of sanctions and ensuring effective compliance and enforcement of them. We have identified as follows these more complex sanctions work streams to progress through to 31 July. The precise timing of any announcements related to these, however, will be contingent on the necessary policy work being completed and whether the conclusion of such work supports recommendations to the impose sanctions.
15. Advice on **oligarchs with links to Aotearoa New Zealand**. Our next step is to provide you with advice on options to sanction Mr Abramov as well as canvassing the operational and enforcement implications of each based on the work undertaken by an inter-agency Tasking and Coordination Group. Subject to policy approval and your satisfaction that thresholds under the Act are met for sanctioning Mr Abramov we would anticipate you being in a position to announce this during in the first half of June as part of a broader package of sanctions including the additional oligarchs consistent with our partners' designations.
16. Advice on sanctioning **State Owned Enterprises** and other major corporations of strategic importance to Russia, with a particular focus on eroding Russia's military and industrial resilience.
17. Advice to you and the Minister for Trade and Export Growth on possible further **trade and investment measures** including:
 - Expanding export prohibitions;
 - Considering whether we should apply new import prohibitions;
 - Considering whether we should emulate partners' restrictions in the services sector; and
 - Considering measures on foreign direct investment.
18. Advice on options for the sanctioning of **Russian broadcasters**.
19. Advice on banning **Russian flagged or owned aircraft and ships** from entering and/or operating in Aotearoa New Zealand.

Russia Sanctions Act - Update on Work Programme

20. Concurrent with progressing the above work programme we are also working closely across agencies to explore leveraging existing regulatory frameworks to support the **compliance and enforcement** approach to sanctions. ^{s9(2)(g)(i)}

21. We will also begin scoping work for the Regulatory Impact Analysis which has not yet been completed. Treasury's RIA team and MFAT have agreed that a post-implementation RIA be undertaken within 3-6 months of the passage of the Russia Sanctions Bill.

22. We would welcome any feedback on the relative prioritisation amongst issues identified above.

Proactively Released by
The Ministry of Foreign Affairs and Trade



19 May 2022

Minister of Foreign Affairs

For comment by

23 May 2022

Russia Sanctions Act: High Net Worth Individuals Connected to Aotearoa New Zealand

BRIEFING Overview Submission

PURPOSE To seek your guidance on sanctions options Aotearoa New Zealand could take against high net worth individuals connected to Aotearoa New Zealand.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	23 May 2022
Deputy Prime Minister	For information by	23 May 2022
Minister Responsible for the GCSB	For information by	23 May 2022
Attorney General	For information by	23 May 2022
Minister for Trade and Export Growth	For information by	23 May 2022
Minister of Immigration	For information by	23 May 2022
Minister of Defence	For information by	23 May 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Secretary	Russia Sanctions Taskforce	s9(2)(a)
	Divisional Manager	Russia Sanctions Taskforce	

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

Pito matua – Key points

- Officials propose focusing on preparing advice on sanctioning Alexander Abramov.
- Sanctioning Mr Abramov is not without risk. Due to his substantial business dealings, it is possible that New Zealand persons and New Zealand businesses could be impacted more by his designation.
- In this instance, you may wish to consider a tailored approach to the appropriate sanctions to be applied. Although Aotearoa New Zealand has not yet undertaken such an approach, it is evident our partners are striking a balance between punishing Russia and protecting their interests.
- Officials propose two options for approaching the designation of Mr Abramov.
 - Applying the full suite of sanctions;
 - Tightening the net on Mr Abramov by applying only a limited array of sanctions.
- As with every proposed designation, it is also open to you to not sanction an individual or entity.
- If Mr Abramov is designated, officials will prepare a detailed plan to support roll out depending on which approach you prefer.

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|---|-----------------|
| 1 | Agree to meet with officials to discuss dealing with high net worth individuals with connections to Aotearoa New Zealand under the Russia Sanctions Act; | Yes / No |
| 2 | Note officials consider it would be open to you to consider Alexander Abramov for designation under the Russia Sanctions Act, with high-level guidance sought on the types of measures that may be applied; | Yes / No |
| 3 | Note that, given his extensive investments in New Zealand, applying the full range of sanctions to Mr Abramov raises issues and risks that we have not faced to date in designating the 750 previous individuals and entities; | Yes / No |
| 4 | Agree that officials should provide you with the information necessary to judge whether Mr Abramov meets the test to be designated under the Act, together with advice on options should the test be met:

<u>Either</u> applying the full range of sanctions to Mr Abramov; | Yes / No |
| | <u>Or</u> tailoring sanctions to constrain Mr Abramov's operating space, while allowing New Zealand persons to continue to provide him services and deal with his assets while we assess next steps (officials' preferred option of the two); | Yes / No |
| 5 | Refer a copy of this submission to Ministers with Power to Act (those designated by Cabinet on 7 March). | Yes / No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Date: / /

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

Pūrongo – Report

1. On 24 March, we undertook to provide you initial advice on sanctioning high net worth individuals with connections to Aotearoa New Zealand. ^{s9(2)(a)} individuals have been identified as being of interest. The purpose of this submission is to seek your guidance on our proposed pathway forward in respect of these ^{s9(2)(a)}

We propose a focus first on Alexander Abramov...

2. Mr Abramov is worth US\$5.5 billion, having made his fortune by founding Evraz Steel. He has a range of interests in Aotearoa New Zealand. Notably a property portfolio of ^{s9(2)(a)} which includes the Helena Bay Lodge in Northland; stakes in three apartment developments and a stake in a warehouse. He has been sanctioned by Australia and is on the US Treasury list of Russian senior political figures and oligarchs.¹ He is also the subject of some public interest. We propose that you take decisions on Mr Abramov first.
3. ^{s9(2)(a)}
4. It would be open to you to consider Mr Abramov for designation under the Russia Sanctions Act, with measures against him designed to exert further pressure on Russia, and complementing Australia's sanctions against him. Officials are not proposing that you take a decision on designating Mr Abramov now. Instead, we explore the implications of applying different sanctions to him with a view to obtaining your guidance to support the next phase of advice.
5. It is worth noting, that following his designation by Australia on 6 April, ^{s9(2)(ba)(i), s9(2)(a)}

There are implications arising from applying the full suite of sanctions...

6. To date, New Zealand has designated over 750 individuals and entities. These individuals and entities have had limited connection to Aotearoa New Zealand. To the extent New Zealand persons have been affected, it has been businesses struggling to complete financial transactions with Russia; those exposed to the 35% import tariff; and those who hold investments in Russian companies which are generally diluted within an overall mutual fund holding. Generally speaking, sanctions so far have seen New Zealand companies divert their business away from Russia, but seemingly no cases where an entire business is upturned.

¹ The US list specifically states that it is not a sanctions list, and in "no way should be interpreted to impose sanctions on those individuals or entities". The criteria for oligarchs being included was having a net worth of USD\$1 billion.

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

(i) Applying the full suite of sanctions to Mr Abramov will harm New Zealanders

7. Alexander Abramov presents a different set of challenges. While we do not know how many New Zealanders are employed either by him directly or entities controlled by him, it is clear there are employees and contractors at Helena Bay Lodge; construction firms and contractors developing property controlled by Mr Abramov; folk either renting from or leasing land to him; and others providing business services.
8. Applying the full suite of current sanctions to Mr Abramov would prevent him from transferring money into New Zealand (through the asset freeze). If some of his business activities are not financed through earnings in New Zealand and instead rely on Mr Abramov funding them from offshore, then those business activities may grind to a halt as his ability to finance them dries up. While we do not have a full understanding of Mr Abramov's arrangements in New Zealand. Helena Bay Lodge has been closed due to COVID-19 and is therefore unlikely to be self-financing.
9. Applying the full suite of sanctions would also prohibit New Zealand persons from providing services or dealing in assets owned or controlled by Mr Abramov, except in some specified circumstances. It is likely that construction firms and tradespeople working on his property developments would need to immediately cease providing services, disrupting their businesses. The Helena Bay Lodge could not open to guests.
10. While Mr Abramov would not be able to enter new leases, any existing tenants would legally be able to pay rent and those leasing land to him in Northland would be able to receive payment. There is a regulatory exception for the purpose of maintaining the value of the asset, which means properties controlled by Mr Abramov could legally be kept up, but not improved.
11. It is difficult to have total clarity about how far-ranging the effects of sanctioning him would be for New Zealanders without engaging with Mr Abramov's representatives. However, Mr Abramov's direct investments in Aotearoa suggest there would be significant disruption to a series of small businesses and individuals' livelihoods. The disruption felt by them is likely to be greater than that felt by Mr Abramov himself, who does not live here and only has a small proportion of his wealth invested in New Zealand.

(ii) Applying the full suite of sanctions to Mr Abramov will expose the Government to risk

12. The Russia Sanctions Act is a regulatory framework that is a little over two months old. Officials are working across government to provide for effective compliance and enforcement, with a response structure established through a Tasking & Coordination Group.
13. Were a decision taken to apply the full range of sanctions to Mr Abramov, the Government

s9(2)(g)(i)

s9(2)(g)(i), s9(2)(a)

s9(2)(ba)(i)

14. Before you took a decision to apply the full suite of sanctions, we would want to ensure a robust all-of-government plan for dealing with the day after gazetta, notably including Police, the Department of Internal Affairs and Crown Law. Even with a robust plan in place, we would be operating in an environment where the exercise of the Russia Sanctions Act's powers is untested in the courts.

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

15. Were the full suite of sanctions to be applied against Mr Abramov, we would need to provide immediate general guidance to affected businesses and New Zealanders on what it means for them. Following gazettal but prior to being able to provide case-by-case support to affected New Zealanders to comply with the sanctions, we would need to engage Mr Abramov's representatives to gain a full understanding of his business holdings. We would then need to provide advice on what activities can continue, what must be stopped, and where applications for exemptions might be warranted. There would be significant uncertainty for the impacted New Zealanders while these issues were worked through.

The option of narrowing the range of sanctions applied to Mr Abramov

16. Given the foregoing, should you consider designating Mr Abramov under the Russia Sanctions Act our preferred approach would be to tailor a set of sanctions that achieves the effect of interrupting economic relations, but in a manner that is proportionate and manages risk.

17. This is the approach taken in other jurisdictions. Others have tailored their sanctions to ensure the impact is greater on Russian targets than is the collateral damage caused for those whose association with the target is an innocent one. Three examples illustrate the point, albeit on a larger scale:

1. The EU's approach to Russian hydrocarbon imports ^{s6(a)}
2. The United States has ensured there is a channel for dollar-denominated finance activities by prohibiting transactions with Russia's big commercial banks, with the exception of Gazprombank.
3. The UK has sanctioned Evraz Steel, but provided a general licence to allow its North American operations to continue because it employs more than 1,000 American and Canadian workers.

18. When you consider Mr Abramov for designation, and if your view is to designate Mr Abramov, our preferred approach would be to tailor a set of sanctions that make it increasingly difficult for Mr Abramov to operate in Aotearoa New Zealand and ^{s9(2)(g)(i)}

At the same time, we would look to minimise the collateral damage on New Zealanders and manage the risk to the Government.

19. If you decided to sanction Mr Abramov, you could choose to apply only the travel ban and that on aircraft and vessels controlled by him (but not the asset freeze and services prohibition). Concurrently, Evraz Steel could be sanctioned. This firm is Mr Abramov's primary source of wealth. This would send a clear, powerful signal of condemnation.

20. It would also send a signal that would further constrain Mr Abramov's operating space for business dealings in Aotearoa New Zealand. ^{s9(2)(ba)(i)}

In addition to putting duty holders on notice, this signal may encourage Mr Abramov to reconsider his dealings in New Zealand.

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

s9(2)(g)(i)

24. Public messaging around this approach would need to be carefully considered given the prohibitions applied to Mr Abramov would be narrower than those applied to oligarchs who do not currently have interests here in Aotearoa New Zealand. A core public message might be that sanctions are intended to exert pressure on Russia, not punish New Zealand persons; and your action in this case is proportionate with ensuring Mr Abramov does not exploit his connection to Aotearoa New Zealand while limiting the adverse effects on innocent New Zealanders. The messaging would also need to explain why the Government taking control of, and running Mr Abramov's assets was not possible.

A decision not to designate Mr Abramov

25. As is always the case, it is open to you to decide that Mr Abramov does not meet the test under the Russia Sanctions Act. We are not seeking such a decision from you at this point, but you will have the chance to consider it when an Information Sheet is presented.

26. Internationally, we are not under pressure to act against Mr Abramov to complement and reinforce others' sanctions. Aside from Australia, no other jurisdiction has sanctioned Mr Abramov, suggesting he is not a primary target for like-minded. Since the application of sanctions under the Act is intended to "complement and reinforce" measures by other countries (among other things), it would be open to you to wait to see what others do in respect of this individual.

27. Domestically, there is obvious interest in the Government's intentions with regard to Mr Abramov. We are not yet aware of any suggestion (and nor do we have any evidence) that he is using Aotearoa New Zealand as a destination to circumvent measures affecting his interests in other jurisdictions, so he does not appear currently to be exploiting his connection to Aotearoa New Zealand.

Russia Sanctions Act: High Net worth Individuals Connected to Aotearoa New Zealand

Timing

28. While an Information Sheet on Mr Abramov can be provided in relatively short order, we seek guidance from you on your preferred approach were you to designate him. If you were to apply the full suite of measures against Mr Abramov, it would take some time to ensure we were robustly prepared for the day after the decision to sanction (e.g. six weeks). If, however, you were to apply the narrower range of sanctions, preparations would be much simpler and could be completed more quickly (e.g. a fortnight).

Proactively Released by
The Ministry of Foreign Affairs and Trade



26 May 2022

Minister of Foreign Affairs

For approval by

2 June 2022

Russia Sanctions – Economic Elites Policy Approval

BRIEFING Decision Submission

PURPOSE To seek approval to authorise the drafting of regulations to amend the Russia Sanctions Regulations 2022 to implement proposed designations of around 30 economic elites, for their role in supporting Russia's invasion of Ukraine and further refine the sanctions to ensure they remain fit for purpose.

