

The United States targets Nord Stream 2 and TurkStream pipelines with secondary sanctions

1. Overview

On 20 December 2019, as part of the National Defense Authorization Act for Fiscal Year 2020, President Trump signed into law the Protecting Europe's Energy Security Act of 2019 ("PEESA"). PEESA targets non-U.S. persons involved in certain activities with respect to two natural gas pipelines running from Russia, the Nord Stream 2, which runs to Germany, and the TurkStream, which runs to Turkey. While both of these pipelines are owned by, and will receive natural gas from, Gazprom PJSC ("Gazprom"), PEESA does not revise the sanctions that target Gazprom.

2. The Secondary Sanctions

PEESA requires the President, unless an exception applies, to impose sanctions on non-U.S. individuals and entities ("foreign persons") determined to have:

- sold, leased or otherwise provided vessels engaged in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 pipeline project, the TurkStream pipeline project, or any project that is a successor to either of the two projects (each a "Targeted Project" and collectively the "Targeted Projects"); or
- facilitated deceptive or structured transactions to provide vessels for the construction of a Targeted Project.

The sanctions that would be imposed on a foreign person under PEESA are as follows:

1. blocking and prohibiting any transactions in all property and interests in property of the foreign person if the property and interests in property are within the U.S., come within the U.S., or are or come within the possession or control of a U.S. person (*i.e.* being put on the Specially Designated Nationals and Blocked Persons List); and
2. revoking any current visas and making ineligible for admission into the U.S. or receipt of a visa to enter the U.S. such a foreign person. If the foreign person is an entity, then these sanctions will be imposed on the principal shareholders and corporate officers of the foreign entity.

PEESA does not specifically target the vessels working on the Targeted Project, but as property of their owner, they will be considered sanctioned.

3. Potential for Additional Sanctions

Since PEESA was enacted, the United States has not sanctioned any persons or entities under its provisions. This inaction has led members of the U.S. congress to introduce legislation to attempt to broaden the types of activities that would be sanctionable. As such, these sanctions are subject to change and should be monitored closely.