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**KEEPING THE PRESSURE ON RUSSIA AND ITS
ENABLERS: EXAMINING THE REACH OF AND
NEXT STEPS FOR U.S. SANCTIONS**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

ONE HUNDRED SEVENTEENTH CONGRESS

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C O N T E N T S

	Page
Menendez, Hon. Robert, U.S. Senator From New Jersey	1
Risch, Hon. James E., U.S. Senator From Idaho	3
O'Brien, Hon. James, Head of the Office of Sanctions Coordination, U.S. Department of State, Washington, DC	5
Prepared Statement	7
Rosenberg, Hon. Elizabeth, Assistant Secretary for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury, Washington, DC	11
Prepared Statement	12

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Responses of Mr. James O'Brien to Questions Submitted by Senator James E. Risch	39
Responses of Ms. Elizabeth Rosenberg to Questions Submitted by Senator James E. Risch	44
Responses of Mr. James O'Brien to Questions Submitted by Senator Todd Young	48

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WEDNESDAY, SEPTEMBER 28, 2022

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:00 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez, chairman of the committee, presiding.

Present: Senators Menendez [presiding], Cardin, Shaheen, Coons, Kaine, Markey, Merkley, Van Hollen, Risch, Johnson, Romney, Portman, Young, and Cruz.

**OPENING STATEMENT OF HON. ROBERT MENENDEZ,
U.S. SENATOR FROM NEW JERSEY**

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee will come to order.

As we gather today, the war in Ukraine is at an inflection point. In the face of Ukraine's impressive counteroffensive to reclaim its rightful territory, Putin is desperate, forcing unwilling men across Russia to join an illegal and increasingly unpopular war. Buying rockets from North Korea, drones from Iran, staging sham referendums, having people vote, but forced at the point of a gun. So phony that even governments friendly to Moscow have said they will not recognize him.

Make no mistake. Ukraine continues to face a daily nightmare of shelling, of pulling neighbors and countrymen out of mass graves, of families torn apart, and children going to school in basements, of fighting for their very existence.

Seven months into this war, Putin is not where he wanted to be, and that is thanks to the bravery of the Ukrainian people, to more than \$15 billion of weapons from the United States, and a strong international coalition, but it is also due to the enormous effort to isolate Russia from international commerce and the international financial system, to strip Russia of revenues, reserves, and access to global markets.

Ambassador O'Brien, Assistant Secretary Rosenberg, I want to take a moment to commend the herculean effort that the Biden administration has led to impose unprecedented sanctions on Russia in response to its invasion. Since February 24, 2022, the U.S. has deployed a sanctions regime that would have been unimaginable a year ago. Of course, that includes not just you, but the hundreds

of dedicated personnel at State and Treasury who worked around the clock to prepare sanctions, even before the invasion began.

Nearly 40 countries have imposed economic costs on Russia for this war. The democratic world has effectively decoupled from Russia, and massive economic and logistical achievement in the age of global commerce. Thanks to our relentless diplomacy, the U.K., the EU, Australia, Japan, and South Korea joined the United States in sanctioning Russian financial institutions, including removing seven of Russia's largest banks from the SWIFT payment system, a move that I championed.

Today more than 1,000 Russians have their assets frozen abroad. More than 1,000 companies have ended operations or withdrawn from Russia, but this is not just about seizing glitzy yachts or forcing oligarchs to unload their Swiss chalets and their British soccer teams. It is about silencing the guns of Putin's military. It is about ending the destruction of homes and hospitals, farms and schools. It is about halting the mass killing of Ukrainians fighting for their homeland. It is about ensuring that the dream of an independent, free, thriving Ukraine remains alive.

Just as we must keep up our support of arms and weapons, so too must we keep up the pressure of economic sanctions. Today I would like to focus on what comes next and also highlight five areas that I think we need to focus on in order to keep the pressure up.

