

Foreign Affairs, Defence and Trade Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

### **Sanctions against the Russian Federation**

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1. Thank you for the opportunity to contribute to this inquiry.
2. I am a Senior Lecturer in Law at the Australian National University (ANU) specialising in economic sanctions and financial crime. I am the author of two books covering aspects of Australian and global sanctions regimes (*Doing Business with Criminals*, Cambridge University Press, 2025, and *Corruption and Targeted Sanctions*, Brill, 2019) and many academic articles and policy reports. I have been awarded funding by the Australian Research Council to examine the effectiveness of Australian sanctions implementation. I am also an Associate Fellow at the Centre for Finance and Security of the Royal United Services Institute (RUSI), the UK's leading defence and security think tank, where I led multiple financial crime projects. I previously testified on sanctions both in Australia, before this Committee, and overseas, before the Parliamentary Assembly of the Council of Europe.
3. The main points I make in this submission are as follows:
  - a. Australia's approach to sanctions against Russia lacks in vigour and ambition, as evidenced by:
    - i. Australia's position as a major global market for oil products originating in Russian crude oil, generating billions in revenues for the Kremlin.
    - ii. Australia's failure to contribute meaningfully to the global debate on the use of frozen Russian state assets, or to dispel the uncertainty around the amounts of such assets in Australia.
    - iii. Australia's limited sanctions enforcement capability, with no track record of Russia-related sanctions enforcement to date.
  - b. While Australia's sanctions laws are on the whole sound, they have notable limitations, namely:
    - i. There is no prohibition on the *receipt* of payments from sanctioned Russian persons.
    - ii. There is likewise no prohibition on providing *services*, as opposed to assets, to sanctioned Russian persons.
4. The rest of the submission deals with each of these points in greater detail.

## **Oil Sanctions**

### Oil Price Cap

5. To understand Australia's stance on Russian oil sanctions, a brief overview of the Oil Price Cap is necessary.
6. Following Russia's full-scale invasion of Ukraine in 2022, a coalition of countries including all G7 economies and other like-minded nations such as Australia (G7+), sought to limit Russia's revenues from oil sales without causing a spike in global oil prices. The Oil Price Cap, designed to achieve that objective, was envisaged to work as follows:
  - a. None of the G7+ countries purchase crude oil or petroleum products from Russia.
  - b. G7+ countries allow Russia to sell Russian crude oil to third countries, e.g. India and China, but only at or below the Oil Price Cap set by G7+ countries.
  - c. G7+ countries can buy refined petroleum that was refined from Russian crude oil from third countries, e.g. India and China.
7. The effectiveness of the Oil Price Cap relies on the G7+ ability to influence the prices at which Russia trades with third countries, e.g. India and China. This was intended to be achieved by prohibiting financial or logistics service providers in G7+ countries, including insurance companies, from servicing any shipments of Russian oil products traded above the Oil Price Cap. In the ordinary course of events, the majority of maritime traffic worldwide is insured via Lloyd's in London. Therefore, this prohibition was expected to pose a significant obstacle to Russian crude oil being traded above the Oil Price Cap.
8. The emergence of the so-called 'shadow fleet' has undermined these plans. The shadow fleet includes vessels that carry Russian crude oil sold in violation of the Oil Price Cap. These vessels do not obtain insurance from G7+ countries. They are either uninsured or hold insurance issued by companies whose ability to pay if the insured event occurs is uncertain. In addition to defeating the operation of the Oil Price Cap, this poses environmental risks in the case of, say, an oil spill.
9. The shadow fleet enables Russia to continue to trade with third countries above the Oil Price Cap. Networks enabling this trade reportedly include refineries that purchase Russian crude oil and refine it into petroleum they then sell; oil traders worldwide that act as intermediaries; shipping companies that provide the shadow fleet vessels; and potentially national maritime registries that host shadow fleet vessels.

### Australia as a Market for Russian Oil

10. Australia is a major global market for refined petroleum originating in Russian crude oil. The availability of such markets creates incentives for third-country refineries to keep purchasing Russian crude oil above the Oil Price Cap. According to research by the Centre

for Research on Energy and Clean Air (CREA), indirect sales of Russian oil to Australia generates billions of dollars annually in revenues for the Kremlin.<sup>1</sup>

11. In July 2025, the EU adopted a ban on the import into the EU of refined oil products originating in Russian crude oil. Frequently Asked Questions that the European Commission published in October set out the circumstances where enhanced due diligence must be applied, for example in importing refined petroleum from refineries in India or China, which are known as major destinations for Russian crude oil.<sup>2</sup> The EU's ban will come into effect from January 2026.
12. Also in October, the UK joined the EU in committing to a ban on the importation of refined oil products originating in Russian crude oil.

