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# Regulations Amending the Special Economic Measures (Russia) Regulations: SOR/2022-125

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Canada Gazette, Part II, Volume 156, Number 13

Registration

SOR/2022-125 June 7, 2022

SPECIAL ECONOMIC MEASURES ACT

P.C. 2022-637 June 7, 2022

Whereas the Governor in Council is of the opinion that the actions of the Russian Federation constitute a grave breach of international peace and security that has resulted in a serious international crisis;

Therefore, Her Excellency the Governor General in Council, on the recommendation of the Minister of Foreign Affairs, under subsections 4(1) <sup>a</sup>, (1.1) <sup>b</sup>, (2) and (3) of the *Special Economic Measures Act* <sup>c</sup>, makes the annexed *Regulations Amending the Special Economic Measures (Russia) Regulations*.

## Regulations Amending the Special Economic Measures (Russia) Regulations

## Amendments

**1 The *Special Economic Measures (Russia) Regulations* <sup>1</sup> are amended by adding the following after section 3.9:**

### Services

3.10 It is prohibited for any person in Canada and any Canadian outside Canada to provide to Russia or to any person in Russia any service referred to in Part 1 of Schedule 8 in relation to any industry referred to in Part 2 of that Schedule.

**2 Section 5 of the Regulations is replaced by the following:**

### Assisting in prohibited activities

5 It is prohibited for any person in Canada and any Canadian outside Canada to knowingly do anything that causes, facilitates or assists in, or is intended to cause, facilitate or assist in, any activity prohibited by sections 3 to 3.10.

**3 The Regulations are amended by adding, after Schedule 7, the Schedule 8 set out in the schedule to these Regulations.**

## Application Before Publication

**4 For the purpose of paragraph 11(2)(a) of the *Statutory Instruments Act*, these Regulations apply according to their terms before they are published in the *Canada Gazette*.**

## Coming into Force

**5 These Regulations come into force on the day on which they are registered.**

## SCHEDULE

**(Section 3)****SCHEDULE 8**

(Section 3.10)

**PART 1****Services**

<b>Item</b>	<b>Column 1 Service</b>	<b>Column 2 <i>CPC category</i> <u>1</u></b>
1	Construction work	51
2	Retail sales of motor fuel	613
3	Sales on a fee or contract basis of fuels, metals, ores, timber, building materials and industrial and technical chemicals	62113
4	Wholesale trade services of solid, liquid and gaseous fuels and related products	62271
5	Retail sales of fuel oil, bottled gas, coal and wood	63297
6	Repair services of personal and household goods	633
7	Other lodging services not elsewhere classified	64199
8	Transportation of petroleum and natural gas	7131

1 ***CPC category*** means the category established in the *Provisional Central Product Classification*, published by the United Nations in 1991.

9	Water transport services — Freight transportation	7212
10	Water transport services — Towing and pushing services	7214
11	Bulk storage services of liquids or gases	7422
12	Leasing or rental services concerning machinery and equipment without operator	831
13	Computer and related services	84
14	Research and development services	85
15	Accounting, auditing and bookkeeping services	862
16	Market research and public opinion polling services	864
17	Management consulting services	865
18	Services related to management consulting services	866
19	Architectural services	8671
20	Engineering services	8672
21	Integrated engineering services	8673
22	Related scientific and technical consulting services	8675
23	Technical testing and analysis services	8676
24	Advertising services	871
25	Services incidental to mining	883

1 **CPC category** means the category established in the *Provisional Central Product Classification*, published by the United Nations in 1991.