Tukunga tūtohua – Recommended referrals

Prime Minister	For concurrence by	2 June 2022
Deputy Prime Minister	For concurrence by	2 June 2022
Minister Responsible for the GCSB	For concurrence by	2 June 2022
Attorney-General	For concurrence by	2 June 2022
Minister for Trade and Export Growth	For concurrence by	2 June 2022
Minister of Immigration	For concurrence by	2 June 2022
Minister of Defence	For concurrence by	2 June 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Secretary Policy Officer	Russia Sanctions Taskforce Russia Sanctions Taskforce	s9(2)(a)

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions – Economic Elites Policy Approval

Pito matua – Key points

- Economic elites play a crucial role in fuelling Russia's war in Ukraine by providing economic and strategic support to the Russian Government through their activities.
- The proposed tranche will build on earlier designations of economic elites by extending sanctions to around 30 additional oligarchs (including Alexander Abramov) and one entity that supports Russia's war in Ukraine either directly or through strategic influence over Russian decision-makers.
- The rationale for targeting Russian economic elites is that they have both benefited from President Putin's leadership over the last twenty years, and continue to have relationships of influence with him. By denying oligarchs and economic elites the ability to use our country in their economic activities, our objective is to leverage them to pressure the Russian Government to alter course. These sanctions would further underline Aotearoa New Zealand's condemnation of Russia's war in Ukraine and will reinforce the sanctions of our partners.
- For Alexander Abramov, you agreed that officials should provide you with the information necessary to judge whether he meets the test to be designated under the Act, together with advice on tailored sanctions in order to constrain Mr Abramov's operating space, while allowing New Zealand persons to continue to provide him services and deal with his assets while we assess next steps (refer to submission of 23 May copied to Ministers with Power to Act for Information).
- Advice will also be provided to the Minister of Foreign Affairs proposing a continuous improvement amendment to the Russia Sanctions Regulations to provide an exception for use of utilities in order to ensure New Zealanders living in Russia are able to continue to use the services provided by Russian utility companies (some of which are currently being considered for sanctioning).
- Approval is sought to authorise the drafting of regulations to amend the Russia Sanctions Regulations in order to implement the proposed designations and any consequential amendments, as well as ongoing continuous improvement changes.
- We propose the following timeline for action:
 - 2 June: Receive approval to begin work drafting regulations;
 - 3 June: Advice on proposed designations and draft regulations goes to the Minister (copied to Ministers with Power to Act);
 - 9 June: Receive approval from Minister of Foreign Affairs;
 - 13 June: Executive Council;
 - 13 June: Gazetting and public notification;
 - 14 June: Entry into force of regulations.

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Russia Sanctions – Economic Elites Policy Approval

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|--|-----------------|
| 1 | Note that officials propose further designation of economic elites of strategic importance to Russia as the next area of focus for sanctions by Aotearoa New Zealand; | Yes / No |
| 2 | Note that officials will provide advice to the Minister of Foreign Affairs proposing the designation of around 30 economic elites, including Alexander Abramov and one entity, Evraz plc, for her consideration; | Yes / No |
| 3 | Note that officials will provide advice to the Minister of Foreign Affairs proposing amendments to the Regulations to ensure they remain fit for purpose; | Yes / No |
| 4 | Agree to authorise the Minister of Foreign Affairs to issue drafting instructions to give effect to the above; | Yes / No |
| 5 | Note that a waiver of the 28-day rule is sought for the regulations (once approved) to come into force, on the basis that Russia's invasion of Ukraine constitutes an international emergency that requires a swift response; | Yes / No |
| 6 | Agree to waive the 28-day rule so that the regulations can come into force on 14 June 2022; | Yes / No |
| 7 | Authorise the submission to the Executive Council of Russia Sanctions Amendment Regulations (no. 7) 2022 on 13 June 2022. | Yes / No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Rt Hon Jacinda Ardern
Prime Minister

Date: / /

Date: / /

Russia Sanctions – Economic Elites Policy Approval

Hon Grant Robertson
Deputy Prime Minister

Date: / /

Hon Andrew Little
Minister Responsible for the GCSB

Date: / /

Hon David Parker
Attorney General

Date: / /

Hon Damien O'Connor
Minister for Trade and Export Growth

Date: / /

Hon Kris Faafoi
Minister of Immigration

Date: / /

Hon Peeni Henare
Minister of Defence

Date: / /



2 June 2022

Minister of Foreign Affairs

For action by

9 June 2022

Russia Sanctions – Economic Elites

BRIEFING Decision Submission

PURPOSE To provide for your consideration information on 28 economic elites including Alexander Abramov, and one company that may be designated under the Russia Sanctions Act 2022; and to seek your agreement to provide an exception under the Russia Sanctions Regulations 2022 to ensure New Zealanders living in Russia are able to continue to use services provided by Russian utility companies.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	9 June 2022
Deputy Prime Minister	For information by	9 June 2022
Minister Responsible for the GCSB	For information by	9 June 2022
Attorney General	For information by	9 June 2022
Minister of Police	For information by	9 June 2022
Minister for Trade and Export Growth	For information by	9 June 2022
Minister of Immigration	For information by	9 June 2022
Minister of Defence	For information by	9 June 2022
Minister of Transport	For information by	9 June 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Secretary Unit Manager	Russia Sanctions Taskforce Russia Sanctions Taskforce	s9(2)(a)

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions – Economic elites

Pito matua – Key points

- Building upon the 36 economic elites sanctioned by Aotearoa New Zealand in April, officials propose additional designations of 28 additional individuals, and one entity, Evraz plc. The highest profile individual in this group is Alexander Abramov.
- Officials recommend applying to Mr Abramov the travel ban and the prohibitions on his vessels and aircraft entering Aotearoa New Zealand's ports and airspace. This would constrain Mr Abramov's operating space while allowing New Zealand persons to continue to provide him services and deal with his assets, while we assess next steps.
- Officials recommend applying the full range of relevant sanctions to Evraz plc, on the basis of its strategic significance to Russia.
- The remaining 27 individuals are part of a group of economic elites that met with President Putin on 24 February to discuss the impact of sanctions and the need for the Government and business to work together. Officials recommend applying the full range of relevant sanctions to these individuals who have all been sanctioned by one or more of our international partners.
- The sanctioning of Mr Abramov present risks, including: (i) legal challenge to the Crown from Mr Abramov and his representatives; (ii) adverse impacts on New Zealanders of Mr Abramov's business activities being curtailed; (iii) that Mr Abramov seeks to exploit tailored sanctions to his advantage and (iv) ^{s9(2)(f)(iv), s9(2)(g)(i)}

All these risks will be managed through a tight inter-agency process.

- The following timeline is proposed:
 - Paperwork completed and returned to the Ministry on Thursday 9 June;
 - Regulations submitted to the Executive Council on the afternoon of Monday 13 June;
 - Regulations gazetted at approximately 5pm on Monday 13 June, with entry into force at 12:01am on Tuesday 14 June, and MFAT's sanctions register updated shortly thereafter; and
 - A public announcement via draft press release and tweet after 5pm on Monday 13 June (drafts attached at Annex 4, together with talking points).

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Russia Sanctions – Economic elites

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|----|--|-----------------|
| 1 | Note that Ministers with Power to Act authorised officials to draft amendments to the Russia Sanctions Regulations and, accordingly, the attached regulations implement 29 proposed designations; | Yes / No |
| 2 | Note the proposed designation include 28 economic elites , and one entity, Evraz plc. | Yes / No |
| 3 | Note the highest profile individual in this group is Alexander Abramov whose designation will attract significant media scrutiny. | Yes / No |
| 4 | Agree that, in accordance with section 8 of the Act, the attached Russia Sanctions Amendment Regulations (No 7) 2022 (the Amendment Regulations) (in Annex 3): <ul style="list-style-type: none">• are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country, and• that the United Nations Security Council is unlikely to act, or has acted insufficiently, in response to the threat; | Yes / No |
| 5 | Approve the proposed Amendment Regulations, subject to minor or technical amendments as required; | Yes / No |
| 6 | Agree to apply the following sanctions on Mr Alexander Abramov: travel ban; prohibition on vessels and aircraft entering Aotearoa New Zealand; | Yes / No |
| 7 | Agree that the 27 remaining individuals are designated for the purposes of the following sanctions: travel ban; prohibition on vessels and aircraft entering Aotearoa New Zealand; prohibition on dealing with assets; prohibition on dealing with shares and securities; and the prohibition on dealing with services; | Yes / No |
| 8 | Agree to apply the following sanctions to Evraz plc: prohibition on vessels and aircraft entering Aotearoa New Zealand; prohibition on dealing with assets; prohibition on dealing with shares and securities; and the prohibition on dealing with services; | Yes / No |
| 9 | Agree to the proposed exception in the Amendment Regulations to ensure New Zealanders living in Russia are able to continue to use services provided by Russian utility companies; | Yes / No |
| 10 | Authorise submission to the Executive Council of the Russia Sanctions Amendment Regulations (No 7) 2022; | Yes / No |
| 11 | Note that the Amendment Regulations will be Gazetted on Monday 13 June, with entry into force at 12:01am on Tuesday 14 June; | Yes / No |

Russia Sanctions – Economic elites

- 12 **Sign** the **attached** Executive Council Advice Sheets (Goatskin) for the Amendment Regulations; **Yes / No**
- 13 **Refer** a copy of this submission to Ministers with Power to Act (those designated by Cabinet on 7 March), the Minister of Police and the Minister of Transport. **Yes / No**

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Rt Hon Jacinda Ardern
Prime Minister

Date: / /

Date: / /

Proactively Released by
The Ministry of Foreign Affairs and Trade

Russia Sanctions – Economic elites

Pūrongo – Report

1. Using the Russia Sanctions Act to impose sanctions on individuals and entities continues to be a core part of Aotearoa New Zealand's response to Russia's illegal invasion, complementing our support to Ukraine. The Act enables us to play our part in what is the most comprehensive set of international sanctions ever imposed on a major power. In addition to the strong signal of condemnation that these sanctions send, we have effectively decoupled the Russian and New Zealand economies, substantially reducing two-way economic activity. Sanctions also play a crucial role in preventing Aotearoa from becoming a safe haven for those sanctioned by partners.
2. The purpose of this submission is to recommend a further round of sanctions, this time primarily focused on Russia's economic elite. By targeting the interests of the Russia economic elite, we aim to bring about a change in Moscow's policy by using targeted sanctions that harm the interests of those close to President Putin on whose ongoing support he is critically dependent. By complementing the sanctions imposed by others on these oligarchs and other members of the elite, our objective is to alter their calculus so they no longer support Putin's war. The sanctions proposed here will complement the sanctions of other countries.

Mr Abramov

3. Given the paucity of economic linkages to Aotearoa of most of those being put forward for consideration, the principal aim of these measures is to ensure Aotearoa New Zealand does not become a safehaven for Russia's economic elite. The proposed designation of Alexander Abramov is different in that he is one member of Russia's economic elite that does have business interests here in New Zealand. Casting the sanctions net closer to home through this designation will further reinforce that Aotearoa New Zealand is prepared to take measures against individuals where there could be impacts on New Zealanders and their businesses.
4. In light of Mr Abramov's links with New Zealanders and New Zealand businesses¹, you agreed to an approach of "tailoring sanctions to constrain Mr Abramov's operating space, while allowing New Zealand persons to continue to provide him services and deal with his assets, while we assess next steps" (MFAT submission of 19 May 2022).
5. Officials recommend the tailored approach for Mr Abramov, namely to use the Russia Sanctions Act to apply the travel ban and the prohibitions on related vessels and aircraft entering Aotearoa New Zealand's ports and airspace. The travel and craft bans would serve a number of purposes:
 - Mr Abramov's operating space for business dealing in Aotearoa New Zealand would be constrained.
 - This approach will provide a signal for businesses and individuals to consider their dealings with Mr Abramov, with time to assess the risks of further business linkages.
6. Should Mr Abramov engage in business activity inconsistent with our objective of interrupting economic relations (for example by increasing his investment in Aotearoa New Zealand) or appropriate mitigations are identified for impacted New Zealanders and

¹ Including a property portfolio of approximately NZ\$90 million which includes Helena Bay Lodge in Northland, stakes in three apartment developments and a stake in a warehouse.

Russia Sanctions – Economic elites

businesses, it would still be open to you to expand the breadth of prohibitions to include the asset freeze and services prohibition.

Evrax plc

7. Evrax plc is also proposed for designation on the basis of its strategic significance to Russia. Evrax, for example, produces 28% of all Russian railway wheels and 97% of rail-tracks in Russia. It is one of Russia's largest tax payers. It is proposed to apply the full range of sanctions to Evrax usually applied to a business, namely, the prohibition on vessels and aircraft entering Aotearoa New Zealand, the prohibitions on dealing with assets, shares and securities, and the prohibition on dealing with services.

Other designations

8. In addition to Mr Abramov and Evrax plc, a further 27 members of Russia's economic elite are proposed for designation, including extending prohibitions on three who were travel banned in the first tranche of sanctions. These 27 individuals are part of a group of 37 economic elites that met with President Putin on the day of Russia's invasion of Ukraine to discuss the impact of sanctions and the need for the Government and business to work together. Through their attendance at the 24 February meeting they have demonstrated proximity to President Putin and their support for implementing actions and policies that have undermined the territorial sovereignty of Ukraine. They have all been sanctioned by one or more of our international partners.
9. You have already agreed to apply sanctions to eight of the group of 37 in the March economic elite tranche. Two of the 37 who met with President Putin are not being proposed for designation as they resigned their posts subsequent to the invasion and as the result of sanctions by partners. The proposed designations will cover the remaining 27 members of this group.
10. Officials recommend applying the full range of relevant sanctions to these 27 members of the economic elite. These are:
 - Travel ban;
 - Prohibition on people dealing with the designated entity's assets (asset freeze);
 - Prohibition on people dealing with securities of designated entity;
 - Prohibition on people dealing with services provided by, to, or for the benefit of the designated entity; and
 - Prohibitions on related vessels and aircraft entering Aotearoa New Zealand's ports and airspace.
11. Information sheets (Annex 1) have been provided for your consideration. Officials have drawn from a range of open source information in preparing these.

Risks

12. Broadly speaking, we foresee the following risks arising from sanctioning of Mr Abramov.
13. First, there are risks that New Zealand persons (individuals and businesses) may be impacted by the sanctioning of Mr Abramov given his interests in Aotearoa New Zealand. Although we have sought to mitigate these risks by the proposed tailored approach to sanctions, there could still be immediate impacts should certain duty-holders, such as banks, make decisions that they are not prepared to carry the commercial risk of providing services to Mr Abramov. Should this situation occur, affected individuals would be

Russia Sanctions – Economic elites

encouraged to work with their banks and to seek independent legal advice. Should the commercial environment become more difficult, Mr Abramov may decide to wind down his interests in New Zealand with impacts on those individuals and businesses dependent on them. In deciding to take this course of action, ^{s9(2)(g)(i)}

Officials propose to monitor these impacts.

14. Second, there is the risk that it is alleged that the Government has left it open for Mr Abramov to deepen his business interests here or that he could still use Aotearoa as a safehaven for his assets. We consider it would be difficult, but not impossible, for Mr Abramov to seek to shift assets to New Zealand. Officials will be monitoring for precisely this kind of activity, ^{s9(2)(g)(i)}

Officials propose to monitor these impacts and to consider if there are available mitigations that are consistent with the purpose of the Russia Sanctions Act.

15. ^{s9(2)(g)(i)}

^{s9(2)(ba)(i)}

^{s9(2)(g)(i)}

16. ^{s6(a), s9(2)(g)(i)}

Airways New Zealand and the National Maritime Coordination Centre will however, track aircraft or vessels en route to Aotearoa New Zealand which are subject to sanctions regulations if they are provided with the details of those to track. ^{s6(a)}

Public communications and implementation

17. Should you agree to designate Mr Abramov, then:

- Agencies will be prepared to engage with Mr Abramov's legal representatives;
- ^{s9(2)(a)}
- A response plan will be activated in the event that a vessel or aircraft known to be owned, chartered, or controlled by Mr Abramov is en route to or attempts to enter New Zealand.

18. Mr Abramov's links with Aotearoa New Zealand and the fact the Government has been petitioned to sanction him mean this designation will attract significant media scrutiny. A draft press release and Q&A document is attached in Annex 4.