First, are our sanctions having the desired effect? We impose sanctions not to punish, but to constrain and ultimately change behavior. Have the sanctions changed Putin's calculus at all, and if not now, perhaps in the coming months. I would like to hear a clear assessment on how current and planned measures will further strain the Russian system in the coming months, and how that might change Kremlin behavior.

Then energy. The recently announced price cap on Russian oil is a welcoming creative proposal to deprive Russia of revenue, but how will China and India respond? Will the purchase below the cap or continue to keep Russia's exports afloat?

Thirdly, we need to look at the gaps in our sanctions and where tighter alignment would make existing sanctions more effective.

Fourth, what can we do to improve enforcement? This is not only for Putin, but for those enabling him, evading sanctions, and feeding his war machine.

Finally, I want to hear about our diplomatic efforts, which will be critical in the coming months. Our rigorous diplomacy has made the difference in ensuring that we have not just a united coalition, but one that is willing to act. As we head into winter, Putin is hoping to test our coalition. How do we keep Europe together as energy needs become more pressing and fatigue sets in? We will not only have to maintain our unity, but our willingness to keep meeting the multiple urgent needs facing Ukraine.

This is a battle that cannot be won with weapons alone, or diplomacy alone, or sanctions alone. Each of these tools must be used to maximum effort and in coordination.

I look forward to hearing from you today how we can continue to make this war as costly for Russia that we are seeking to achieve in the coming months and how we continue to keep the

pressure on Putin so that we can give the Ukrainians the best chance to fight for their lives, their livelihood, and their country.

With that, let me turn to the Ranking Member for his comments.

**STATEMENT OF HON. JAMES E. RISCH,
U.S. SENATOR FROM IDAHO**

Senator RISCH. Well, thank you very much, Mr. Chairman. You and I share the same objectives and goals, and today is an important hearing as we look at a significant aspect of the Russian conflict, and that being the attempt to using financial matters to change the conduct as you, Mr. Chairman, have pointed out.

I think it is important that we do focus on what is coming next. We should look at where we have been, though, and I am, with all due respect, less enamored with what has been done, and I will talk about that for a little bit, but I agree that we need to focus together on where we go from here.

On February 24, of course, Russia initiated its premeditated, brutal, and illegal invasion of Ukraine. Not surprisingly, the Ukrainians pushed back, as any country would, and the result, of course, is the war that has been going on now for months.

In the months since the United States and our allies have imposed thousands of sanctions on Russia, its leadership, its companies, and properties, with the dual goals of both punishing Russia for its actions and crippling the Russian economy, to force its military out of Ukraine. Despite the announcement of sanctions, Russia's invasion of Ukraine continues, and Putin is doubling down by mobilizing hundreds of thousands of men and calling these sham referendums in the occupied regions. I think Putin obviously gets very little advice from anywhere. He treats the world like they are fools, as if somehow holding these sham referendums, whereas the Chairman pointed out, soldiers went with guns and forced people to vote in favor of the referendum, this sort of thing makes absolutely no difference. It will not change the reality in the world.

I traveled to Ukraine and saw firsthand the devastation Russia's war has caused, including acts of terrorism and genocide against Ukrainian people, acts that have not been stopped by our sanctions. All of these actions are worthy of sanctions.

While sanctions have had some success, including export controls, it requires sustained commitment and a greater willingness to close loopholes, aggressively target sanctions evasion, and periodically update sanctions guidance in order for these actions to have long-term impact on Russia. We should never return to business as usual, but sadly that seems to be what is happening.

For example, in June the Administration announced sanctions on Rostec, which the Treasury Department referred to as the foundation of Russia's defense industrial base. Yet one of the companies under the Rostec umbrella will send dozens of employees to the United States in 2 weeks for a major international conference. Now this does not sound like a company that is being pressured by sanctions. You have actual people from the Russian military industrial complex going to travel here to participate in an international conference, which supposedly will better their industry.