26	Repair services incidental to metal products, machinery and equipment	886
27	Services incidental to energy distribution	887
28	Sewage and refuse disposal, sanitation and other environmental protection services	94
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1	<b><i>CPC category</i></b> means the category established in the <i>Provisional Central Product Classification</i> , published by the United Nations in 1991.	
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## PART 2

### Industries

Item	Column 1 Industry	Column 2 <i>ISIC division</i> <sup>2</sup>
1	Mining of coal and lignite	05
2	Extraction of crude petroleum and natural gas	06
3	Mining of metal ores	07
4	Other mining and quarrying	08
5	Mining support service activities	09

2	<b><i>ISIC division</i></b> means the division established in the <i>International Standard Industrial Classification of All Economic Activities, Revision 4</i> , published by the United Nations in 2008.	
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6	Manufacture of coke and refined petroleum products	19
7	Manufacture of chemicals and chemical products	20
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<u>2</u>	<b><i>ISIC division</i></b> means the division established in the <i>International Standard Industrial Classification of All Economic Activities, Revision 4</i> , published by the United Nations in 2008.	
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# REGULATORY IMPACT ANALYSIS STATEMENT

(This statement is not part of the Regulations.)

## Issues

The Russian Federation continues to violate the sovereignty and territorial integrity of Ukraine.

## Background

Following Russia's illegal occupation and attempted annexation of Crimea in March 2014, the Canadian government, in tandem with partners and allies, enacted sanctions under the *Special Economic Measures Act*. These sanctions imposed dealings prohibitions (an effective asset freeze) on designated individuals and entities in Russia and Ukraine supporting or enabling Russia's violation of Ukrainian sovereignty. Any person in Canada and Canadians outside Canada were thereby prohibited from dealing in the property of, entering into transactions with, providing services to, or otherwise making goods available to listed persons.

In late fall of 2021, after months of escalatory behaviour, Russia began massing troops, military equipment and military capabilities on Ukraine's borders and around Ukraine. The build-up lasted into February 2022, eventually totalling 150 000–190 000 troops. On February 15, 2022, the Russian Duma (equivalent to the Canadian House of Commons) voted to ask President Putin to recognize the so-called Luhansk and Donetsk People's Republics in eastern Ukraine, further violating Ukraine's sovereignty as well as the Minsk Agreements intended to bring about a peaceful resolution to the conflict in eastern Ukraine. On February 18, 2022, Russia-backed "authorities" ordered the evacuation of women and children from the region, as well as the conscription of men aged 18 to 55. On February 20, 2022, Russia extended a joint military exercise with Belarus and announced that Russian troops would not leave Belarus. On February 21, 2022, following a meeting of the Russian Security Council, President Putin signed decrees recognizing the "independence" and "sovereignty" of the so-called Luhansk People's Republic (LNR) and Donetsk People's Republic (DNR). Immediately following this, President Putin ordered Russian forces to perform "peacekeeping functions" in the so-called LNR and DNR regions. He also expressly abandoned the Minsk Agreements, declaring them "non-existent." On February 22, 2022, Russia's Duma granted President Putin permission to use military force outside the country. Uniformed Russian troops and armoured vehicles then moved into the Donetsk and Luhansk regions for the first time under official orders. On February 24, 2022, President Putin announced a "special military operation" as Russian forces launched a full-scale invasion of Ukraine. The invasion began with targeted strikes on key Ukrainian military infrastructure and the incursion of Russian forces into Ukraine in the north from Russia and Belarus, in the east from Russia and the so-called LNR and DNR regions, and in the south from Crimea.

The deterioration in Russia's relations with Ukraine has paralleled the worsening in its relations with the United States (U.S.) and the North Atlantic Treaty Organization (NATO), which has led to heightened tensions.

### ***International response***

Since the beginning of the current crisis, Canada and the international community have been calling on Russia to de-escalate, pursue diplomatic channels, and demonstrate transparency in military activities. Diplomatic negotiations have been taking place along several tracks, including via (1) United States—Russia bilateral talks (e.g. the Strategic Stability Dialogue); (2) NATO; (3) the Organization for Security and Co-operation in Europe (OSCE); and (4) the Normandy Four format (Ukraine, Russia, Germany, France) for the implementation of the Minsk Agreements.

G7 Foreign Affairs ministers released a statement on February 21, 2022, condemning Russian recognition of the so-called LNR and DNR regions and stating that they were preparing to step up restrictive measures to respond to Russia's actions, while reaffirming their unwavering commitment to Ukraine's sovereignty and territorial integrity. G7 Foreign Affairs ministers and NATO leaders continue to be united in promising significant consequences for Russia.

