

The Russia (Sanctions) (EU Exit) (Amendment) (No. 15) Regulations 2022

Lead department	Foreign, Commonwealth and Development Office
Summary of proposal	The proposal introduces further trade sanctions on Russia, consisting of additional export, import (including Liquefied Natural Gas - LNG) and financial restrictions.
Submission type	Impact assessment (IA) – 25 October 2022
Legislation type	Secondary legislation
Implementation date	29 October 2022 (1 January 2023 LNG measures)
Policy stage	Final
RPC reference	RPC-FCDO-5239(1)
Opinion type	Formal
Date of issue	7 November 2022

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The IA provides a sufficient assessment of direct impacts on business and impacts on small businesses. There are areas for improvement, particularly in setting out plans for monitoring and evaluation.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision (IN)	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£15.2 million	£15.2 million (2019 prices, 2020 pv)
Business impact target (BIT) score	£76.2 million	£76.0 million
Business net present value	-£120.0 million	
Overall net present value	-£120.0 million	

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality ²	RPC comments
EANDCB	Green	The IA calculates a lost profit estimate in line with previous IAs and appropriately treats this as a direct impact on business.
Small and micro business assessment (SaMBA)	Green	The IA provides a detailed presentation of UK trade with Russia by business size. The IA would be improved by considering further any disproportionality of impact and possible mitigation.
Rationale and options	Satisfactory	The IA provides a sufficient discussion of rationale and consideration of options. The IA would be improved by a broader assessment of the extent to which existing sanctions have met the diplomatic and reputational objectives of the policy and by discussing variations in the scope of further measures.
Cost-benefit analysis	Satisfactory	The IA provides monetisation of impacts and detailed qualitative assessment where this is not feasible. The IA would be improved by undertaking sensitivity analysis on key assumptions and using more recent IMF projections.
Wider impacts	Satisfactory	The IA provides a good assessment of supply chain and regional impacts. The IA would be improved by consideration of potential innovation and competition impacts.
Monitoring and evaluation plan	Weak	The M&E plan would benefit significantly from setting out research questions that will be addressed and how the framework will evaluate the impact of different sanctions measures.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

Summary of proposal

The proposal introduces further trade sanctions on Russia. There are export restrictions applying to:

- a) A list of around 700 goods known as 'Russia's vulnerable goods list', including chemicals, machinery and electrical appliances.
- b) A limited number of products that are being added to the 'G7 dependency and further goods list'.
- c) Further oil refining goods and technology (including oil catalysts).
- d) Further critical-industry goods and critical-industry technology.

There are import restrictions applying to:

- i. Liquefied Natural Gas (LNG).
- ii. Additional revenue creating goods: (i) spirits and liqueurs, including vodka and (ii) certain residue/food waste products.
- iii. Gold.

Finally, there are financial restrictions:

- Extension of the prohibition on UK companies to grant a loan or credit to Russian companies to the overseas subsidiaries of Russian companies.
- New ban on loans to entities owned by individuals connected with Russia, wherever those entities are based.

Measures b) to d) and ii)-iii) align the UK with key partners.

EANDCB

The IA estimates an EANDCB of £15.2 million, consisting primarily of the lost profit from the export of goods and services that will be subject to restrictions under the new measures. The method for estimating this cost is in line with that used in previous sanctions IA. As with previous IAs, for goods exports the IA calculates profit using the ONS' gross annual rate of return for manufacturing sector private non-financial corporations (10.8 per cent).

The IA explains that data availability is insufficient to monetise impacts relating to the new import restrictions. However, the IA provides a detailed qualitative description of impacts. This includes a detailed discussion of the ban on imports of LNG, where imports accounted for 5 per cent of total imports from Russia in 2021 but where there have been no UK deliveries since March 2022. Overall, the department's analysis appears to be proportionate.