The Administration talks about imposing costs on the Russian defense sector, but the continued presence of Russian defense firms

in sectors of our economy speaks for itself. This is just one example of glaring gaps across the sanctions regime. This is especially true regarding Russia's energy exports. Gaps have enabled Russia to weaponize energy supplies to Europe and generate substantial, very substantial, revenues to keep Russia afloat. As Assistant Secretary Rosenberg stated last week, "Russia is enjoying windfall energy profits." Indeed, Russia has made over \$160 billion in energy profits alone since this war began.

The Administration has consistently extended the general license regarding nearly all energy-related transactions with major Russian banks, giving them relief from the sanctions. It is no wonder why Russian energy revenues are up and the ruble has stabilized. Likewise, this summer the Administration pressured Canada to waive its own sanctions on Russia by forcing it to provide turbines to Russia to repair the Nord Stream 1 gas pipeline. Meanwhile, sanctions on Nord Stream 2 are still not permanent, and Russian propaganda is already calling for it to be completed so Russia can help Europe solve its energy crisis this winter. Laughable.

The truth is the United States was the largest producer of oil and gas 3 years ago, at the end of the last administration and the start of the new administration. Most Americans do not realize that at that moment we were the largest producer of crude oil in the world, surpassing all others doing so. American companies with American workers, using American resources, had the capability to solve our domestic energy needs and at the same time help our European allies solve their energy crisis. Instead, the Administration talks about getting gas from other Middle Eastern countries and is still trying to open access to Iranian oil, which would also allow Russia to launder its oil through Iran to international markets, circumventing the Administration's purported sanctions.

At the same time, everyone will recall, on the day he was sworn in as President of the United States, President Biden signed an order stopping the pipeline that would have brought 800,000 barrels a day into the United States. Instead, the Administration advocates for oil price cap, but the countries participating have already agreed not to import any more Russian oil, so the price cap is not going to do any good there, and China and India are not participating. Also, it lacks any enforcement mechanism, as Treasury has already issued general licenses to exempt many of the maritime service providers from the sanctions that were issued.

In the absence of enforcement, the sanctions are worthless. In fact, Treasury has issued so many waivers and general licenses that little real impact is felt by U.S. sanction policies. Simply disconnecting a couple of small Russian banks from international financial markets is not the robust sanctions policy that we were promised. Meanwhile, public reporting indicates that more than \$300 billion in frozen Russian assets exists worldwide. We should be working to confiscate those funds and use Russia's own money to finance the reconstruction of Ukraine and provide critical humanitarian assistance to the Ukrainian people.

Finally, as Russia looks to evade Western sanctions and begins to scrounge for the items needed to run its war machine, the opportunities to seize additional Russian assets, interdict illicit shipments, and dry up the Kremlin's revenue streams will grow.

I look forward to hearing from our witnesses today. I really look forward to hearing how the U.S. intends to expand its sanctions enforcement to deny Russia these openings. We have got to get this right. China is watching and learning from our every move. If we get this wrong, we risk not only billions of dollars in U.S. and allied economic hardships. We will also risk providing Russia with the means to completely insulate itself from future sanctions, actions, and continue its brutal war in Ukraine.

Again, I want to emphasize that I say these things. They are critical, but it is much more important in looking forward. We can do better. I really believe we can do better. To the witnesses I would say these matters are in your hands, and I look forward to hearing how we are going to do better.

With that, thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Risch. With that we will start testimony. Your full statements will be included in the record, without objection. We would ask you to summarize them in about 5 minutes or so, so the members of the committee can have an opportunity to have a conversation with you.

We will start with you, Ambassador O'Brien.

STATEMENT OF THE HONORABLE JAMES O'BRIEN, HEAD OF THE OFFICE OF SANCTIONS COORDINATION, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. O'BRIEN. Thank you, Mr. Chairman and Ranking Member Risch, and all the members of the committee.

Russia should and will emerge from this war defeated and weakened. The sanctions policy we are implementing tries to achieve three goals at the same time: one, deprive Russia of the resources for its wars; two, reduce our partners' reliance on Russia, and thus increasing our leverage; and three, keep global markets open, especially for the Global South, and that is critical for sustaining the war effort.

