

21 January 2026

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

***Submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into the Effectiveness of Sanctions Against the Russian Federation***

**1. Introduction**

The Australia–Ukraine Chamber of Commerce (AUCC) welcomes the opportunity to make a submission to the Senate Foreign Affairs, Defence and Trade References Committee (Committee) inquiry into the effectiveness of sanctions imposed by the Commonwealth against the Russian Federation (Russia) since the start of the full-scale invasion of Ukraine in February 2022.

AUCC is a not-for-profit organisation that represents businesses and professionals engaged in Australia–Ukraine trade, investment, reconstruction planning, innovation, and humanitarian-linked economic activity. As a member organisation of Australian Federation of Ukrainian Organisations (AFUO), AUCC contributes to national coordination across Australia’s Ukrainian community and engages regularly with government, industry, and international partners.

AUCC is well positioned to provide this submission, informed by the practical experiences of its members and AUCC’s ongoing engagement with government, industry, and international partners.

**2. Scope of Australian Sanctions against Russia**

AUCC observes that Australia’s autonomous sanctions regime against Russia, first introduced in 2014, was significantly expanded following Russia’s full-scale invasion of Ukraine in February 2022. These measures include targeted financial sanctions and travel bans on designated persons and entities, as well as trade-related sanctions, including prohibitions on specified imports and exports and restrictions on certain services.

Given AUCC’s remit and expertise, this submission focuses on trade-related sanctions and associated compliance issues, including their effectiveness in constraining Russia’s access to goods, revenue, and advanced technology.

AUCC submits that trade sanctions imposed by Australia are **necessary, proportionate, and strategically justified**. Their core objectives—to constrain Russia’s capacity to finance and sustain its war against Ukraine, restrict access to finance and technology, and uphold international law—remain valid and widely supported by AUCC members.

Sanctions have had a demonstrable impact on Russia’s access to advanced technologies, international markets, and formal financial systems. However, their overall effectiveness is increasingly challenged by uneven implementation and enforcement, sanctions circumvention through third countries, and coordination gaps across jurisdictions.

**3. Sanctions Circumvention and Enforcement Challenges**

AUCC members report persistent concerns regarding sanctions circumvention, including through:

- third-country re-export pathways;
- complex ownership and intermediary structures; and
- indirect access to financial, insurance, and logistics services.

These practices undermine both the intent and credibility of sanctions regimes. AUCC submits that stronger enforcement, enhanced intelligence-sharing, improved customs cooperation, and greater transparency around beneficial ownership are critical to maintaining the effectiveness of Australia's sanctions framework.

#### **4. Impact of Sanctions on Australian Businesses and Compliance Obligations**

AUCC recognises that sanctions impose compliance obligations on Australian businesses, particularly small and medium enterprises. AUCC members broadly support sanctions but identify challenges arising from:

- regulatory complexity;
- uncertainty around indirect exposure and supply-chain risk; and
- limited transparency regarding origin tracing and processing pathways for refined products, particularly in energy and commodities.

AUCC submits that improved guidance and compliance support would strengthen adherence to sanctions obligations while reducing inadvertent risk for Australian businesses, without weakening sanctions outcomes.

AUCC acknowledges and welcomes recent Australian Government actions, including:

- sanctions targeting Russia's "shadow fleet"; and
- additional designations of Russian individuals and organisations.

While these measures are positive and necessary, they do not address the refined-oil loophole, which remains a material source of revenue for the Russian state.

#### **5. Sanctions Effectiveness and Interaction with Australia's Trade and Foreign Policy**

AUCC submits that sanctions policy should be more explicitly integrated with Australia's broader foreign, trade, and security objectives, particularly Australia's support for Ukraine's economic resilience, reconstruction, and long-term recovery.

**As the war enters its fourth year, sanctions policy must increasingly operate alongside reconstruction, resilience, and long-term economic integration frameworks to remain strategically effective.**

Sanctions are most effective when paired with:

- facilitation of compliant trade and investment with Ukraine;
- clear prohibitions that prevent indirect war financing;
- clarity around permitted engagement with Ukrainian partners and reconstruction-related activities; and
- encouragement of private-sector participation in Ukraine's reconstruction and recovery.

Sanctions should isolate Russia while actively enabling Ukraine's recovery and integration with international markets.

#### **6. Options to Improve Sanctions Design and Implementation**

AUCC recommends that the Committee consider:

1. Strengthening enforcement capability and resourcing for sanctions compliance and monitoring.
2. Enhancing international coordination to address third-country circumvention.
3. Improving practical, sector-specific guidance for Australian businesses.
4. Increasing transparency around beneficial ownership, control structures, and intermediaries.
5. Aligning sanctions policy with Australia's trade, investment, and reconstruction frameworks supporting Ukraine.

In addition, AUCC recommends that the Senate Committee consider the following targeted measures:

##### **1. Closing the refined-oil loophole**

Introduce a prohibition on the import of refined petroleum products where Russian crude oil is a material input, regardless of the country of refining.

**2. Enhanced origin-tracing and disclosure requirements**

Require importers of refined fuels to certify and document crude oil origin, supported by customs verification mechanisms.

**3. Risk-based enforcement targeting high-exposure sectors**

Prioritise monitoring and enforcement in energy, shipping, insurance, and logistics sectors where circumvention risk is highest.

**4. International coordination on refined-product sanctions**

Align Australia's approach with partners pursuing similar measures to reduce arbitrage opportunities across jurisdictions.

**5. Clear transition and implementation settings**

Provide staged implementation timelines, safe-harbour provisions, and guidance to allow Australian businesses to adjust supply chains without undue disruption.

**6. Alignment with Ukraine reconstruction frameworks**

Ensure sanctions policy operates alongside trade and investment initiatives that actively support Ukraine's reconstruction and economic recovery.

**7. Conclusion**

In conclusion, the AUCC strongly supports Australia's sanctions against Russia as a vital response to Russia's unlawful aggression against Ukraine, which has been widely recognised as a breach of international law.

To remain effective, sanctions must evolve to address emerging circumvention pathways – particularly those enabling continued energy revenue through refined-product trade. Closing these loopholes would materially strengthen sanctions effectiveness and help ensure that Australian economic activity does not indirectly contribute to Russia's war effort.

The AUCC stands ready to provide further evidence or confidential briefings to assist the Committee in its inquiry.

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