#### Australia's Response

13. **The Australian response has been weak, slow and not commensurate to Australia's position as a major global market for Russian oil.** The Australian government has refused to commit to an EU/UK-style ban. Instead, Australia has taken the following measures, all insufficient for various reasons:
  - a. Sanctioning shadow fleet vessels. By now Australia has sanctioned approximately 150 shadow fleet vessels, out of an estimated number of over 900. These sanctions are useful for 'naming and shaming' the vessels involved. However, they are unlikely to have any substantial practical effects. These sanctions preclude sanctioned vessels from entering Australian ports. Since those vessels' primary activities consist of carrying Russian crude oil between Russia and third countries, they do not rely on access to Australian ports. CREA's research demonstrates that shadow fleet vessels sanctioned by Australia continue to feature in supply chains of petroleum purchasers in Australia.<sup>3</sup>
  - b. Joining in the lowering of the Oil Price Cap. In July 2025, G7+ countries lowered the Oil Price Cap for Russian crude oil from US\$60 per barrel to US\$47.60 per barrel. While this measure has the potential to further cut Russian oil revenues, this potential can only be realised if the Oil Price Cap is effectively enforced, which is not the case at present.
  - c. Calling on action by petroleum purchasers in Australia. Foreign Minister Penny Wong appears to have called upon petroleum purchasers, including BP, to cease purchases of refined oil products originating in Russian crude oil.<sup>4</sup> It is

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<sup>1</sup> Vaibhav Raghunandan, 'Fact sheet: Australia's imports of oil products refined from Russian crude twice their aid to Ukraine', CREA, 24 July 2025, <https://energyandcleanair.org/fact-sheet-australias-imports-of-oil-products-refined-from-russian-crude-twice-their-aid-to-ukraine/>.

<sup>2</sup> European Commission, 'Import Ban on Refined Oil Products Obtained From Russian Crude Oil: Frequently Asked Questions – as of 29 October 2025', [https://finance.ec.europa.eu/document/download/dc76791c-72aa-4fd5-b82f-ae13a42e93c0\\_en?filename=faqs-sanctions-russia-oil-import-ban\\_en.pdf](https://finance.ec.europa.eu/document/download/dc76791c-72aa-4fd5-b82f-ae13a42e93c0_en?filename=faqs-sanctions-russia-oil-import-ban_en.pdf).

<sup>3</sup> Lera Shvets and Jennifer Scherer, 'Revealed: Sanctioned Russian 'shadow' tankers in Australian oil product supply chains', SBS News, 26 October 2025, <https://www.sbs.com.au/news/article/exclusive-data-show-russian-oil-tankers-infiltrating-australian-supply/eesi96jtw>.

<sup>4</sup> 'I hope that you will join me in saying to BP that there is a very strong cross-party view that we should be reducing any revenue to Mr Putin, including through the provision of secondary products', available at

paradoxical for the government to be refusing to legislate what it believes to be sound policy while calling upon private businesses to carry it out in the absence of any legal obligation to do so.

**14. To take meaningful action against indirect sales of Russian oil in Australia, Australia should:**

- a. Legislate to ban purchases of refined oil products originating in Russian crude oil, consistent with EU and UK measures.**
- b. Sanction entire networks of actors involved in the trade in Russian oil products above the Oil Price Cap, including but not limited to third-country refineries; insurers; freight forwarders; shipping lines; and ship registries that facilitate 'shadow fleet' activity.**

