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United States Senate

February 8, 2018

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The Honorable Rex Tillerson
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington DC 20220

Dear Secretary Tillerson and Secretary Mnuchin:

I write with concern over the potential evasion of targeted U.S. sanctions by Russian companies. Recently, Boston Harbor received a shipment of liquefied natural gas (LNG) that contained gas from OAO Novatek (“Novatek”), a U.S.-sanctioned Russian natural gas producer. Reports indicate that Novatek, Russia’s largest independent natural gas producer, is already planning its next LNG project and additional shipments to the United States¹. Novatek’s successful attempt at circumventing the U.S. sanctions calls into question their viability and effectiveness.

In 2014, in response to Russia’s continued attempts to destabilize eastern Ukraine and its ongoing occupation of Crimea, the U.S. Department of the Treasury imposed a broad-based package of sanctions “in the financial services, energy, and arms or related materiel sectors of Russia, and on those undermining Ukraine’s sovereignty or misappropriating Ukrainian property.”² These original measures prohibited entities in the United States from providing financing to Novatek, including financing of Novatek’s planned Yamal LNG export facility.³

¹ Jack Farchy and Elena Mazneva, *With Yamal, Russia wins big in the Arctic after U.S. sanctions fail to kill its giant gas project*, NAT’L POST (Dec. 14, 2017), available at <http://nationalpost.com/news/world/with-yamal-russia-wins-big-in-the-arctic-after-u-s-sanctions-fail-to-kill-its-giant-gas-project>.

² Announcement of Treasury Sanctions on Entities Within the Financial Services and Energy Sectors of Russia, Against Arms or Related Materiel Entities, and those Undermining Ukraine’s Sovereignty (2014), <https://www.treasury.gov/press-center/press-releases/Pages/jl2572.aspx> (last visited Feb 7, 2018).

³ Brian Wingfield, *Yamal LNG’s U.S. Credit Review Halted Amid Obama’s Sanctions*, WORLD OIL (Apr. 1, 2014), <http://www.worldoil.com/news/2014/4/1/yamal-lng39s-us-credit-review-halted-amid-obama-s-sanctions>; Jack Farchy and Elena Mazneva, *With Yamal, Russia wins big in the Arctic after U.S. sanctions fail to kill its giant gas project*, NAT’L POST (Dec. 14, 2017), available at <http://nationalpost.com/news/world/with-yamal-russia-wins-big-in-the-arctic-after-u-s-sanctions-fail-to-kill-its-giant-gas-project>. In 2016, the Treasury Department identified subsidiaries of Novatek as subject to sanctions that prohibit any U.S. person from procuring goods from those companies. Treasury Sanctions Individuals and Entities In Connection with Russia’s Occupation of Crimea and the

However, despite these sanctions, just last month a shipment of gas partially sourced from Yamal LNG was delivered to the Everett, Massachusetts LNG facility. It appears Novatek was able to evade the U.S. sanctions, allowing it to send some of the Yamal LNG facility's first output to the United States and generate revenue from U.S. sales.

Although a gas purchase from Yamal LNG may not constitute financing as defined as under the sanctions, the purchase provides revenue to Novatek. This shipment may therefore circumvent the U.S. sanctions and calls into question to what degree those sanctions are serving our broader foreign policy goals regarding Russia or require adjustment to better achieve those goals. Therefore, I respectfully ask that you respond to the following questions, no later than February 23, 2018:

1. Were the sanctions against Novatek under Executive Order 13662 ("the E.O. 13662 sanctions") intended to increase its economic isolation by restricting its financial interactions with, and revenue generated from business in, the United States? If so, do you believe we have achieved that goal? If not, what was the goal of the E.O. 13662 sanctions and have we achieved it?
2. Did the export to the United States of LNG that contained gas originating from the Yamal LNG facility violate the letter of the E.O. 13662 sanctions or any related sanctions? If so, how and by whom? If not, did the export of this LNG to the United States violate the spirit of the E.O. 13662 sanctions?
3. Are you aware of other E.O. 13662-sanctioned Russian entities engaging in transactions similar to the Yamal LNG sale, that is, wherein the financing or other support of a project is prohibited, but the purchase by U.S. persons of goods produced by the project is not? If so, please identify the U.S. persons, describe the transactions, and state whether the transactions violated the E.O. 13662 sanctions.
4. Have the E.O. 13662 sanctions been effective more broadly? Why or why not? If not, how should the E.O. 13662 sanctions be revised to better achieve U.S. foreign policy goals?

Thank you for your attention to this important issue. I look forward to reviewing your responses. Should you have any questions about this request, please have your staff contact Zachary Hosford of my staff at 202-224-2742.

Sincerely,



Edward J. Markey