### ***Canada's response***

Canada continues to strongly condemn Russia's behaviour toward Ukraine. On January 27, 2022, Canada announced the extension and expansion of Operation UNIFIER, Canada's non-combat military training and capacity-building mission to Ukraine. In addition, Canada has announced over \$145 million in humanitarian assistance for Ukraine and an additional



\$35 million in development funding. This assistance is in addition to up to \$620 million in sovereign loans offered to Ukraine since January 2022, to support its economic resilience and governance reform efforts.

Canada is providing weapons and ammunition to support Ukraine. These contributions are in addition to more than \$57 million in military equipment that Canada has provided Ukraine from 2015 to 2021. Canada will also extend its commitment to Operation REASSURANCE, the Canadian Armed Forces' contribution to NATO assurance and deterrence measures in Central and Eastern Europe. Canada is deploying an additional 460 troops to the approximately 800 currently deployed.

Since February 24, 2022, the Government of Canada has enacted a number of punitive measures and imposed severe extensive economic sanctions against Russia for its war of aggression against Ukraine. Since the start of the crisis, under the *Special Economic Measures Act* (SEMA), Canada has sanctioned over 1 000 individuals and entities in Russia, Belarus and Ukraine. This has included senior members of the Russian government, including President Putin and members from the Duma, Federation Council and Security Council, military officials and oligarchs (including Roman Abramovich, the Rotenberg brothers, Oleg Deripaska, Alisher Usmanov, Gennady Timchenko, Yevgeny Prigozhin) and their family members.

Canada also targeted Russia's ability to access the global financial system, raise or transfer funds, and maintain funds in Canadian dollars by sanctioning several core Russian financial institutions, including Sberbank, VTB, and VEB, as well as the Central Bank of Russia, the Ministry of Finance and the National Wealth Fund. Canada also successfully advocated for the removal of several Russian banks from the SWIFT payment system.

Canada also implemented measures to pressure the Russian economy and limit Russia's trade with and from Canada. Russia's economy depends heavily on the energy sector. As such, Canada moved ahead with a prohibition on the import of three distinct types of oil products, including crude oil, from Russia. Canada revoked Russia's Most Favoured Nation status, applying a 35% tariff on all imports from Russia. In response to Belarus's support to Russia, Canada also revoked Belarus's Most Favoured Nation status.

Finally, Canada stopped the issuance of new permit applications and cancelled valid permits for exporting controlled military, strategic, and dual-use items to Russia, with exceptions for critical medical supply chains and humanitarian assistance.

These amendments to the *Special Economic Measures (Russia) Regulations* (the Regulations) build upon Canada's existing sanctions against Russia by further impeding Russian dealings with Canada. These measures are being taken in coordination with partners, including in the U.S., the United Kingdom (U.K.), the European Union (EU), Australia and Japan.

### ***Conditions for imposing and lifting sanctions***

Pursuant to the *Special Economic Measures Act*, the Governor in Council may impose economic and other sanctions against foreign states, as well as entities and individuals when, among other circumstances, a grave breach of international peace and security has occurred resulting in a serious international crisis.

The duration of sanctions by Canada and like-minded partners has been explicitly linked to the peaceful resolution of the conflict, and the respect for Ukraine's sovereignty and territorial integrity, within its internationally recognized borders, including Crimea, as well as Ukraine's territorial sea.

The U.S., the U.K., the EU and Australia have continued to update their sanction regimes against individuals and entities in both Ukraine and Russia.

## Objective

1. Impose further costs on Russia for its unprovoked and unjustifiable invasion of Ukraine; and
2. Align Canada's actions with those taken by international partners to underscore continued unity with allies and partners in responding to Russia's ongoing actions in Ukraine.

## Description

The *Regulations Amending the Special Economic Measures (Russia) Regulations* (the amendments) ban the export of more than 28 services listed in Schedule 8 to the Russian oil, gas and chemical industries, including technical, management, accounting, and advertising services.

## Regulatory development

### *Consultation*

Global Affairs Canada engages regularly with relevant stakeholders including civil society organizations and cultural communities and other like-minded governments regarding Canada's approach to sanctions implementation.