**Frozen Russian State Assets**

- 15. In February 2022, G7+ countries froze approximately US\$300 billion in Russian state assets, primarily consisting of foreign currency reserved owned by the Central Bank of Russia (CBR). This includes €200 billion held at Euroclear, a securities clearinghouse in Belgium.
- 16. The Australian government has repeatedly stated that the total amount of Russian state assets frozen in Australia is under AU\$100 million.<sup>5</sup> This includes both Russian state assets and private property owned by sanctioned Russian citizens, with the precise breakdown unknown.
- 17. Euroclear has consistently reported that 2% of its 'cash balances relating to Russia sanctions' is AUD-denominated.<sup>6</sup> This is approximately €4 billion, or AU\$7 billion, raising the question of what those AUD-denominated 'cash balances' are.
- 18. It is possible that this refers to AUD-denominated holdings outside Australia over which Australia has no jurisdiction. In that case, one might wonder why they are AUD-denominated.
- 19. On the face of it, the more plausible explanation is that Euroclear is referring to financial assets in Australia, i.e. bank accounts in Australia or other claims on Australian financial institutions, that Euroclear holds for the CBR's benefit.

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[https://www.aph.gov.au/Parliamentary\\_Business/Hansard/Hansard\\_Display?bid=committees/estimate/29002/&sid=0000](https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=committees/estimate/29002/&sid=0000).

<sup>5</sup> See, e.g., DFAT representative's statement to this Committee: 'I think some media has suggested at one point that Australia held \$9 billion. We don't hold \$9 billion. It is, as from the information I have, well less than \$100 million. That includes both private and sovereign assets.' Available at <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommmsen%2F28488%2F0004;query=Id%3A%22committees%2Fcommmsen%2F28488%2F0000%22>.

<sup>6</sup> See, most recently, 'Euroclear reports strong business income growth in Q1 2025', 14 May 2025, <https://www.euroclear.com/newsandinsights/en/press/2025/mr-13-strong-first-quarter-results.html>.

20. This latter explanation would be consistent with other available information about the CBR's foreign currency reserves. According to the CBR, its pre-2022 reserves mainly consisted of foreign government bonds.<sup>7</sup> In its end-2021 reporting, the CBR stated it held about 1% of its assets in AUD, amounting to approximately AU\$8 billion.<sup>8</sup> If this comprised Australian bonds, the accrual of payments from those bonds into Euroclear-held Australian bank accounts offers a likely explanation of Euroclear's AUD-denominated cash balances held for the CBR.<sup>9</sup>
21. The CBR is sanctioned in Australia. All Australian assets owned or controlled by the CBR, directly or indirectly, therefore must be identified and frozen. There is a potential conflict between Euroclear's references to AUD-denominated cash balances, in the amount of ~AU\$7 billion, and the Australian government's estimate that only AU\$100 million of Russian property, public and private, has been frozen in Australia.
22. **The Australian government should explain what it believes Euroclear's AUD-denominated cash balances consist of, and what steps it has taken to identify any financial assets that the Central Bank of Russia may indirectly own or control in Australia, including via Euroclear.**
23. **The Australian government should also support proposals for the use of frozen Russian state assets for Ukraine's benefit that are currently being considered by other like-minded nations, including in the EU.**

#### Sanctions Enforcement Capability

24. Unlike the US,<sup>10</sup> UK<sup>11</sup> and Canada,<sup>12</sup> Australia has seen no Russia-related sanctions prosecutions. This might reflect the absence of any sanctions evasion activity in Australia, but for reasons outlined below, there is cause for concern about Australia's enforcement capability.
25. In contrast to comparable sanctions agencies, e.g. the Office of Foreign Assets Control (OFAC) in the US and Office of Financial Sanctions Implementation (OFSI) in the UK, the Australian Sanctions Office (ASO) has *no* investigatory powers. Whether this limitation is appropriate is ripe for examination.

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<sup>7</sup> Central Bank of Russia, *Annual Report 2021*, April 2022, p. 101.

<sup>8</sup> Central Bank of Russia, *Annual Report 2021*, April 2022, p. 102.

<sup>9</sup> Payments under Australian Treasury bonds are made into bank accounts in financial institutions registered in Australia: see, e.g., Australian Office of Financial Management, 'Information Memorandum: Treasury Bonds', 1 March 2024, p. 25.

<sup>10</sup> 'U.S. Sanctions Enforcement: 2024 Lessons Learned and 2025 Expectations', Morrison Foerster, 24 April 2025, <https://www.mofo.com/resources/insights/250424-u-s-sanctions-enforcement-2024-lessons-learned>.