^{s9(2)(a)}

Russia Sanctions – Economic elites

19. In commenting publicly on Mr Abramov, Ministers will wish to be mindful^{s9(2)(g)(i)}

we

propose that public communications:

- State that the Minister has elected to apply the narrower range of sanctions to Mr Abramov (as she has done previously in respect of others).
- She has elected to do so because of the potentially significant adverse impacts of an asset freeze and services prohibition on New Zealand employees and contractors. While it is open to the Minister to go further, she is weighing the reality that the Russia Sanctions Act is about punishing the Russian regime and all those who support it and not about punishing ordinary New Zealanders.
- Situate the decision on Mr Abramov within our wider sanctions regime, which already applies to more than 750 individuals and entities. While Mr Abramov is a part of the Russian economic elite, acknowledge that he is also the individual with the closest connections to Aotearoa that we have sanctioned so far.
- Note we will monitor the effect of the measures: it is open to her to extend the range of sanctions applicable to Mr Abramov, as she has done in other previous cases under the Russia Sanctions Act.

We would recommend^{s9(2)(g)(i)}

Continuous Improvement to the Russia Sanctions Regulations 2022: Utilities exception

20. In the Russia Sanctions Amendment Regulations (No 6) 2022 you have designated Gazprom PJSC, a large gas supplier and transporter. The effect of this designation means that New Zealanders living in Russia may breach the sanctions if they continue to receive gas from Gazprom. Since it is such a large player (and some areas of Russia may have no alternative gas provider), officials consider it appropriate to provide New Zealanders in Russia with an exception to this sanction, to allow them to use Gazprom gas for their personal or household use.
21. The exception is drafted in a similar manner to the current exception for New Zealand persons to provide an asset or service reasonably necessary for personal or household purposes to a sanctioned person (who is an individual), in New Zealand. The way the proposed new exception is drafted is broad enough to accommodate personal or household use of other utilities or essential service suppliers that may be sanctioned in future.

To: P/S MFA

Russia Sanctions Act: Follow-up Questions from MFA

We understand the Minister had some follow-up questions after reading our 2 June submission providing advice under the Russian Sanctions Act on 28 economic elites, including Mr Abramov. On reflection, it would have been helpful had we made it clearer in our 2 June advice that it built on the previous 19 May submission on this subject, which we have attached to be read alongside our response to MFA's questions. We respond to each of MFA's questions below.

1. *MFAT has suggested further sanctions could be progressively put on Abramov's assets and services in New Zealand.* s9(2)(g)(i)

We have provided for the Minister's consideration the option of applying the travel ban to Mr Abramov, together with prohibitions on vessels and aircraft owned by him entering the country (our 2 June submission).

We have recommended this approach because, at this time, applying the full range of sanctions would see New Zealand businesses and individuals' more greatly affected by the asset freeze and services prohibition than Mr Abramov himself (our 19 May submission). While Mr Abramov has less than s9(2)(²) of his personal wealth invested in New Zealand, the prohibition on providing Mr Abramov services or dealing with his assets would impact some New Zealanders' only sources of income. With limited exceptions, it would make it illegal for people to continue construction on his residential property developments or work in support of Helena Bay Lodge's normal business operations.

Under our recommended approach, we would monitor the situation following the application of the travel ban before providing the Minister with further advice s9(2)(f)(iv)

s9(2)(f)(iv)

While not as extensive as the sanctions imposed on other economic elites, the travel, ship and aircraft ban will publicly underline the government's opprobrium of Mr Abramov's links to the Putin regime and undermine his reputation in New Zealand. This in itself may lead

to firms taking commercial decisions about their relationship with Mr Abramov. At the same time it will manage the collateral impact on New Zealanders and New Zealand businesses in an orderly manner.

2. *Has MFAT looked at using the powers under section 10 (5) of the Act to put the full suite of sanctions on Mr Abramov and put his assets under some sort of management so that people employed by his businesses do not lose their jobs etc.*

s9(2)(h), s9(2)(g)(i)

The current proposal to sanction Mr Abramov for regulations 7, 8 and 9 means that the sanctions are squarely upon him as an influential Russian individual without also causing greater impact than warranted to New Zealand people and businesses who are innocent third parties in their dealings with his businesses. The carve out of sanctions is also used by our partners and is disciplined in upholding the purpose of a sanctions regime while at the same time protecting our people who would be unfairly disadvantaged were Mr Abramov's assets and services to be designated.

s9(2)(h)

3. *A rough analysis of how many businesses/individuals would be impacted if the full suite of sanctions was put on Mr Abramov.*

What we know about Mr Abramov's holdings in New Zealand is from open source, s9(2)(a) and information held by Police's Financial Intelligence Unit and the Overseas Investment Office.

- Mr Abramov's interests are managed through a number of holding companies, which means he is likely to rely both on business partners and on professional service providers like lawyers and accountants.
- Mr Abramov owns the Helena Bay Lodge in Northland, which we understand currently employs 25 staff, although the payroll is much larger when the Lodge is operating open. While their lease to Mr Abramov would not be interrupted under the prohibition in dealing with assets, s9(2)(g)(i), s9(2)(ba)(i)

- s9(2)(ba)(i)

The only way to accurately know how many architects, engineers, builders, electricians, plumbers and other tradespeople are working on those sites would be through direct discussion with Abramov's representatives in New Zealand.

- Mr Abramov also appears to have further investments in apartments and warehouses, with it not clear the degree to which his involvement with these could impact New Zealanders.

So as not to prejudice the Minister's decision-making, we took a deliberate decision not to engage his lawyers or other agents in Aotearoa on the precise nature of Mr Abramov's holdings.

4. *An update on how the legal case taken by Mr Abramov against the Govt of Australia's sanctions is going.*

Mr Abramov has retained legal counsel in Australia. In the Australian system, there is no exemption for the provision of legal services to a sanctioned person. Instead you need to apply for a sanctions permit from the Australian Sanctions Office to be able to interact with a sanctioned person. s9(2)(a)

s6(a)

s9(2)(ba)(i)

We therefore anticipate Abramov's lawyers will engage the Government immediately upon a decision from the Minister (and are prepared for that eventuality).

Finally, we note your advice that the Minister may hold a final decision on these measures for a further week. If she elects to do so, we will need to advise PCO no later than Friday 10 June, together with other agencies that were preparing to implement the sanctions (e.g. INZ, MoT, etc). We know your office will also need to advise other

Minsiterial offices that the dates signalled in the 19 May submission have been adjusted, notably the PMO.

Russia Sanctions Taskforce
8 June 2022

Proactively Released by
The Ministry of Foreign Affairs and Trade



8 July 2022

Minister of Foreign Affairs

For action by

15 July 2022

Sanctions options for Alexander Abramov

BRIEFING Decision Submission

PURPOSE To provide further advice on options for sanctioning Mr Alexander Abramov and further information on his investment footprint in Aotearoa.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	15 July 2022
Deputy Prime Minister	For information by	15 July 2022
Minister Responsible for the GCSB	For information by	15 July 2022
Attorney-General	For information by	15 July 2022
Minister for Trade and Export Growth	For information by	15 July 2022
Minister of Immigration	For information by	15 July 2022
Minister of Defence	For information by	15 July 2022
Minister of Transport	For information by	15 July 2022
Minister of Police	For information by	15 July 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Divisional Manager	Russia Sanctions Taskforce	s9(2)(a)
	Unit Manager	Russia Sanctions Taskforce	

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Sanctions options for Alexander Abramov

Pito matua – Key points

- This submission provides you with additional advice on the way the application of sanctions to Mr Alexander Abramov could be operationalised if you decide that designating him would meet the test for a response under Section 8 of the Russia Sanctions Act 2022.
- Based on the information available before sanctions would take effect, we are not able to confidently predict their actual impact on legal persons (individuals and entities) in Aotearoa New Zealand that may or may not be linked to Mr Abramov.
- In this context of imperfect information we have identified two options for your consideration:
 - applying the **full suite of sanctions to Mr Abramov**;
 - applying the **travel and aircraft and vessel ban** to Mr Abramov.
- The following policy objectives have informed the identification of options:
 - using the Russia Sanctions Act to sanction high net worth individuals who have or have had economic or strategic influence over Russia;
 - complementing or reinforcing sanctions by other countries; and
 - minimising harm to Aotearoa New Zealand and its people.
- The broad definition of ‘associate’ under the Russia Sanctions Regulations means that sanctions applied to Mr Abramov will also apply to a number of New Zealand persons with likely impacts on their reputations and routine business dealings.
- The application of financial sanctions to Mr Abramov would also likely disrupt existing investment activities, for example the property development projects he is involved in within Aotearoa New Zealand, some of which are part of the Kiwi build Programme.
- The current exceptions, in the Russia Sanctions Regulations and the exemption process in the Russia Sanctions Act may offer some scope to allow some activities to continue or transactions to be processed, but it is difficult to accurately predict how these could apply given the imperfect information at our disposal.
- We suggest two approaches, or a combination thereof, to mitigating the impacts of applying full sanctions to Mr Abramov:
 - amending the regulations prior to any designation taking effect to allow certain activities and/or transactions to continue;
 - monitoring the impacts of sanctions and consider using future regulatory tools, such as the exemptions process or amendments to the Regulations to allow certain activities and/or transactions to continue.

Sanctions options for Alexander Abramov

- Confining sanctions to the travel and aircraft and vessel ban would minimise harm on Aotearoa New Zealand and its people to the greatest extent but it would not be without cost to Mr Abramov. Firms may decide to relinquish their relationship or dealings with Mr Abramov for reputational and commercial reasons.

s9(2)(g)

(ji)

Acting Secretary of Foreign Affairs and Trade

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The Ministry of Foreign Affairs and Trade

Sanctions options for Alexander Abramov

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|---|--|
| 1 | Note that this submission does not consider whether the legal test under Section 8 Russia Sanctions Act 2022 has been met in respect of designating Mr Alexander Abramov, which will be considered in later advice; | Yes / No |
| 2 | Note the additional information contained in Annexes I and II about our current understanding of Mr Abramov's investment footprint in Aotearoa New Zealand, his associates and projected impacts; | Yes / No |
| 3 | Note that there are likely to be unknown additional layers of complexity which limits our ability to confidently predict the full impact of current sanctions on legal persons (individuals and entities) in Aotearoa New Zealand that may or may not be linked to Mr Abramov; | Yes / No |
| 4 | Agree which of the preferred options you would wish to receive further advice on:

i) the full range of sanctions; or

ii) the travel and aircraft and vessel ban; |

Yes / No

Yes / No |
| 5 | Agree that if you wish to pursue full sanctions, the following approach to mitigating impacts could be adopted:

i) amending the regulations prior to any designation taking effect to allow certain activities and/or transactions to continue; and

ii) monitoring the impacts of sanctions and consider using future regulatory tools, such as the exemptions process or amendments to the regulations to allow certain activities and/or transactions to continue; |

Yes / No |
| 6 | Note officials will continue to explore the pros and cons of introducing regulatory amendments prior to or after the sanctions take effect and will provide updated advice on this should you agree to pursue option 4 (i); | Yes / No |
| 7 | Agree to meet with officials to discuss these options; | Yes / No |
| 8 | Refer a copy of this submission to Ministers with Power to Act as well the Minister of Police and Minister of Transport. | Yes / No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Date: / /

Sanctions options for Alexander Abramov

Pūrongo – Report

1. If you decide that designating Mr Alexander Abramov would meet the test for a response under Section 8 of the Russia Sanctions Act 2022, this submission provides you with additional advice on how the sanctions could be operationalised. We will subsequently need to seek **policy approval** from Ministers with Powers to Act before providing you with **designation advice** on whether sanctioning Mr Abramov would meet the Section 8 test.
2. To help support your consideration of the options outlined in this submission, we annex the following additional background information which should be read alongside this advice:
 - Diagram of Mr Abramov's Investment Footprint and probable associates (Annex I)
 - Diagram of associates and probable interests (Annex II)
3. The information represented in these Annexes principally draws from the Overseas Investment Office and also the Financial Intelligence Unit of the New Zealand Police. While we have attempted to map the relationships between Mr Abramov and known individuals and entities, there are likely to be unknown additional layers of complexity which may or may not become apparent after sanctions have taken effect and following engagement with Mr Abramov's legal representatives (depending on their willingness to engage). This could impact, for example, who is an associate of Mr Abramov.
4. This consequently limits the degree to which we can confidently predict the actual impact that current sanctions would have on New Zealand persons (individuals and entities) that may or may not be linked to Mr Abramov. It is in this context of imperfect information that we have identified two options for your consideration:
 - Option 1: applying the full suite of sanctions to Mr Abramov with two approaches to mitigating impacts of sanctions on Aotearoa New Zealand:
 - amending the regulations prior to any designation taking effect to allow certain activities and/or transactions to continue; and
 - monitoring the impacts of sanctions and consider using regulatory tools, such as the exemptions process or amendments to the Regulations to allow certain activities and/or transactions to continue
 - Option 2: applying the travel and aircraft and vessel ban to Mr Abramov

Objectives

5. The proposed options have been informed by three objectives reflecting the purpose of the Russia Sanctions Act 2022 and threshold for sanction under Section 8 of the Act:
 - to impose sanctions as part of our policy response to condemn Russia's illegal invasion of Ukraine. This includes sanctioning high net worth individuals who have or have had economic or strategic influence over Russia¹, otherwise referred to as oligarchs. Related is the intention to ensure that Aotearoa New Zealand does not become a safe haven for Russian assets.

¹ Section 8(2)(a) Russia Sanctions Act 2022

Sanctions options for Alexander Abramov

- to complement or reinforce sanctions by other countries². Sanctions are most effective when they are coordinated. Aotearoa New Zealand has an important role to play in what is the most significant set of global sanctions ever imposed on a major power. Our sanctions effort is also a demonstration of Aotearoa New Zealand's commitment to the international rules based order through our condemnation of Russia's illegal actions.
- to minimise harm to Aotearoa New Zealand and its people. It is open to the Minister to consider whether, and how, to avoid or mitigate outcomes where the material impact of sanctions for Aotearoa New Zealand may be disproportionate to the impact on the sanctioned individual or entity.

Option 1: applying the current full suite of sanctions to Mr Abramov

6. Were you to agree to sanction Mr Abramov and impose the current suite of full sanctions on him this would mean:
 - Mr Abramov and his associates would be prevented from transferring funds to or from New Zealand (through the asset freeze);
 - New Zealand persons (individuals and entities) would be prohibited from dealing with assets owned or controlled by him or his associates;
 - New Zealand persons would be prohibited from dealing with any securities of Mr Abramov and his associates (but they can hold or dispose of securities as long as not to a sanctioned person);
 - New Zealand persons would be prohibited from providing services to, or receiving services from, Mr Abramov and his associates.
7. The broad definition of 'associate' in the Russia Sanctions Regulations 2022 was deliberate to ensure that assets could not be hidden from the application of sanctions. But it also means that the application of sanctions to Mr Abramov will extend to New Zealand persons whose reputation would likely be tainted as a result with related impacts on their normal operations. While the extent of association would not become entirely clear until after the sanctions take effect, based on current information we think that the following New Zealand persons (individuals and entities) would be considered associates under the definition in the Russia Sanctions Regulations³:
s9(2)(a), s9(2)(b)(ii)
8. The application of financial sanctions to Mr Abramov would likely cause disruption to existing investment activities, for example several property development projects likely involving several hundred dwellings some of which are part of the Kiwi Build programme. This could,

² Section 8(2)(b) Russia Sanctions Act 2022

³ s 5 (1) (2) Russia Sanctions Regulations 2022

Sanctions options for Alexander Abramov

inter alia, impact on developers, employees and contractors as well as those who may have committed to purchase property on development plans.