With respect to the measures targeting key sectors of the Russian economy, public consultation would not have been appropriate, given the urgency to impose these measures in response to the ongoing breach of international peace and security in Ukraine.

## ***Modern treaty obligations and Indigenous engagement and consultation***

An initial assessment of the geographical scope of the initiative was conducted and did not identify any modern treaty obligations, as the amendments do not take effect in a modern treaty area.

### ***Instrument choice***

Regulations are the sole method to enact sanctions in Canada. No other instrument could be considered.

## **Regulatory analysis**

### ***Benefits and costs***

Measures targeting key sectors of the Russian economy have less impact on Canadian businesses than traditional broad-based economic sanctions.

The export of these services represented Can\$124 million in 2018.

The amendments could potentially create additional costs for businesses seeking permits that would authorize them to carry out specified activities or transactions that are otherwise prohibited.

### ***Small business lens***

The amendments could potentially create additional costs for small businesses seeking permits that would authorize them to carry out specified activities or transactions that are otherwise prohibited. No significant loss of opportunities for small businesses is expected as a result of the amendments.

### ***One-for-one rule***

The permitting process for businesses meets the definition of “administrative burden” in the *Red Tape Reduction Act* and would need to be calculated and offset within 24 months. However, the proposal addresses an emergency circumstance and is exempt from the requirement to offset administrative burden and regulatory titles under the one-for-one rule.

### ***Regulatory cooperation and alignment***

While the amendments are not related to a work plan or commitment under a formal regulatory cooperation forum, they align with actions taken by Canada’s allies.

### ***Strategic environmental assessment***

The amendments are unlikely to result in important environmental effects. In accordance with the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, a preliminary scan concluded that a strategic environmental assessment is not required.

### ***Gender-based analysis plus (GBA+)***

The subject of economic sanctions has previously been assessed for effects on gender and diversity. Although intended to facilitate a change in behaviour through economic pressure on individuals and entities in foreign states, sanctions under the *Special Economic Measures Act* can nevertheless have an unintended impact on certain vulnerable groups and individuals. Rather than affecting Russia as a whole, these targeted sanctions impact key economic sectors that directly or indirectly support, provide funding for or contribute to a violation of the sovereignty or territorial integrity of Ukraine. Therefore, these sanctions are unlikely to have a significant impact on vulnerable groups as compared to traditional broad-based economic sanctions directed toward a state, and limit the collateral effects to those dependent on those targeted individuals and entities.

## **Rationale**

The amendments are in direct response to the Russian invasion of Ukraine that began on February 24, 2022, which continues Russia's blatant violation of Ukraine's territorial integrity and sovereignty under international law. In coordination with actions being taken by Canada's allies, the amendments seek to impose a direct economic cost on Russia and signal Canada's strong condemnation of Russia's latest violations of Ukraine's territorial integrity and sovereignty.

The new prohibition bans the export of more than 28 services to Russia related to the oil and gas and chemical industries, including technical, management, accounting, and advertising services.

These sanctions show solidarity with like-minded countries, which have already imposed similar restrictions.

## **Implementation, compliance and enforcement, and service standards**

The amendments come into force on the day they are registered.

The list of banned services for export to Russia will be available online and will be added to the Consolidated Canadian Autonomous Sanctions List. This will help to facilitate compliance with the Regulations.

Canada's sanctions regulations are enforced by the Royal Canadian Mounted Police and the Canada Border Services Agency (CBSA). In accordance with section 8 of the *Special Economic Measures Act*, every person who knowingly contravenes or fails to comply with the Regulations is liable, upon summary conviction, to a fine of not more than \$25,000 or to imprisonment for a term of not more than one year, or to both; or, upon conviction on indictment, to imprisonment for a term of not more than five years.

The CBSA has enforcement authorities under SEMA and the *Customs Act*, and will play a role in the enforcement of these sanctions.

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## Footnotes

a S.C. 2017, c. 21, s. 17(1)

b S.C. 2017, c. 21, s. 17(2)

c S.C. 1992, c. 17

1 SOR/2014-58

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