<sup>11</sup> 'Sentencing: The first ever UK prosecution of Russian sanction breaches', Crown Prosecution Service, 11 April 2025, <https://www.cps.gov.uk/cps/news/sentencing-first-ever-uk-prosecution-russian-sanction-breaches>.

<sup>12</sup> 'Enforcement At Last: Charges Laid for Violating Canada's Russia Sanctions', Stikeman Elliot, 30 May 2025, <https://stikeman.com/en-ca/kh/competitor/enforcement-charges-aid-for-violating-canadas-russia-sanctions>.

26. Currently the ASO is meant to refer potential sanctions breaches to the Australian Federal Police (AFP) for investigation. This has yielded a prosecution in the context of sanctions against Iran.<sup>13</sup> There is no publicly available information about AFP resources dedicated to sanctions evasion investigations, including the number of staff involved.
27. **The Australian government should review whether the Australian Sanctions Office requires investigatory powers to effectively fulfil its functions. It should also disclose information about the number of full-time Australian Federal Police staff dedicated to sanctions evasion investigations.**

#### **Australia's Sanctions Laws**

28. Australian sanctions laws are fundamentally sound and consistent with global practice. In several respects, however, they are not as all-encompassing as many would assume.

#### Receiving Payments

29. Making assets available, directly or indirectly, for the benefit of a sanctioned person is a criminal offence unless the ASO has issued a permit.<sup>14</sup> By contrast, there is no equivalent prohibition on receiving assets from a sanctioned person.<sup>15</sup>
30. So, for example, it would not be an offence under Australian sanctions laws to receive a financial payment from a sanctioned Russian person (although such a payment could, depending on the circumstances, trigger the application of Australian foreign interference laws).

#### Providing Services

31. Nor is there a prohibition on the provision of services, as opposed to assets, to a sanctioned person. This is because, under Australian sanctions laws, assets are defined as follows:
- (a) an asset of any kind or property of any kind, whether tangible or intangible, movable or immovable, however acquired; and
  - (b) a legal document or instrument in any form (including electronic or digital) evidencing title to, or interest in, such an asset or such property.<sup>16</sup>
32. It would therefore generally not be an offence under Australian sanctions laws to provide a service to a sanctioned Russian person, unless this is specifically a prohibited service, such as services in relation to military activity.

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<sup>13</sup> 'Man charged for allegedly contravening sanctions laws', DFAT, 15 October 2025, <https://www.dfat.gov.au/news/news/man-charged-allegedly-contravening-sanctions-laws>.

<sup>14</sup> Regulation 14 of the *Autonomous Sanctions Regulations 2011* (Cth).

<sup>15</sup> See Anton Moiseienko, 'The Weird World of Receiving Payments from Sanctioned Persons in Australia', *Economic Crime Law*, 9 March 2025, <https://economiccrimelaw.com/2025/03/29/the-weird-world-of-receiving-payments-from-sanctioned-persons-in-australia/>.

<sup>16</sup> Section 4 of the *Autonomous Sanctions Act 2011* (Cth).

33. One real-life example demonstrating the salience of this concern is that of an Australian tennis player taking part in a Gazprom-sponsored tournament in Russia.<sup>17</sup> Gazprom is sanctioned in Australia. To be clear, there is no indication that the player violated any Australian laws. This does however demonstrate the range of activities that could bring Australians into contact with sanctioned Russian persons, including sports, entertainment, consultancy, etc.
34. One caveat is that the provision of services could potentially be captured by Australian sanctions laws if it *also* results in the provision of assets for the benefit of a sanctioned person. (For example, if an Australian citizen provides consultancy services to a sanctioned Russian person that enables that person to identify a new business opportunity and make money.)
35. **These limitations of Australian sanctions laws require scrutiny. For example, it is difficult to perceive any sound policy rationale for allowing the provision of services to sanctioned Russian persons. By contrast, allowing the receipt of payments from sanctioned Russian persons may be appropriate in some circumstances (e.g. pension payments to retired Russians living in Australia), but can be managed by the issuance of permits by the Australian Sanctions Office rather than a blanket permission.**

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<sup>17</sup> 'Thanasi Kokkinakis ignored advice not to travel to Russia for controversial exhibition tournament', 9News, 24 January 2025, <https://www.nine.com.au/sport/tennis/news-2025-thanasi-kokkinakis-ignored-advice-russian-exhibition-match-20250123-p5l6vj.html>.