Exceptions

9. The Regulations provide a number of exceptions that, if applicable, might allow certain activities to continue or enable financial transactions to occur. We are not in a position to provide categorical advice on the application of exceptions to Mr Abramov and his associates at this time but we detail three that we consider pertinent to potentially mitigating the impacts of sanctions on Aotearoa New Zealand interests:
- Regulation 12(3) provides that a New Zealand person may receive money that is a restricted asset, if immediately before the relevant date (the date the sanctions take effect), the person from whom it is received had a legal obligation to pay (whether at that time or in the future) the money to the New Zealand person.
 - Regulation 12(7) (a) provides for a New Zealand person to provide the sanctioned individual or their dependants with an asset or service because they are reasonably necessary for personal or household purposes.
 - Regulation 12(7)(c) provides that a New Zealand person may deal with a restricted asset or service for the purpose of preserving, or maintaining the value of, a restricted asset.
10. By way of illustration only, and subject to further information on the nature of prior legal relationships and circumstances, the following scenarios show how these exceptions could mitigate some of the impacts on Aotearoa New Zealand interests were Mr Abramov to have the full suite of sanctions applied to him (and therefore also to his associates):
- Payments to New Zealand persons, subject to prior contractual arrangements, could be made. For example, those employed at the Helena Bay Lodge or contractors involved in various residential development projects could receive payments for their work.
 - Payments for the lease s9(2)(b)(ii) would be permitted (this is also supported by regulation 12(6) which provides an exception to deal with 'an estate or interest in land that is a restricted asset').
 - Arrangements necessary for the reasonable maintenance needs and upkeep of Helena Bay Lodge would also be permitted (e.g. employing a security guard, maintaining the grounds, carrying out required maintenance, managing the farm, providing insurance over the property).
11. While these exceptions might enable some residual activity to continue, the application of the current suite of full sanctions would still very likely cause disruption to business activities and are expected to preclude the entry into new contractual arrangements, including those related to the various residential development activities. For example, the full sanctions would likely prevent Helena Bay Lodge reopening in September as planned, and thus the additional employees required to operate the lodge would not be employed.
12. In addition, notwithstanding the dispensation to continue certain activities that would meet a relevant exception, banks and other duty holders would likely adopt a conservative position around the risk and decide to stop all 'dealings' with any of Mr Abramov's assets. Mr

Sanctions options for Alexander Abramov

Abramov may also have limited incentive to continue providing funding to his investment activities.

Exemptions

13. Section 13 of the Russia Sanctions Act 2022 provides that any person may apply to the Minister to request an exemption from a sanction 'on the basis of a humanitarian need or for any other reason⁴'. Exemptions can relate to particular persons, assets or services; and events of dealings in relations to those persons, assets, or services⁵.

14. Exemptions are an important element to protect against unintended adverse consequences of sanctions measures. In this instance, there would be some scope for Mr Abramov's legal representatives or affected New Zealand persons to apply for exemptions to allow certain activities and/or transactions to continue where an existing exception was not applicable.

Partners' use of general and specific licences

15. The provision of exceptions and exemptions under our legislation is broadly consistent with the approaches of our partners who use both general and specific licenses to minimise harmful economic and social consequences of sanctions in their countries and on their citizens. Some examples of this are:

- Following the sanctioning of Roman Abramovich a special licence was granted by the UK government allowing him to divest himself of the Chelsea Football Club. A condition of this license was that he was not able to benefit directly or indirectly from the sale.
- In sanctioning Russian steelmaker Evraz Steel (in which Mr Abramov has a substantial interest, 19 percent s9(2)(ba)(i) the United Kingdom issued a general licence permitting people to continue business operations with Evraz's North American subsidiaries preserving the interests of thousands of employees.
- In sanctioning Russian oligarch Alisher Usmanov, the US Department of Treasury provided a General Licence authorising transactions by entities owned (50% or more) by Usmanov reportedly due to concern over his reach in the global economy and supply chains.

Options for minimising the impacts of applying full sanctions to Mr Abramov

16. We cannot be certain that current exceptions and the exemptions process would provide sufficient mitigation for unintended impacts. We therefore propose two options, or a combination thereof, to respond to such impacts should you wish to pursue option 1.

⁴ You have not delegated this aspect of section 13 to the Secretary of Foreign Affairs (his delegations are to make decisions about prohibited exports and the tariff on imports) so it is for you to exercise your powers and functions in respect of any exemption applications received in relation to sanctions on Mr Abramov.

⁵ s13 (1) (c) (i) and (ii) Russia Sanctions Regulations 2022

Sanctions options for Alexander Abramov

Option 1.1: introducing amendments to the regulations before sanctions take effect allowing certain activities and/or transactions to continue

17. Amendments to the regulations prior to the sanctions taking effect could enable certain activities to continue and/or minimise impact on New Zealand persons. For example, an additional exception could be added enabling certain activities and/or transactions to occur in Aotearoa New Zealand but prohibit cross border flows of funds from Mr Abramov or his associates. This could enable investment funding for development projects under way here to continue and preserve the jobs of those involved. At the same time it could prevent Mr Abramov from bringing new funds into New Zealand or to transfer his funds offshore, the latter preserving the interests of those who might have future legal claims against his assets (for example money owed under contractual obligation). Other amendments limiting the scope of existing sanctions could also be considered.
18. Designing amendments to the regulations before sanctions take effect is challenging in the context of the incomplete picture we have of Mr Abramov's footprint and the impact on the wider sanctions regime. Given the potential for sanctions to cause disruption to Aotearoa New Zealand's interests, officials, however, propose to continue to explore this possibility and update you in our subsequent advice should you agree to Option 1.

Option 1.2: Consider using future regulatory tools, such as the exemptions process or amendments to the Regulations to provide additional scope for mitigation if required.

19. In the event that making amendments to the regulations prior to the sanctions taking effect is not feasible, it would be to impose the current suite of full sanctions, monitor their impacts and consider using future regulatory amendments to provide additional scope for mitigation if required. Such monitoring would consolidate our knowledge on actual impacts including through proactive engagement with Mr Abramov's legal representatives (if they are willing) and other relevant parties (for example, s9(2)(a) and the management of Helena Bay Lodge).
20. A core part of this option would be to provide explicit guidance on relevant exceptions and the exemptions process to Mr Abramov's legal representatives and affected New Zealand persons. Officials will look to detail how we might approach such guidance in our subsequent advice.
21. The main difference between option 1.1 and 1.2 is that the former seeks to make regulatory amendment before the sanctions take effect, while the latter would be created mindful of the impacts as observed after the sanctions take effect.

Option 2 - applying the travel and aircraft and vessel ban

22. Advice on this option was included in submissions of 23 May, 2 June and 9 June. To recap, should you decide that the Section 8 test is met with respect to sanctioning Mr Abramov, this approach would involve applying the travel ban to him and the prohibition on related vessels and aircraft entering Aotearoa New Zealand ports and airspace.
23. This would offer some scope for New Zealand persons to continue to provide Mr Abramov with services and deal with his assets from the day sanctions take effect, and to take steps to divest themselves of their relationship with Mr Abramov in an orderly fashion.
24. This option would minimise harm to Aotearoa New Zealand and its people to the greatest extent but it would not be without impact on Mr Abramov and his interests in Aotearoa New

Sanctions options for Alexander Abramov

Zealand. The addition of Mr Abramov to our sanctions list would entail cost to his reputation in Aotearoa New Zealand and internationally. This in turn would likely generate commercial and reputational risk for those involved in his interests. Some firms may as a consequence decide to relinquish their relationship or dealings with Mr Abramov.

25. The non-application of full sanctions to Mr Abramov would enable him to move his financial assets in Aotearoa New Zealand offshore should he decide to do so and so long as constraints in the international banking system allow for this.
26. We recognise that there would likely be criticism of a decision to limit the application of sanctions to these elements; to this point they have not had visibility of the likely implications for New Zealand's economy and individuals. If a travel, aircraft and vessel ban were selected, careful communication would be required. This option would also not prevent us from applying additional sanctions at a later date.

Next steps

27. We would welcome the opportunity to discuss the above options with you in person ahead of preparing formal advice on your preferred option. In advance of this officials will continue to look into the nature of Mr Abramov's footprint, additional options for mitigating impacts on New Zealand interests through regulations, and update you on any new developments that might be pertinent to your decision making.
28. On receipt of your guidance as to the approach you prefer, and mindful you have not yet made a decision whether to sanction Mr Abramov, we will:
 - Seek policy approval from Ministers with Power to Act to authorise the drafting of regulations to implement proposed designation of Mr Abramov in addition to 27 other economic elites (this policy approval step would not be required if you decided to pursue option 2 based on previous approvals);
 - Subject to policy approval, designation advice will be provided to you with information for your consideration of designating Mr Abramov in addition to 27 other economic elites. This advice will also detail:
 - the steps we would proactively take on Day 1 of the entry into force of sanctions and beyond to monitor the impacts of sanctions and proactively engage with relevant stakeholders
 - any pertinent updates on Mr Abramov's investment footprint,
 - the status of Mr Abramov's legal challenge to his designation for sanctions in Australia (which we expect would likely be replicated by a challenge to a designation under the Russia Sanctions Act)

29. We would anticipate you being in a position to be able to make an announcement on sanctioning Mr Abramov by mid-August if that is your decision.

Consultation

30. The following agencies have been consulted in the preparation of this advice:
 - NZ Police Financial Intelligence Unit
 - Toitū Te Whenua Land Information New Zealand (Overseas Investment)

Sanctions options for Alexander Abramov

- Reserve Bank of New Zealand
- Crown Law
- Ministry of Transport
- Financial Markets Authority
- Immigration New Zealand
- Inland Revenue
- Department of Internal Affairs

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Information note – information on regulatory options further to submission of 8 July

Overview

This note provides further advice on the viability of regulatory options to mitigate the impact of sanctions on New Zealand persons, were the Minister to designate Alexander Abramov under the Russia Sanctions Act 2022.

2 As detailed in the submission of 8 July we have proposed two options for sanctions:

- applying the full suite of sanctions on Mr Abramov; or
- applying the travel and aircraft and vessel ban to Mr Abramov

3 This note outlines possible regulatory approaches that could be considered either before sanctions take effect or afterwards, informed by a monitoring period of actual impacts.

s9(2)(g)(i)

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s9(2)(g)(i)

That could have adverse impacts for property investments involving his companies and associates, with flow on damage to other business and individuals.

10 We are mindful too that at this stage only Australia has sanctioned Mr Abramov. s6(a), s6(b)(i)

This is likely to make it increasingly difficult for Mr Abramov to do business because banks and other duty holders would also now be complying with other countries' sanctions on Mr Abramov which would likely be comprehensive. s6(a)

11 Mindful of this context and these limitations, officials have continued to explore possible regulatory solutions including through interagency consultation and informed by independent legal advice. These discussions are ongoing.

12 The above analysis and information presented in Table 1 below suggests there is no ideal option available to mitigate impacts on New Zealand persons. In considering which of these is the least worst option we suggest that key considerations include:

- which option most upholds the purpose of the sanctions regime;
- which option minimises legal risk; and
- which option avoids outcomes where the material impact of sanctions for Aotearoa New Zealand is disproportionate to the impact on Mr Abramov.

13 Another approach to ensuring any regulatory amendments were fit for purpose would be to sequence the application of sanctions by first applying a travel and craft ban while signalling that future sanctions are not off the table. This would enable a period of monitoring and dialogue with affected New Zealand persons to inform the design of appropriate regulatory amendments if required, while giving them an opportunity to divest themselves of their dealings with Mr Abramov. We would be happy to provide updated advice on this 'tailored approach' option if desired.

Russia Sanctions Taskforce
15 July 2022

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The Ministry of Foreign Affairs and Trade

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The Ministry of Foreign Affairs and Trade



29 July 2022

Minister of Foreign Affairs

For comment by

5 August 2022

Russia Sanctions Act: Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

BRIEFING Overview Submission

PURPOSE To seek your guidance on a targeted, layered approach under the Russia Sanctions Act and other mechanisms to sanction high net worth individuals connected to Aotearoa New Zealand.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	5 August 2022
Deputy Prime Minister	For information by	5 August 2022
Minister Responsible for the GCSB	For information by	5 August 2022
Attorney General	For information by	5 August 2022
Minister for Trade and Export Growth	For information by	5 August 2022
Minister of Immigration	For information by	5 August 2022
Minister of Defence	For information by	5 August 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Chief Executive Divisional Manager	Russia Sanctions Taskforce Russia Sanctions Taskforce	s9(2)(a)

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

Pito matua – Key points

- Under the Russia Sanctions Act 2022 (RSA) there is discretion to apply sanctions to individuals as well as to entities. We have sanctioned a number of individuals as part of the ongoing effort to bring pressure to bear on the Russian government to end its invasion of Ukraine.
- As the focus of our sanctions effort needs to be on those with potential to bring pressure to bear on Russia, we have looked at Russian high net worth individuals with links to Aotearoa New Zealand. There are only a few and of these, Mr Alexander Abramov has the most significant economic footprint here. He is a person officials believe has potential influence in political and economic circles in Russia
- In this submission we outline a targeted, layered approach to sanctions which could apply to Mr Abramov and any other high net worth individual with assets in Aotearoa New Zealand. We assess this approach will have the policy and practical impacts we are seeking (i.e. to constrain/seriously limit Abramov's ability to transact business in Aotearoa New Zealand and/or invest/repatriate funds), within a policy framework designed to limit the negative consequence for New Zealanders and our economic interests. Our partners adopt a similar approach by striking a balance between punishing Russia and protecting their own national interests.
- s9(2)(g)(i)
 - We seek your guidance on the proposed approach and provide a draft policy submission to Ministers with Powers to Act which encompasses the targeted, layered approach. If you agree, we will finalise that submission and, should it be approved, we will submit a further submission for decision on Mr Abramov.
 - As with every proposed designation, we note that it is also open to you to not sanction an individual or entity.
 - If Mr Abramov is designated, officials will prepare an appropriate detailed plan to support roll out.
- s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

Tūtohu – Recommendations

It is recommended that you:

- 1 **Note** that under the Russia Sanctions Act 2022 Aotearoa New Zealand needs to have in place a framework for dealing with high net worth individuals connected to this country; **Yes / No**
- 2 **Agree** that Mr Abramov warrants consideration given his business activities in the Russian Federation and his connections with business and political elites there; **Yes / No**
- 3 **Note** that in regards to Mr Abramov officials propose to present advice about the following tailored, layered approach for Mr Abramov including the following elements: **Yes / No**
 - Travel bans on Mr Abramov and his immediate family preventing them from entering Aotearoa New Zealand;
 - Any aircraft or vessels owned or controlled by him and his immediate family will also be banned from entering;s9(2)(g)(i)
- 4 **Note** that in addition to the targeted, layered approach other options may also be considered: **Yes / No**
 - Not sanctioning Mr Abramov;
 - Applying only some of the sanctions noted above, e.g. the travel and aircraft and vessel bans;
 - Applying the full suite of current sanctions under the Russia Sanctions Regulations which also involves sanctions on services and his associates;
- 5 **Note** there are also other tools available that buttress efforts to bring pressure to bear on sanctioned individuals and entities, including: **Yes / No**
 - Mandatory financial reporting for certain financial transactions to the Police Financial Intelligence Unit (FIU)
 - Statutory requirements under the Immigration Act 2009
 - Overseas Investment Office considerations for overseas investors