SaMBA

The IA includes a good breakdown of UK trade with Russia by firm size. Small businesses comprise around half of all UK businesses that trade with Russia (tables 4 and 5), although large businesses account for around two-thirds of exports and 90 per cent of imports by value (tables 6 and 7), respectively. Table 10 gives data on exports covered by this proposal, by business size. Around 60 per cent of traders are small or micro, accounting for around 20 per cent of export value. The SaMBA would benefit from addressing any disproportionality of impact on small businesses more directly and, where such impacts are identified, discussing mitigation.

The RPC notes that the IA does not take account of the Government's recent announcement of plans to widen presumed exemptions on regulations to businesses with fewer than 500 employees.³ The IA would benefit from adjusting its tables of businesses affected by number of employees to take account of this threshold (where such data are available) and from addressing explicitly the impact of exemption on achievement of the policy objectives.

Rationale and options

The RPC would normally expect to see much more assessment of the rationale for intervention and consideration of alternative options in IAs. However, consideration of these areas is typically more limited in sanctions IAs and the present IA is similar to recent assessments by the FCDO and HMT. The IA would benefit from a broader assessment of the extent to which existing sanctions have met the diplomatic and reputational objectives of the policy. On options, the IA would benefit from discussing possible variants on the scope of the sanctions and more clearly delineating measures that go beyond or differ from actions by key international partners.

Cost-benefit analysis

Evidence and data

The department explains how it has used Office of National Statistics (ONS) and from HM Revenue and Customs (HMRC) data on trade to inform the IA's estimates. Projections of future UK trade with Russia are informed by the IMF's World Economic Outlook April 2022. The IMF has provided two further Outlooks since then and the IA would benefit from incorporating information from at least the July 2022 Outlook.

The IA explains data limitations and previous sanctions IAs have noted that security/confidentiality considerations have limited the extent to which the Government has been able to consult with external stakeholders. Nevertheless, the

³ <https://www.gov.uk/government/news/red-tape-cut-for-thousands-of-growing-businesses>. Associated Better Regulation Executive guidance: <https://www.gov.uk/government/publications/better-regulation-framework/medium-sized-business-regulatory-exemption-assessment-supplementary-guidance>

IA would benefit from describing what engagement has taken place with industry, within these constraints.

Methodology and non-monetised impacts

As noted above, the IA uses the same overall methodology as previous sanctions IAs to monetise the impact of export restrictions. The IA provides a detailed qualitative assessment of the import restrictions. Overall, the approach appears to be proportionate, given the data limitations and expected scale of impact. The analysis would benefit from differentiating further between the measures where the UK is acting unilaterally from those where the UK is acting in concert with other key international partners, given that the impacts on UK business could be significantly different.

The IA focuses on the export and import restrictions and would benefit from more clearly addressing the impacts of the extended financial restrictions noted under the 'summary of proposal' above. The IA would also benefit from describing in more detail the data limitations meaning it is not possible monetise impacts in relation to 'ancillary services', what attempts were made to obtain data and the likely relative significance of these impacts.

Assumptions

The IA discusses assumptions and risks at sections 3.5.1 and 4. Although the IA sets out high and low scenarios based upon different levels of projected trade growth, the IA would benefit more generally from undertaking sensitivity analysis on the key assumptions. The IA would also benefit from setting out more fully the calculations involved in producing the monetised estimates.

Wider impacts

The IA provides a detailed assessment of supply chain impacts and impacts by region (which identifies the West Midlands and the South East as most affected). The discussion around possible 'chilling effects', the risk that other exports are stopped due to uncertainty around whether they are captured by this set of measures, is also particularly welcome. The IA would benefit from a proportionate discussion of impacts on innovation and competition. The IA discusses impacts on the public sector, explaining that administrative and enforcement costs are expected to be low. The IA would benefit from addressing more directly why it is not considered proportionate to monetise these impacts.

Monitoring and evaluation plan

The IA provides a short discussion of M&E plans. This explains that the department is developing a framework to assess how sanctions meet UK objectives, describes the data that will be used and refers to possible research methods. The IA would benefit significantly from setting out further details, for example of the research questions that will be addressed and how the framework will evaluate the impact of different sanctions measures.

Regulatory Policy Committee

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