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

- Monitoring at the border by New Zealand Customs Service

- | | | |
|----|--|-----------------|
| 6 | Agree that given the potential for negative or unintended consequences for Aotearoa New Zealand's economy and society as a result of a full suite of sanctions on individuals with investments here, steps should be taken to mitigate and reduce those risks; | Yes / No |
| 7 | Note that in Mr Abramov's case, officials will propose that mitigations should include a decision not to sanction all associates of Mr Abramov given the significant impact on a range of other New Zealand interests; | Yes / No |
| 8 | Note that officials assess this approach will have the policy and practical impacts we are seeking, while designed to limit the negative consequences for New Zealander persons and our economic interests; | Yes / No |
| 9 | Note that even with steps taken to mitigate adverse impacts for New Zealand, the decisions by other actors (e.g. banks) are very likely to mean the proposed mitigating effects of the sanctions may not be realised, causing consequences for New Zealand's economy and society; | Yes / No |
| 10 | Agree that officials should provide you with the information necessary to decide whether Mr Abramov meets the test to be designated under the Act; | Yes / No |
| 11 | Refer a copy of this submission to Ministers with Power to Act (those designated by Cabinet on 7 March); | Yes / No |
| 12 | Agree that this submission will be prepared for proactive release with appropriate redactions in due course. | Yes / No |

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Date: / /

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

Pūrongo – Report

1. Aotearoa New Zealand has sought to express its condemnation of Russia's invasion of Ukraine through the application of the provisions of the Russia Sanctions Act 2022 (RSA) to individuals and entities. While we have sanctioned a number of Russian high net worth individuals, we have not yet sanctioned any with significant interests in this country.
2. While these sanctions could be applied to all high net worth individuals, as Mr Alexander Abramov is the only one with known significant assets here as well as possible influence with the Russian political and economic elite, officials focus on him in this paper.
3. In this submission and in Annexes 1 and 2, we provide further background on Mr Abramov and his New Zealand interests (submissions of 19 May, 26 May, 2 June, and 7 July also refer). This information identifies a range of individuals and companies that could be affected if Mr Abramov is designated under the RSA. This suggests that his footprint is extensive and that the application of the full suite of current sanctions under the Russia Sanctions Regulations would lead to collateral damage for New Zealanders and a range of business interests. Officials are mindful also that we may not have the full picture of his assets and partnerships in this country, so the impacts may be wider than this submission suggests.
4. As the RSA's purpose is to bring pressure on Russia, it is open to you to consider, if sanctions are applied to a high net worth individual with interests in Aotearoa New Zealand, whether steps should also be taken to mitigate the risks to our interests. Officials consider a targeted, layered approach to the application of sanctions, drawing on the RSA and other tools, would be the best way to keep the focus on Russia and to limit domestic damage. However, it is not possible to completely insulate our economy and society from flow-on impacts. s9(2)(g)(i)
5. We note that other partners applying sanctions to Russia are taking steps to mitigate the risks to their interests. So this approach by New Zealand would be consistent with such efforts and will be understood to be so.

Alexander Abramov

6. Alexander Grigoryevich Abramov (63) is a s9(2)(a) with an estimated net worth of USD \$6.5 billion. The primary source of his wealth is Evraz plc, a multinational steel manufacturing and mining business. He expanded this business through a partnership with Mr Roman Abramovich, another oligarch who has been sanctioned by the United Kingdom and the European Union. He was CEO of Evraz until 2005 and Chair of the Board until 11 March 2022, following the sanctions designation of Mr Abramovich. Evraz has substantial holdings in Russia and is one of the country's largest taxpayers. It supplies steel and wheels to Russian Railways; sanctioned by New Zealand for their role in facilitating the war in Ukraine. Mr Abramov has extensive other investments in Russia. There is no doubt that he is among the country's economic elite.
7. s9(2)(a), s9(2)(ba)(i)

Open source reporting shows that he sits on several boards with prominent politicians and others among Russia's elite. These include as a board member of the Russia Geographical Society (President Putin is Chair and Minister of Defence Shoigu is President) and as a member of the Council of Trustees of the Russian

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

Olympics Foundation (whose members include former Prime Minister and current leader of the United Russia party Dmitry Medvedev).

Mr Abramov's business interests in Aotearoa New Zealand

8. In Aotearoa New Zealand, Mr Abramov has some well-documented business and property interests ^{s9(2)(g)(i)} A number of individuals and companies are associated with these investments and could be termed associates within the meaning of the Russia Sanctions Act. ^{s9(2)(g)(i)}

Some of these developments have been completed and some remain under development. There has been some connection with the Kiwibuild programme and ^{s9(2)(b)(i)} iwi groups are working with Mr Abramov. A substantial number of people and businesses are connected in some way with these investments. Annex 1 contains more information on Mr Abramov's interests and connections and Annex 2 comprises several A3's that seek to make his known New Zealand interests and connections in more detail.

Proposed approach

9. Against this background about Mr Abramov, his Russian connections and his New Zealand interests, officials propose to submit advice for your consideration of whether to sanction him along with Evraz plc. Given the extent and range of his interests in Aotearoa New Zealand, officials believe that sanctioning Mr Abramov's associates in Aotearoa New Zealand would have a range of unintended consequences for our economy and society. Since the aim of the RSA is to bring pressure to bear on Russia, officials recommend that the focus of any sanctions be on him and his family and some particular interests, with efforts being made to mitigate the risks to New Zealand interests. This would be consistent with the efforts made by partners offshore in their approach to sanctioned individuals and entities.

A targeted, layered approach to sanctions appropriate for high net worth individuals with holdings in Aotearoa New Zealand

10. Officials propose a targeted, layered approach to sanctions with bespoke arrangements for each identified high net worth individual. In developing a bespoke package for each individual, officials will develop options informed by three objectives reflecting the purpose of the RSA and threshold for sanction under section 8 of the RSA:
- to impose sanctions as part of our policy response to condemn Russia's illegal invasion of Ukraine. This includes sanctioning high net worth individuals who have or have had economic or strategic influence over Russia¹. Related is the intention to ensure that Aotearoa New Zealand does not become a safe haven for Russian assets.
 - to complement or reinforce sanctions by other countries². Sanctions are most effective when they are coordinated. Aotearoa New Zealand has an important role to play in what is the most significant set of global sanctions ever imposed on a major power. Our sanctions effort is also a demonstration of Aotearoa New Zealand's commitment to the international rules based order through our condemnation of Russia's illegal actions.

[1] Some of these investments are direct equity investments in the development of new homes, in other cases the investments are as a lender only.

¹ Section 8(2)(a) Russia Sanctions Act 2022

² Section 8(2)(b) Russia Sanctions Act 2022

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

- to minimise harm to Aotearoa New Zealand and its people. It is open to you to consider whether, and how, to avoid or mitigate outcomes where the material impact of sanctions for Aotearoa New Zealand may be disproportionate to the impact on the sanctioned individual or entity.
11. If you agree with this approach and determine that Mr Abramov meets the section 8 test for sanctions as set out in the RSA, officials propose to recommend the following as targeted, layered options:
- Travel bans on Mr Abramov and his immediate family preventing them from entering Aotearoa New Zealand.³
 - Any aircraft or vessels owned or controlled by him and his immediate family would also be banned from entering.
 - s9(2)(g)(i)
 -
 -

Application of sanctions to individual and family

12. Officials propose that sanctions could be applied to Mr Abramov and his immediate family (we understand he is married with three adult children). This would help avoid actions that would enable him to undermine the effectiveness and impact of our sanctions regime.

Travel and transport ban

13. Advice on this option was included in submissions of 19 May, 26 May, 2 June, and 7 July. To recap, should you decide that the section 8 test is met with respect to sanctioning Mr Abramov, this approach would involve applying the travel ban to him and his relatives, and the prohibition on related vessels and aircraft entering Aotearoa New Zealand ports and airspace. We are of the view these would be the foundation sanctions were you to impose any on him.
14. These bans would deal with the issue of Aotearoa New Zealand harbouring a sanctioned person. It would be a physical limitation on Mr Abramov's personal movement and means Aotearoa New Zealand is off limits to him and his relatives while he remains sanctioned.
15. Although this option would minimise harm to Aotearoa New Zealand and its people to the greatest extent, it would not be the easy option for Mr Abramov. Inclusion on our sanctions list, in whatever form that might take, would entail a significant blow to his reputation here and internationally, perhaps what he may be most concerned about. However, this option would not impede his financial dealings in Aotearoa New Zealand and he could move his

³s9(2)(a)

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

financial assets offshore should he decide to do so and so long as constraints in the international banking system allows for this.

s9(2)(g)(i)

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s9(2)(g)(i)

Additional layers may be added in future

28. Further layers could be added in time if considered necessary. This is particularly since we do not have complete information and if these options are put into effect further details may present themselves. s9(2)(g)(i)

29. There is also the possibility of applying all the current sanctions which would include all his associates and the services prohibition. As we have noted, this approach would appear to have the most severe impact on New Zealand interests but if it was considered appropriate, it is within your scope.

Exemptions may be necessary

30. Section 13 of the RSA provides that any person may apply to the Minister to request an exemption from a sanction 'on the basis of a humanitarian need or for any other reason'. Exemptions can relate to particular persons, assets or services; and dealings in relation to those persons, assets, or services.

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

31. Exemptions are an important element to protect against unintended adverse consequences of sanctions measures. In this instance, there would be some scope for Mr Abramov's legal representatives or affected New Zealand persons to apply for exemptions to allow certain activities and/or transactions to continue where an existing exception was not applicable.

But despite mitigation efforts risks remain

32. As you are aware, sanctions are not without risk and loss, both to those contemplated by the measures, and those who are inadvertently affected through their business dealings with designated parties. We outline the risks we are aware of below, and invite you to consider them as a whole. We are working with incomplete information regarding Mr Abramov's business interests and structures and have proposed the layered approach taking what we know into consideration. We expect that new information will come to light almost immediately Mr Abramov is sanctioned. However, since we do not anticipate the types of measures outlined in this paper will require substantial legislative amendment, any new information may not necessarily thwart the sanctions made.

s9(2)(g)(i)

Mr Abramov might walk away from his interests here

35. Should the commercial environment become more difficult s9(2)(g)(i)

Mr Abramov may decide to wind down his interests in New Zealand with impacts on those individuals and businesses dependent on them. In deciding to take this course of action, Mr Abramov would be obliged to fulfil the contractual arrangements he has entered into. s9(2)(g)(i)

Officials propose to monitor these impacts.

Mr Abramov may decide to leave his investments intact

36. s9(2)(g)(i)

Approach of other governments

37. Only Australia has sanctioned Mr Abramov so far. s6(a)

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

s6(a)

38. Aware of these issues, officials have continued to explore possible regulatory solutions including through interagency consultation and informed by independent legal advice. These discussions are ongoing.

Legal challenge

39. s9(2)(ba)(i)

s9(2)(g)(i)

s9(2)(a), s9(2)(ba)(i)

Implications for Kiwibuild projects

40. We are aware some of the companies are involved with property development in Aotearoa New Zealand, including with Kiwibuild. s9(2)(g)(i)

Public scrutiny

41. Mr Abramov's links with Aotearoa New Zealand and the fact the Government has been petitioned to sanction him mean sanctioning him will attract significant media and public scrutiny. s9(2)(g)(i)

Difficulty in regulating and enforcing sanctions

42. s9(2)(g)(i)

We consider that the tailored approach we have outlined in this paper will sanction Mr Abramov appropriately while at the same time ensuring, so far as we can, New Zealanders' interests are protected. s9(2)(g)(i)

Officials will monitor for suspicious or unexpected activity, with an immediate trigger for further action. s9(2)(g)(i)

Sanctions evasion is rife throughout the world s9(2)(g)(i)

43. s9(2)(g)(i), s6(c)

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

s9(2)(g)(i), s6(c)

Other measures and ramifications to consider

44. Other considerations which may complement the RSA tools are detailed in Annex 3.

Other issues

Human rights implications

45. s9(2)(h)

Treaty of Waitangi / Te Tiriti o Waitangi implications

46. Noting that if a targeted, layered approach to sanctioning high net worth individuals is progressed, officials will provide further advice on whether specific designations may affect Māori and iwi interests.

Proactive release of submission

47. This submission will be prepared for proactive release with appropriate redactions in due course

Next steps

48. To assist you with considering next steps, we have attached an initial draft policy submission (Annex 4) that provides a framework for considering sanctions on Mr Abramov and a group of other Russian elites.

49. Once your feedback and direction is received, officials propose to finalise and submit the policy approval submission to you and Ministers with Power to Act. When Ministers have approved that submission, a decision submission will be provided to you one week later (copied to Ministers with Powers to Act). This will include draft regulations and updated information sheets on Mr Abramov and others to be sanctioned. Following your decision, the matter will go to the next Executive Council meeting, with gazetting and public notification, and entry into force of the regulations. Barring any unexpected developments, the whole process should take about three weeks from the point at which we receive your response to this submission. Consideration about timing may be necessary to allow duty holders to get their affairs in order prior to or following commencement.

50. Officials are developing a day 1 plan to assist with communications from the point at which sanctions are applied to Mr Abramov as there will be enquiries from a range of sources about the decisions that have been taken and their potential impact. There will also be a need to deal with Mr Abramov's representatives and potentially some of his partners s9(2)(b)(ii) has already proactively been in touch).

Targeted, Layered Approach to High Net Worth Individuals Connected to Aotearoa New Zealand

Consultation

51. The following agencies have been consulted in the preparation of this advice:

- NZ Police Financial Intelligence Unit
- LINZ (Overseas Investment Office)
- Reserve Bank of New Zealand
- Crown Law
- Ministry of Transport
- Financial Markets Authority
- Immigration New Zealand
- Inland Revenue
- Department of Internal Affairs
- Treasury
- Kāinga Ora
- New Zealand Customs Service

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Annex 1 - Mr Alexander Abramov: Interests and connections

Alexander Grigoryevich Abramov (63) s9(2)(a) who has an estimated net worth of USD \$6.5 billion. He is married with three adult children. s9(2)(a) he has connections to the political and economic elite in Russia and is therefore of economic relevance at least. He is the most prominent Russian economic elite with links to Aotearoa New Zealand.

Abramov's wealth and connections

The primary source of Mr Abramov's wealth is Evraz plc (Evraz), a steel manufacturing and mining business. He co-founded the company that would become Evraz in 1992. He expanded his business by entering into partnership with Mr Roman Abramovich in 2006. He was CEO of Evraz until 2005, and Chair of the Board until he resigned on 11 March 2022 following the sanctions designation of Mr Abramovich by the United Kingdom and the European Union.

Evraz is one of Russia's largest taxpayers with revenue of over US\$14 billion in 2021. It is the second largest steel producer in Russia, producing 28% of all Russian railway wheels and 97% of rail tracks in Russia. We understand there are connections through subsidiaries to companies that have or have had connections to the Russian military. s9(2)(ba)(i) he retains a 19.32% share in Evraz.

In partnership with Mr Abramovich, we understand Mr Abramov also has a stake in Norilsk Nickel, where he has served as interim Chair. Through investment vehicle, Invest AG, Mr Abramov maintains a sizeable investment footprint in Russia in sectors including metals and mining, real estate, fast moving consumer goods, and venture capital.

Mr Abramov's lawyers assert he has no connections of any kind with President Putin, or any political party or person in Russia. Open source reporting shows he does however sit on a number of boards with politically and or economically prominent members of Russia's elite, including senior politicians. The associations place him among Russia's elite and provide opportunities to engage with others within that cadre.

Mr Abramov sits on the Board of Trustees of the Russian Geographical Society (Society). President Putin is the Chair and the Russian Minister of Defence Sergei Shoigu is the President of the Society. In 2017 he and Shoigu were awarded the "Society Grand Silver Medal" by President Putin. Of the 35 board members, 15 individuals have been sanctioned by New Zealand, and a number of others have been sanctioned by other jurisdictions.

Mr Abramov is a member of the Russian Olympics Foundation and sits on its Council of Trustees. The Council members include five oligarchs, former Prime Minister and current leader of the United Russia party Dimitry Medvedev, and a number of others, all of whom have been sanctioned by other jurisdictions. Mr Abramov is also on the Supervisory Board of the Moscow Institute of Physics and Technology (MIPT), and was one of the founders

(along with other business leaders including Roman Abramovich) of the SKOLKOVO School of Management.

The Russian Olympics Foundation supports Russian athletes, coaches and experts by providing them material aid to support Russia's Olympic aims. MIPT is Mr Abramov's alma mater, and is one of Russia's leading universities. The supervisory board counts among its members, two Ministers, a Governor, a Deputy Prime Minister of Russia, and the President Putin appointed CEO of Rostec, the state-owned defence conglomerate. SKOLKOVO School of Management is one of the leading business schools in Russia. What is notable about all these boards is that the members are at the centre of political and economic power in Russia.

MFAT officials are continuing to work to refine the information sheet that would accompany a future decision submission. The information sheet, would provide the information by which you would assess whether Mr Abramov meets the criteria for designation as set out in section 8 of the RSA.

Mr Abramov was sanctioned by Australia on 6 April 2022. He has subsequently sought judicial review of this decision and has formally requested delisting. The United Kingdom sanctioned Evraz on 5 May with licence to exempt its North American business from these measures.

Mr Abramov's business interests in Aotearoa New Zealand

Mr Abramov has some well-documented business and property interests in Aotearoa New Zealand. s9(2)(ba)(i), s9(2)(g)(i)

These figures include an investments in Helena Bay Lodge, as well as his various equity in, and financing of, property developments. The total value of assets and liabilities has likely changed since 2017. Over the past five years companies associated with Mr Abramov have made investments in multi-million dollar property developments with varying degrees of involvement. It is difficult to ascertain the nature of the involvement and degree of reliance the developments have on Mr Abramov's funding.

Annex 2 outlines Mr Abramov's understood investment footprint and connections in Aotearoa New Zealand. Additional individuals and entities may be uncovered the further we look in to his interests and investment footprint. The annex is a reflection of our current, and likely incomplete, understanding.

s9(2)(a), s9(2)(b)(i)

s9(2)(a), s9(2)(b)(ii)

s9(2)(b)(ii)

s9(2)(ba)(i), s9(2)(g)(i)

The ^{s9(2)(ba)(i),}_{s9(2)(a)(i)} has the following investments that we are aware of:

- Direct investments s9(2)(b)(ii)
- Helena Bay Lodge s9(2)(b)(ii)
- Property investments s9(2)(b)(ii)

Helena Bay Lodge

Helena Bay Lodge is a luxury lodge in Northland. It has a neighbouring 88 ha block of land leased s9(2)(ba)(i) s9(2)(b)(ii). While the lease would not be directly affected by a prohibition on dealing with Mr Abramov's assets (because of an exception for these types of dealings already included in the Russia Sanctions Regulations 2022 (Regulations)), s9(2)(ba)(i)

Conditions of the consents granted under the Overseas Investment Act 2005 require an access easement to be granted in favour of the lessor. s9(2)(ba)(i), s9(2)(g)(i)

Property investments

Mr Abramov has made a range of (mainly residential) property investments through ^{s9(2)(b)(ii)} (ownership of assets for on-sale) and s9(2)(b)(ii) (longer term ownership of assets).
s9(2)(a)

s9(2)(a)

While it is difficult to say for sure, we think it is likely these investments comprise in excess of s9(2)(g)(i). Some of these developments have been completed and some remain under development. There has been some connection with the Kiwibuild programme, including with at least 100 homes being part of the Kiwibuild programme s9(2)(b)(ii).

The only way to know how many architects, engineers, builders, electricians, plumbers and other tradespeople are working on those sites would be through direct discussion with the developers. Equally, the only way to know how many purchasers, funders and other investors are involved in these developments would be through direct discussion with the developers.

At least five of these investments have been undertaken s9(2)(b)(ii).

Mr Abramov s9(2)(b)(ii) (at a time when residential land generally did not require consent under the Overseas Investment Act). They have undertaken a number of investments s9(2)(b)(ii).

- Three other already completed projects

Other investments

Other investments s9(2)(b)(ii) include:
s9(2)(b)(ii)

Future investments

s9(2)(b)(ii) has been granted consent under the Overseas Investment Act for up to seven transactions through to January 2023. s9(2)(ba)(i), s9(2)(g)(i)

s9(2)(g)(i)

Annex 3 - Other measures and ramifications to consider

1. As part of a targeted and layered approach to sanctions on Russian high net worth individuals connected to Aotearoa New Zealand and given the particular interests of Mr Abramov, officials have looked at whether there are existing systems that may support compliance and enforcement of the range of sanctions that might be applied. We have confirmed there may be other tools that could buttress any sanctions applied and which could mitigate the risk of evasion or breaches. We have also identified some tools that might be available, but around which there are reasons to tread with care.
2. This Annex identifies a number of tools that may be relevant, depending on the mix of sanctions actually applied to Mr Abramov. Similar considerations will apply to any others sanctioned by Aotearoa New Zealand.

Travel, transport, trade and immigration provisions

3. s6(c) A travel ban for Mr Abramov and his family would result in any application for visas being declined and refused entry if they arrive.
4. s9(2)(a)
5. NZ Customs already screens exports of goods for persons sanctioned under the RSA, and is empowered to stop these at the border. As noted in the main submission, where vessels and aircraft have been identified as sanctioned, these can be flagged and monitored, s6(c) The advance application of customs and immigration procedures may also give some advance notice of a craft's links to a sanctioned person.

Asset & financial reporting provisions

6. A range of entities, including banks, have a duty to report suspicious transactions to the Police, and all international fund transfers \$1,000 and greater are required to be reported to the Police's Financial Intelligence Unit under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. This means Government should have some visibility of transactions involving sanctioned persons – although as is the case for money laundering, sophisticated sanctions evasion may be difficult to detect. s6(c)
7. s9(2)(g)(i)

Options under the Overseas Investment Act 2005 (OIA)

Revocation of consents

8. Toitū Te Whenua Land Information New Zealand (LINZ), which administers the Overseas Investment Act, has advised that the OIA provides for relevant ministers (the

Minister for Land Information and Associate Minister of Finance) to revoke a standing consent at any time if the relevant Ministers are not satisfied that:

- 8.1. the criteria for the grant of the standing consent were met (i.e. the 'investor test') or are still met; or
- 8.2. the conditions of the standing consent have been complied with (including conditions requiring new houses to be built),

s9(2)(g)(i)

Treatment of new requests for consent

11. The Minister of Finance may decline consent to certain types of transactions requiring consent when they are not in the national interest. The Minister has directed that LINZ should only recommend a matter be considered under the national interest in certain, limited, circumstances. One of these circumstances is where the investment would have "outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives." An investment by a sanctioned person is expected to be captured by this description.

s9(2)(g)(i)

¹s9(2)(g)(i)

Proactively Released by
The Ministry of Foreign Affairs and Trade

19 August 2022

Minister of Foreign Affairs

For approval by

26 August 2022

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

BRIEFING Decision Submission

PURPOSE To seek policy approval to authorise the drafting of regulations under the Russia Sanctions Act 2022 and to inform decision-making on the designations of around 30 economic elites including those with connection to Aotearoa New Zealand, and one entity, who have or have had economic or strategic relevance or connection to Russia.

Tukunga tūtohua – Recommended referrals

Prime Minister	For concurrence by	26 August 2022
Deputy Prime Minister	For concurrence by	26 August 2022
Minister Responsible for the GCSB	For concurrence by	26 August 2022
Attorney-General	For concurrence by	26 August 2022
Minister for Trade and Export Growth	For concurrence by	26 August 2022
Minister of Immigration	For concurrence by	26 August 2022
Minister of Defence	For concurrence by	26 August 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Chief Executive Divisional Manager	Russia Sanctions Taskforce Russia Sanctions Taskforce	s9(2)(a)

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Pito matua – Key points

- This paper seeks policy approval to authorise the drafting of regulations to implement proposed designations of around 30 Russian economic elites (including Mr Alexander Abramov who has property and investment interests in New Zealand) and one entity, Evraz plc (which Mr Abramov co-founded and retains a substantial interest in).
- This paper also seeks policy approval to extend the full suite of sanctions to 15 individuals of strategic or economic relevance who are already designated with only travel bans applied.
- While you will formally determine the scope and details of sanctions after you have considered the information sheet on Mr Abramov and Evraz plc as well as the proposed amended regulations, this paper also seeks your guidance on the specific elements that would apply to them.
- The purpose of the Russia Sanctions Act 2022 (RSA), set out in section 3, is to enable New Zealand to impose and enforce sanctions in response to military actions by Russia and by other countries or persons who may be assisting Russia.
- Under section 8(1), the Minister may recommend that regulations be made under section 9 only if satisfied that the regulations are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country. Relevantly, one of the examples of responses under section 8 is sanctioning persons, assets, or services that will have, currently have, or have had some economic or strategic relevance or connection to a country making the threats.
- Officials consider that, on the basis of the information set out in this paper:
 - Evraz plc and the economic elites referenced have or have had economic or strategic relevance to Russia.
 - Imposing sanctions on Evraz plc and these economic elites would demonstrate Aotearoa New Zealand's condemnation of the threats to the sovereignty of Ukraine because they are designed to exert pressure on Russia and complement sanctions imposed on them by others. Sanctions would therefore be appropriate to respond to the threat.
- For Mr Abramov, in the event you decide to recommend imposing sanctions on him, you requested advice on a targeted and layered approach designed to:
 - constrain Mr Abramov's operating space in Aotearoa New Zealand;
 - restrict the movements of his assets in or out of Aotearoa New Zealand; and
 - mitigate the impact on Aotearoa New Zealand interests.
- The parameters of this targeted layered approach, the elements of which could be applied individually or as a package, are:
 - Travel bans on Mr Abramov and his immediate family preventing them from entering Aotearoa New Zealand;

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

- Ban on the entry of any aircraft or vessels owned or controlled by him and his immediate family;
 - s9(2)(f)(iv), s9(2)(g)(i)
-
- We are not currently proposing to apply the services prohibition to Mr Abramov or any associated companies. s9(2)(g)(i)
 - A similarly bespoke approach could be adopted should there be any other oligarchs with substantial interests in New Zealand, s9(2)(g)(i)
 - With respect to Mr Abramov we anticipate (and mindful of ongoing proceedings in Australia) that a legal challenge s9(2)(g)(i) be initiated were the Minister to decide to apply sanctions.
 - s9(2)(g)(i), s9(2)(f)(iv)

Additional risks are further outlined in the submission and supporting background material.

- We propose the following timeline for decision-making, and if necessary, implementation:

26 August	Receive approval to begin work drafting regulations;
31 August	Advice on proposed designations and draft regulations goes to the Minister of Foreign Affairs (copied to Ministers with Power to Act);
7 September	Decision from Minister of Foreign Affairs on whether to recommend the making of regulations.
12 September	Executive Council;
Either:	
12 September or	Gazetting and public notification;
15 September	Press release
13 or 16 September	Entry into force of regulations.

s9(2)(g)

(jj)
Acting Secretary of Foreign Affairs and Trade

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Tūtohu – Recommendations

It is recommended that you:

- | | | |
|---|---|-----------------|
| 1 | <p>Note that policy approval was granted by Ministers with Power to Act in June 2022 proposing further sanctions on around 30 economic elites and entities, including Mr Alexander Abramov and one entity who have or have had economic or strategic relevance or connection to Russia.</p> | Yes / No |
| 2 | <p>Note that in light of updated information regarding Mr Abramov and Ministerial direction to provide advice on a possible targeted and layered approach to sanctions on this individual, this submission seeks updated policy approval from Ministers with Power to Act.</p> | Yes / No |
| 3 | <p>Agree to grant policy approval to extend the full suite of sanctions to 15 individuals of strategic or economic relevance who are already designated with only travel bans applied.</p> | Yes / No |
| 4 | <p>Agree that in the event the Minister recommends the imposition of sanctions on this new tranche of economic elites, with the exception of Mr Abramov, that the full suite of available sanctions be considered.</p> | Yes / No |
| 5 | <p>Note officials' view that the economic elites outlined in this submission, and Evraz plc, are persons that have or have had economic or strategic relevance to Russia. Therefore, the proposed sanctions, which are designed to exert pressure on Russia, would be appropriate to respond to threats to the sovereignty of Ukraine, to express Aotearoa New Zealand's condemnation, and complement the sanctions imposed by others.</p> | Yes / No |
| 6 | <p>Agree that in the event the Minister recommends the imposition of sanctions on Mr Abramov in particular, the application of a targeted layered approach is appropriate to:</p> <ul style="list-style-type: none"> ○ to constrain his operating space in New Zealand; ○ restrict the movements of his assets in or out of Aotearoa New Zealand; and ○ mitigate the impact on Aotearoa New Zealand interests. | Yes / No |
| 7 | <p>Confirm the following elements of the targeted layered approach:</p> <ul style="list-style-type: none"> ● Travel bans on Mr Abramov and his immediate family preventing them from entering Aotearoa New Zealand; ● Ban entry to Aotearoa New Zealand for any aircraft or vessels owned or controlled by him and his immediate family; ● A prohibition on dealing with securities/shares connected with Mr Abramov in Aotearoa New Zealand; | Yes / No |

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

s9(2)(ba)(i), s9(2)(g)(i), s9(2)(f)(iv)

Yes / No

Yes / No

- 8 **Note** we are not currently proposing to apply the services prohibition to Mr Abramov or the companies, ^{s9(2)(g)(i)}
- 9 **Note** the risks associated with sanctioning Mr Abramov as outlined in this submission and supported by the background material annexed to this submission:
- Annex I - Alexander Abramov Interests and Connections
 - Annex II - Alexander Abramov Investment Footprint
 - Annex III - Other considerations
- 10 **Note** that, subject to policy approval being granted, officials will provide advice to the Minister of Foreign Affairs proposing designations of around 30 economic elites (including Mr Abramov) and one entity, Evraz plc for her consideration.
- 11 **Agree** to authorise the Minister of Foreign Affairs to issue drafting instructions to give effect to the agreed elements of the targeted layered approach to inform subsequent decision making.

Yes / No

Yes / No

Yes / No

Yes / No

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Rt Hon Jacinda Ardern
Prime Minister

Date: / /

Date: / /

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Hon Grant Robertson
Deputy Prime Minister

Date: / /

Hon Andrew Little
Minister Responsible for the GCSB

Date: / /

Hon David Parker
Attorney General

Date: / /

Hon Damien O'Connor
Minister for Trade and Export Growth

Date: / /

Hon Michael Wood
Minister of Immigration

Date: / /

Hon Peeni Henare
Minister of Defence

Date: / /

Proactively Released by
The Ministry of Foreign Affairs and Trade

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Pūrongo – Report

1. Economic elites play a crucial role in supporting Russia's war in Ukraine. Some provide or have provided economic and strategic support to the Russian Government through their activities. All have economic relevance for the Russian Federation, and through their connections with economic and political elites, an ability to bring pressure to bear on the Russian government. By denying or limiting economic elites the ability to use our country in their economic activities, our objective is to leverage them to pressure the Russian Government to alter course.
2. Since the passing of the Russia Sanctions Act 2022 (RSA), Aotearoa New Zealand has imposed sanctions on over 50 economic elites (or oligarchs) with close ties to and/or strategic influence over the Russian Government. The imposition of sanctions on other oligarchs would further underline Aotearoa New Zealand's condemnation of Russia's war in Ukraine and reinforce the sanctions of our partners. This submission seeks your guidance to enable officials to shape recommendations for your decision on the designation of around 30 additional economic elites and one economic entity.
3. Your guidance is also sought on the extension of the full suite of sanctions to 15 individuals of strategic or economic relevance who are already designated with only travel bans applied. These 15 were travel banned by New Zealand on 18 March 2022 for being persons of influence linked to the Russian administration including significant economic actors. They remain the only designated persons from the initial 18 March tranche to only be subject to a travel ban.
4. Amongst the group of economic elites now proposed for designation is Mr Alexander Abramov, s9(2)(a) with an estimated net worth of USD\$6.5 billion. Mr Abramov also has business and property interests in Aotearoa New Zealand with an estimated value of between NZD s9(2)(a) (refer Annexes I and II for further information). Multinational steel company Evraz plc – in which Mr Abramov has a significant interest - is also proposed for designation.

Legal basis for your decision

5. The purpose of the RSA is to enable New Zealand to impose and enforce sanctions in response to military actions by Russia and by other countries or persons who may be assisting Russia (section 3).
6. Under section 8(1), you may recommend that regulations be made under section 9 only if you are satisfied that the regulations are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country. Relevantly, one of the examples of responses under section 8 is sanctioning persons, assets, or services that will have, currently have, or have had some economic or strategic relevance or connection to a country making the threats.
7. A response is appropriate if you consider that it demonstrates New Zealand's condemnation of the threat, including by either or both of the following:
 - 7.1. Being designed to exert pressure on Russia (or a country that may be assisting Russia), including by interrupting economic relations; or

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

- 7.2. Because it complements or reinforces sanctions by other countries.
8. Officials consider that the economic elites and the entity proposed for sanctions are persons in terms of the RSA, and own assets and provide services that have some economic or strategic relevance to Russia.
9. With respect to Mr Abramov and Evraz plc, this is supported by the following key facts:
- The primary source of Mr Abramov's wealth is Evraz plc a multinational steel manufacturing and mining business. Evraz has substantial holdings in Russia and is one of the country's largest taxpayers with revenue of over US\$14 billion in 2021.¹ It is the second largest steel producer in Russia, producing 28% of all Russian railway wheels and 97% of rail tracks in Russia.²
 - Mr Abramov was CEO of Evraz until 2005 and Chair of the Board until 11 March 2022. He retains a 19.32% share in the company.³
 - Mr Abramov expanded this business through a partnership with Mr Roman Abramovich, another oligarch who has been sanctioned by New Zealand, United Kingdom and the European Union.⁴
 - Mr Abramov sits on several boards with prominent politicians and others among Russia's elite. These include as board members of the Russia Geographical Society (President Putin is Chair and Minister of Defence Shoigu is President) and as a member of the Council of Trustees of the Russian Olympics Foundation (whose members include former President and current leader of the United Russia Party Dmitry Medvedev, a former President and Prime Minister of the Russian Federation).
10. Targeting individuals and entities with economic and strategic relevance to Russia, is intended to put pressure on Russia to stop its war against Ukraine. The sanctions proposed are intended to harm the interests of members of the Russian economic elite with connections to President Putin and on whose ongoing support Russia is critically dependent. By complementing the sanctions imposed by others on these and other members of the elite, our objective is to encourage them to oppose Russia's war. We consider that the sanctions on the proposed economic elites, including Mr Abramov, and Evraz plc, would demonstrate New Zealand's condemnation of the threat posed by Russia to Ukraine. For these reasons the sanctions are appropriate to respond to threats to the sovereignty of Ukraine.
11. The Minister must also be satisfied that the United Nations Security Council is unlikely to act, or has acted insufficiently, in response to the threat (section 8(3)). On 25 February, Russia vetoed a draft UN Security Council resolution that would have condemned Russia's illegal invasion of Ukraine.

¹ https://ar2021.evraz.com/download/full-reports/ar_en_annual-report_pages_evraz_2021.pdf; [EVRAZ in figures – EVRAZ 2021 Annual report & accounts](#) (last accessed 18 August 2022)

² <https://www.gov.uk/government/news/russia-uk-sanctions-major-manufacturer-of-russian-steel> (last accessed 18 August 2022)

³ <https://www.evraz.com/en/news-and-media/press-releases-and-news/shanges-in-the-composition-of-the-board-of-directors/>; <https://www.evraz.com/en/investors/shareholders/shareholder-structure/>; <https://ar2021.evraz.com/en> (last accessed 18 August 2022)

⁴ <https://www.nytimes.com/2006/05/29/business/worldbusiness/29iht-evraz.1839204.html>

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Targeted layered approach

12. In light of Mr Abramov's investment footprint in Aotearoa New Zealand, you requested that officials provide advice on a targeted layered approach to sanctions in the event you recommend that these be applied to him. You also agreed that given the potential for negative or unintended consequences for Aotearoa New Zealand's economy and society as a result of applying sanctions to individuals with investment here, steps should be taken to mitigate and reduce those risks
13. In light of this direction officials outline the following key elements of a targeted layered approach, that could be applied individually or as a package, should you recommend that Mr Abramov be sanctioned.

Travel and craft prohibitions

- Travel ban on Mr Abramov and his immediate family (regulation 7 Russia Sanctions Regulations 2022).
- Aircraft or vessels owned or controlled by Mr Abramov and his immediate family banned from entering Aotearoa New Zealand (regulations 8 and 9 Russia Sanctions Regulations 2022).

Financial sanctions

- The prohibition on dealing with securities/shares connected with Mr Abramov in Aotearoa New Zealand (regulation 10A Russia Sanctions Regulations 2022).

s9(2)(g)(i), s9(2)(f)(iv)

- Supporting amendments to the regulations and/or introducing new exceptions to give effect to the intent of limiting negative consequences.
- We are not currently proposing to apply the services prohibition to Mr Abramov or any associated companies, s9(2)(g)(i)

14. s9(2)(g)(i), s9(2)(f)(iv)

Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Scope of sanctions

- Applying sanctions to Mr Abramov and his immediate family members (his wife, children, siblings, step-siblings, and parents or step-parents).
- Applying sanctions to specific New Zealand-based associate companies connected with Mr Abramov.
- New Zealand-based associates connected with Mr Abramov who are individuals would not be designated, s9(2)(a)

Risk assessment (refer submission of 29 July for a more detailed overview of risks)

15. As outlined in the submission of 29 July this approach is not without risk, both to those targeted by the measures, and those who are inadvertently affected through their business dealings with designated parties.
16. There are also risks associated with sanctioning economic elites and legal challenge is not uncommon. With respect to Mr Abramov we anticipate (and mindful of ongoing proceedings in Australia) that a legal challenge would be initiated were the Minister to decide to apply sanctions.
17. Despite designing measures to uphold the purpose of the RSA while mitigating, as far as possible, losses to New Zealand persons (individuals and companies) there is a risk that banks may prefer to stop dealing with any sanctioned customers, which would result in New Zealand persons being unable to receive payments from those sanctioned parties. Banks generally have a very low risk threshold, which may lead them to cease dealing with sanctioned persons and to freeze their funds. The bespoke approach will also likely lead to general compliance issues for banks and other duty holders who need to interpret what the bespoke approach means for their dealings with sanctioned persons or those associated with them. By way of mitigation and as part of the previously signalled Day 1 Response Plan⁵, officials are working on specific guidance for banks on existing exceptions under the RSA and the operation of the targeted layered approach.
18. Mr Abramov's prominent profile will also attract increased media and public scrutiny. This will be mitigated through messaging about the purpose of the sanctions and the intent of the layered measures adopted. Officials will work with your office to provide appropriate messaging.
19. To inform an evaluation of risks we also provide a risk/impact analysis below of the elements of the targeted layered approach.

⁵ An MFAT coordinated inter-agency operational plan for the implementation of sanctions against Mr Abramov which includes responses to mitigate impacts on Aotearoa New Zealand.

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Russia Sanctions Policy Approval – Economic Elites including those with Connections to Aotearoa New Zealand

Next steps

20. Subject to the approval of Ministers with Power to Act, officials will provide advice to the Minister of Foreign Affairs proposing designation of economic elites and one entity for her consideration. This would be reflected in an updated version of the Russia Sanctions Regulations along with any necessary amendments to give effect to the targeted layered approach which could be applied to sanctioning Mr Abramov. This advice will step through in further detail relevant information to inform a decision by the Minister.
21. Subject to your response to this submission, a decision submission for the Minister of Foreign Affairs is scheduled for 31 August. Should the Minister recommend sanctions be imposed on Mr Abramov, it is anticipated that these could take effect the week of 12 September with a public announcement around the same time.

Proactively Released by
The Ministry of Foreign Affairs and Trade



23 September 2022

Minister of Foreign Affairs

For action by

28 September 2022

Russia Sanctions – Economic Elites

BRIEFING Decision Submission

PURPOSE To provide for your consideration information on 52 additional economic elites including Alexander Abramov, and one company, Evraz plc, that may be designated under the Russia Sanctions Act 2022, and to seek your decision on these proposed designations.

Tukunga tūtohua – Recommended referrals

Prime Minister	For information by	28 September 2022
Deputy Prime Minister	For information by	28 September 2022
Minister Responsible for the GCSB	For information by	28 September 2022
Attorney General	For information by	28 September 2022
Minister of Police	For information by	28 September 2022
Minister for Trade and Export Growth	For information by	28 September 2022
Minister of Immigration	For information by	28 September 2022
Minister of Defence	For information by	28 September 2022
Minister of Transport	For information by	28 September 2022

Taipitopito whakapā – Contact details

NAME	ROLE	DIVISION	WORK PHONE
s9(2)(g)(ii)	Deputy Chief Executive	Russia Sanctions Taskforce	s9(2)(a)
	Divisional Manager	Russia Sanctions Taskforce	

Mā te Tari Minita e whakakī – Minister's Office to complete

- | | | |
|--|---|------------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Noted | <input type="checkbox"/> Referred |
| <input type="checkbox"/> Needs amendment | <input type="checkbox"/> Declined | <input type="checkbox"/> Withdrawn |
| <input type="checkbox"/> Overtaken by events | <input type="checkbox"/> See Minister's notes | |

Comments

Russia Sanctions – Economic elites

Pito matua – Key points

- Officials propose additional designations of 52 individuals, including Alexander Abramov, and one entity, Evraz plc.
- The purpose of the Russia Sanctions Act 2022 (RSA), set out in section 3, is to enable Aotearoa New Zealand to impose and enforce sanctions in response to military actions by Russia and by other countries or persons who may be assisting Russia.
- Under section 8(1), the Minister may recommend that regulations be made under section 9 only if satisfied that the regulations are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country. Relevantly, one of the examples of responses under section 8 is sanctioning persons, assets, or services that will have, currently have, or have had some economic or strategic relevance or connection to a country making the threats.
- Under section 8(2) a response is appropriate if you consider that it demonstrates Aotearoa New Zealand's condemnation of the threat, including by either or both of the following:
 - Being designed to exert pressure on Russia (or a country that may be assisting Russia), including by interrupting economic relations; or
 - Because it complements or reinforces sanctions by other countries.
- You must also be satisfied that the United Nations Security Council is unlikely to act, or has acted insufficiently, in response to the threat (section 8(3)).
- Officials consider that, on the basis of the information set out in this paper and the information sheets in Annex 1:
 - the 52 economic elites and Evraz plc have or have had economic or strategic relevance to Russia.
 - imposing sanctions on these economic elites and Evraz plc is appropriate as a demonstration of Aotearoa New Zealand's condemnation of the threats to the sovereignty of Ukraine including by exerting pressure on Russia and because it complements or reinforces sanctions imposed by others.
- Officials recommend applying the full suite of available sanctions to these economic elites with the exception of Mr Abramov.
- Mr Abramov is the only economic elite with significant investment in Aotearoa New Zealand to be sanctioned. For this reason you requested officials to develop a targeted layered approach to sanctioning him that included mitigation measures for New Zealand persons (individual and legal) who may be impacted by the sanctions.
- The core elements of this targeted layered approach comprise the following measures that can be applied individually or in combination, and at different times:
 - Travel bans on Mr Abramov and his immediate family preventing them from entering Aotearoa New Zealand
 - A ban on the entry to Aotearoa New Zealand of any aircraft or vessels owned or controlled by Mr Abramov and his immediate family;

Russia Sanctions – Economic elites

- s9(2)(g)(i), s9(2)(f)(iv)

- The attached proposed regulations are drafted to accommodate either all the prohibitions noted above (this is referred to as Option A in the draft regulations) or only the travel and transport bans (referred to as Option B). The redundant option will be removed once your decision is made.
- For Evraz plc, and its Russian subsidiaries, all prohibitions except the travel ban are proposed.
- Officials also recommend you agree to extend the range of applicable sanctions to 15 economic elites who have already been sanctioned with only travel bans applied.
- The sanctioning of Mr Abramov presents risks including, the likelihood of legal challenge by Mr Abramov; potential flow on impacts for Aotearoa New Zealand; and heightened public attention and scrutiny with potential for criticism of the government approach (also the case if he is not sanctioned).
- The following timeline is proposed:
 - Paperwork completed and returned to the Ministry of Foreign Affairs and Trade by Wednesday 28 September
 - Regulations submitted to the Executive Council on the afternoon of Monday 3 October
 - Regulations gazetted at approximately 5pm on Monday 3 October, with entry into force at 12:01am on Tuesday 4 October, and MFAT's sanctions register updated shortly thereafter; and
 - A public announcement via draft press release and tweet after 5pm on Monday 3 October (drafts attached at Annex 4, together with reactive points).

s9(2)(g)(ii)

for Secretary of Foreign Affairs and Trade

Russia Sanctions – Economic elites Tūtohu – Recommendations

It is recommended that you:

- 1 **Note** that Ministers with Power to Act authorised officials to draft amendments to the Russia Sanctions Regulations to implement proposed designations under the Act which are reflected in the attached regulations. **Yes / No**
- 2 **Note** the proposed designations include new designations for 52 economic elites, and one entity, Evraz plc who have or have had economic or strategic relevance or connection to Russia that is threatening the sovereignty or territorial integrity of Ukraine. **Yes / No**
- 3 **Agree** that, in accordance with section 8 of the Act, the **attached** Russia Sanctions Amendment Regulations 2022 (the Amendment Regulations) (in Annex 3): **Yes / No**
- are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country, and
 - that the United Nations Security Council is unlikely to act, or has acted insufficiently, in response to the threat;
- 4 **Agree** to apply the following sanctions to 51 of the economic elites (not including Mr Abramov): **Yes / No**
- travel ban (regulation 7);
 - prohibition on vessels and aircraft entering Aotearoa New Zealand (regulation 8 and 9);
 - prohibition on dealing with assets (regulation 10);
 - prohibition on dealing with shares and securities (regulation 10A);
 - the prohibition on dealing with services (regulation 11)
- 5 **Note** that you and Ministers with Power to Act agreed that the application of a targeted, layered approach to sanctions for Alexander Abramov would be appropriate to: constrain Mr Abramov’s operating space in Aotearoa New Zealand; restrict the movements of his assets in or out of Aotearoa New Zealand; and mitigate the impact on Aotearoa New Zealand interests. **Yes / No**
- 6 **Agree**, as part of this targeted, layered approach, to apply all or some the following sanctions on **Alexander Abramov**: **Yes / No**
- travel ban (regulation 7); **Yes / No**
 - prohibition on vessels and aircraft entering Aotearoa New Zealand (regulations 8 and 9); **Yes / No**
 - s9(2)(f)(iv), s9(2)(g)(i) **Yes / No**

Russia Sanctions – Economic elites

	• s9(2)(f)(iv), s9(2)(g)(i)	Yes / No
7	Note officials' preferred option (if sanctioning is considered appropriate) for Mr Abramov would be to only apply the travel and vessel/aircraft ban to him at this time in order to mitigate impacts on Aotearoa New Zealand and allow for a period of monitoring ahead of further advice on the merits of taking possible additional steps.	Yes / No
8	s9(2)(f)(iv), s9(2)(g)(i)	Yes / No
9	Note that Mr Abramov's immediate family members would also be covered by sanctions applied to him.	Yes / No
10	Agree to apply the following sanctions to Evraz plc and its subsidiaries incorporated or registered in Russia: <ul style="list-style-type: none"> • prohibition on vessels and aircraft entering Aotearoa New Zealand (regulations 8 and 9); • prohibition on dealing with assets (regulation 10); • prohibition on dealing with shares and securities (regulation 10A); • the prohibition on dealing with services (regulation 11) 	Yes / No
11	Agree to extend the full range of applicable sanctions to 15 economic elites who have already been sanctioned with only travel bans applied.	Yes / No
12	Approve the proposed Amendment Regulations, subject to minor or technical amendments as required;	Yes / No
13	Note that a waiver of the 28-day rule is sought for the regulations because Russia's invasion of Ukraine requires an agile response without giving prior notice to sanctions targets;	Yes / No
14	Authorise submission to the Executive Council of the Russia Sanctions Amendment Regulations (No 11) 2022;	Yes / No
15	Note that the Amendment Regulations will be Gazetted on Monday 3 October, with entry into force at 12:01am on Tuesday 4 October;	Yes / No
16	Sign the attached Executive Council Advice Sheets (Goatskin) for the Amendment Regulations;	Yes / No

Russia Sanctions – Economic elites

- 17 **Refer** a copy of this submission to Ministers with Power to Act, the Minister of Police, and the Minister of Transport. **Yes / No**

Hon Nanaia Mahuta
Minister of Foreign Affairs / Minita Take Aorere

Date: / /

Proactively Released by
The Ministry of Foreign Affairs and Trade

Russia Sanctions – Economic elites

Pūrongo – Report

1. The purpose of this submission is to recommend a further round of sanctions on 52 additional economic elites and one entity, who have or have had economic or strategic relevance or connection to Russia which is threatening the sovereignty or territorial integrity of Ukraine. These proposed sanctions build on previous designations by Aotearoa New Zealand of over 50 economic elites with close ties to and/or strategic influence over the Russian Government. These sanctions would further underline Aotearoa New Zealand's condemnation of Russia's war in Ukraine and complement the sanctions of others.

Legal basis for your decision

2. The purpose of the RSA is to enable Aotearoa New Zealand to impose and enforce sanctions in response to military actions by Russia and by other countries or persons who may be assisting Russia (section 3).
3. Under section 8(1), you may recommend that regulations be made under section 9 only if you are satisfied that the regulations are appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or another country. Relevantly, examples of responses under section 8 include:
 - sanctioning persons, assets, or services that will have, currently have, or have had some economic or strategic relevance or connection to a country making the threats and
 - sanctioning persons from, or assets or services to or from, a country making the threats.
4. A response is appropriate if you consider that it demonstrates Aotearoa New Zealand's condemnation of the threat, including by either or both of the following:
 - Being designed to exert pressure on Russia (or a country that may be assisting Russia), including by interrupting economic relations; or
 - Because it complements or reinforces sanctions by other countries.

Key information on proposed designations

Abramov and Evraz plc

5. We consider the following key facts are relevant to a determination that the threshold in section 8 is met in relation to Mr Abramov and Evraz plc:
 - The primary source of Mr Abramov's wealth is Evraz plc a multinational steel manufacturing and mining business. Evraz has substantial holdings in Russia and is one of the country's largest taxpayers with revenue of over US\$14 billion in 2021.¹ It

¹ https://ar2021.evraz.com/download/full-reports/ar_en_annual-report_pages_evraz_2021.pdf; [EVRAZ in figures – EVRAZ 2021 Annual report & accounts](#) (last accessed 22 September 2022)

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is the second largest steel producer in Russia, producing 28% of all Russian railway wheels and 97% of rail tracks in Russia.²

- Mr Abramov was CEO of Evraz until 2005 and Chair of the Board until 11 March 2022. He retains a 19.32% share in the company.³
- Mr Abramov expanded this business through a partnership with Mr Roman Abramovich, another oligarch who has been sanctioned by Aotearoa New Zealand, Australia, Canada, the United Kingdom and the European Union.⁴
- Mr Abramov sits on several boards with prominent politicians and others among Russia's elite. These include as board members of the Russia Geographical Society (President Putin is Chair and Minister of Defence Shoigu is President) and as a member of the Council of Trustees of the Russian Olympics Foundation (whose members include former President and current leader of the United Russia Party Dimitry Medvedev, a former President and Prime Minister of the Russian Federation).
- Mr Abramov is a member of the Supervisory Board of the Moscow Institute of Physics and Technology (MIPT), and until December 2021 was a member of the Board of the Skolkovo Institute for Science and Technology (Skoltech). MIPT has developed drones for Russia's military and won an award from Russia's Ministry of Defence. Contributors to Skoltech's endowment include numerous Russian weapon development entities that have been sanctioned by Aotearoa New Zealand. These entities produce or manufacture equipment for the Russian Armed Forces, including: missiles, tanks, and combat aircraft.
- Mr Abramov has been sanctioned by Australia.

s9(2)(ba)(i)

² <https://www.gov.uk/government/news/russia-uk-sanctions-major-manufacturer-of-russian-steel> (last accessed 18 August 2022)

³ <https://www.evraz.com/en/news-and-media/press-releases-and-news/shanges-in-the-composition-of-the-board-of-directors/>; <https://www.evraz.com/en/investors/shareholders/shareholder-structure/>; <https://ar2021.evraz.com/en> (last accessed 18 August 2022)

⁴ <https://www.nytimes.com/2006/05/29/business/worldbusiness/29iht-evraz.1839204.html>

s9(2)(ba)(i)

s9(2)(ba)(i)

The other 51 economic elites

7. The following key facts are also relevant to a determination that the threshold in section 8 is met in relation to the other 51 economic elites:
- 26 of these were part of a core group that met with President Putin on the day of Russia's invasion of Ukraine to discuss the impact of sanctions and the need for the Government and businesses to work together. Through their attendance at this meeting they have demonstrated both a proximity to President Putin;
 - They are all figures of economic or strategic relevance to the Russian Federation; and
 - All have been sanctioned by one or more of our international partners which our sanctions would reinforce.
8. The Information Sheets note that some of the economic elites have resigned from positions of economic or strategic relevance either prior to or soon after Russia's invasion. In the absence of evidence of them making clear their disapproval of Russia's invasion and on the basis they have been sanctioned by one or more of our international partners, officials consider it appropriate to propose their designation.

Assessment of legal test

9. Officials consider that all of the 52 economic elites and Evraz plc are persons in terms of the Russia Sanctions Act, and own assets and provide services that have or have had some economic or strategic relevance to Russia.
10. Imposing sanctions on these economic elites and Evraz plc is appropriate as a demonstration of Aotearoa New Zealand's condemnation of the threats to the sovereignty

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of Ukraine including by exerting pressure on Russia and because it complements or reinforces sanctions imposed by others. The proposed sanctions are intended to harm the interests of members of the Russian economic elite, and those with connections to President Putin, on whose ongoing support Russia is critically dependent. Targeting individuals and entities with economic and/or strategic relevance to Russia is intended to put pressure on Russia to stop its war against Ukraine, including by complementing the sanctions imposed by others.’

11. You must also be satisfied the United Nations Security Council is unlikely to act, or has acted insufficiently, in response to the threat (section 8(3)). On 25 February, Russia vetoed a draft UN Security Council resolution that would have condemned Russia’s illegal invasion of Ukraine.
12. For the reasons outlined above and as summarised in the information sheets in Annex 1 officials consider you have strong grounds to make a determination that the section 8 test is met to support a decision to proceed with sanctions on these 52 economic elites and Evraz plc.

Applicable Sanctions

Fifty one economic elites (not Mr Abramov)

13. Should you decide to impose sanctions, it is proposed to apply the full range of prohibitions on 51 of the economic elites (not including Mr Abramov), namely:
 - the travel ban (regulation 7);
 - prohibition on vessels and aircraft entering Aotearoa New Zealand (regulations 8 and 9);
 - prohibition on dealing with assets (regulation 10);
 - prohibition on dealing with shares and securities (regulation 10A); and
 - the prohibition on dealing with services (regulation 11).

Alexander Abramov

14. For Mr Abramov, in the event you decide to apply sanctions, you and Ministers with Power to Act agreed⁷ that a targeted layered approach would be appropriate in order to mitigate impacts on Aotearoa New Zealand interests. The core elements of this approach, which could be applied individually or in combination now and in the future are:
 - travel ban (regulation 7);
 - prohibition on vessels and aircraft entering Aotearoa New Zealand (regulations 8 and 9);
 - s9(2)(f)(iv), s9(2)(g)(i)

⁷ Russia Sanctions Policy Approval – Economic Elites including those with connections to Aotearoa New Zealand Submission of 19 August 2022.

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- s9(2)(f)(iv), s9(2)(g)(i)

15. In order to mitigate impact on Aotearoa New Zealand officials' recommended option would be to apply only the travel ban and prohibition on vessels and aircraft entering Aotearoa New Zealand to Mr Abramov and his immediate family members (and not apply financial sanctions). This is reflected in Option B in the attached draft regulations.
16. These bans would place a physical limitation on Mr Abramov's personal movement and means Aotearoa New Zealand is off limits to him and his immediate family members while he remains sanctioned.
17. This approach, along with the concurrent sanctioning of Evraz plc (Mr Abramov's primary source of wealth) would send a powerful signal of condemnation. Immediate harm to Aotearoa New Zealand would be minimised and an opportunity provided for New Zealand persons to exit their dealings with Mr Abramov in a timely and orderly fashion.
18. Should you decide to pursue this option officials would monitor the impact of these sanctions and provide advice in due course on the merits of taking possible additional steps including applying financial sanctions to Mr Abramov, his immediate family members and certain of his associates.

s9(2)(f)(iv), s9(2)(g)(i)

21. This option is reflected in Option A of the draft regulations.

Family members

22. The sanctions applied to Mr Abramov would also extend to his immediate family members. The details of these classes will be provided in Designation Notices issued by the Secretary of Foreign Affairs but for your awareness comprise:
 - Svetlana Zaporozhskaya (wife), Alexander Alexandrovich Abramov (son), Egor Alexandrovich Abramov (son) and Natalia Alexandrovna Abramov (daughter).

Evraz plc

23. s6(a) it is proposed for Evraz plc that only the parent (Evraz plc) and its Russian subsidiaries are sanctioned (those incorporated or registered in Russia). Evraz has subsidiaries in other jurisdictions, including a sizeable operation in North America, Evraz North America. Taking a targeted approach, where we exclude those subsidiaries outside of the Russian Federation, would demonstrate a careful and considered approach to sanctions, and would be in line with what partners have done. The

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United Kingdom is the only jurisdiction to have sanctioned Evraz plc, and they granted a general license to exempt the North American arm of Evraz.

24. For Evraz plc and its Russian subsidiaries it is proposed to apply the following prohibitions:
- prohibition on vessels and aircraft entering Aotearoa New Zealand (regulations 8 and 9);
 - prohibition on dealing with assets (regulation 10);
 - prohibition on dealing with shares and securities (regulation 10A); and
 - and the prohibition on dealing with services (regulation 11).

Extending range of prohibitions to 15 economic elites already sanctioned

25. It is also proposed that you agree to extend the full suite of prohibitions to 15 individuals of strategic or economic relevance.

26. These individuals were included in the 18 March tranche of sanctions but only the travel ban was applied at that time. s9(2)(g)(i)

these 15 remain the only designated persons to only be subject to a travel ban. They are all subject to sanctions by partners.

Risks

27. As it is relevant to your decision-making under the Russia Sanctions Act we reiterate in summary, risks associated with you approving the designations proposed in this submission (refer submissions and annexes of 19 August, 29 July and 2 June for further advice on risks).

- Legal challenge from any of those designated.
- A likely legal challenge by Mr Abramov were you to decide to approve sanctions, either the travel and craft ban only or a more comprehensive package.
- s9(2)(f)(iv), s9(2)(g)(i)
- Heightened public attention and scrutiny; both domestically and internationally including potential criticism of the government approach.

28. A core part of mitigation of these risks is the previously signalled cross agency 'Day 1 Plan' for managing the implementation of sanctions against Mr Abramov. This will include:

- Modalities for communication with affected stakeholders, including Mr Abramov's lawyers;
- A communication and media plan (this will be shared with your office) [legally privileged] including key messages for you to draw on when providing comment to media and what not to comment on in light of the likely legal challenge to the designation;
- s6(a)

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- [Legally privileged] A strategy to respond to the likely legal challenge by Mr Abramov.

Consultation

29. The following agencies have been consulted in the preparation of this advice:

- NZ Police Financial Intelligence Unit
- LINZ (Overseas Investment Office)
- Reserve Bank of New Zealand
- Crown Law
- Ministry of Transport
- Financial Markets Authority
- Immigration New Zealand
- Inland Revenue
- Department of Internal Affairs
- Treasury
- New Zealand Customs Service

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