Now I will make four points. One, the sanctions deny Russia's resources, and Ranking Member Risch, I frankly disagree with the statement that there is no impact. In fact, I think the impact we are having is a great roadmap toward the greater success we are going to have in the future.

I just want to call attention to two elements. First, due to export controls and targeted financial sanctions, Russia cannot buy the critical elements it needs for its war, no matter how much cash sits in the Central Bank of Russia. We see real shortages in crucial categories—artificial intelligence, optics, certain chemicals, advanced materials, semiconductors, chips—you see Russian military equipment being replaced with commercial-grade and old technology, and that is a direct result of the policies that we have put in place.

There will be more of that. As the Russians seek to evade, we go after their evasion networks. We provide technical help to the countries that need it and that are interested in retaining their access to our markets.

We also have made very clear, those who provide material support for Russian sanctions evasion are themselves subject to sanction, and we see this having an enormous impact in Russia's ability to replace the technology.

We know Russia will keep trying, so we watch as their tanks and cruise missiles cannot be replaced, and we know they will try to buy other equipment. When they look to use commercial equipment, it is often older equipment. In a way, this is race back in time. We have cut them off from today's technology and they are using older and older technology. It is like a Huey Lewis battle on sanctions. We will keep going after them as long as is necessary.

The second piece is about the broader macroeconomic picture, and I am sure Assistant Secretary Rosenberg will have more to say about this. Russia's economy is going to shrink between 4–6 percent this year, 2–4 percent next year. It is basically heading toward a cliff. Over the next few years, it will have fewer and fewer resources to do the things that it needs to do. It will not be able to spend on people, weapons, procurement, research, and production.

Half of its sovereign assets, as you mentioned, Ranking Member Risch, they are blocked outside Russia. About 25 percent of its sovereign wealth fund has been depleted this year in trying to subsidize activities, and they already have set forth 10 percent federal budgets in the non-military budget for 2023. That is the sign of a country suffering under economic distress, and I think that is a direct result of the sanctions we have put in place.

On this trend, our latest estimates are we think Russia's economy by 2030 will be 20 percent smaller than it would be if we did not have sanctions. That is impact.

Now we can build from that and do more, but the critical piece that we cannot measure is the friction and uncertainty that we have introduced into Russian systems. Russia has to buy equipment from unfamiliar vendors, through new channels, at prices it cannot set, and through constantly shifting ways to try to bring equipment into the country. That makes every transaction incredibly hard. Friction and uncertainty are the special sauce that fatigue workers and lead to mistakes, exhaustion, and finally, depletion. They are just as hard to predict as the morale of soldiers are on the battlefield, but it is just as real a factor in the way that sanctions work.

The second thing, we are delegitimizing Russia's imperial project. We have designated hundreds of people who are involved in annexation, the sham referenda election results announced, the quisling authorities, the atrocities being committed in Ukraine. That means the world cannot look away from the violence and criminality inherent in this war, and if they cannot look away, they are not going to walk away from Ukraine.

Third point, we are fundamentally changing Russia's role in the global economy. Russia provides commodities. They are critical for allowing people around the world to survive. We have that happen, but Russia is not involved in high-tech, high-value sectors of the economy, such as research, IT, finance. That is a real change from the way Russia thought of itself a few years ago.

Fourth, we are mitigating the effect of the war on the Global South, and if I may, just for a minute here, because I know it is important to some members of the committee, when Russia invaded, Ukraine's grain exports stopped. Before the war, 25 of the poorest countries in the world depended on Russia and Ukraine for more than half of their food. Russia temporarily suspended its ex-

ports. Ukraine could not export. For 2 months, tens of millions of people had no access to the food they normally would buy.

Over the last few months, with help from the EU and the U.N., we have managed to get more than 10 million tons of Ukrainian grain to market. We have also made clear that Russian grain can flow, and it is moving at about pre-war levels. That is feeding hundreds of millions of people. It is allowing the Global South to stand with us while we stand with the brave people of Ukraine.

In conclusion, I will say sanctions are just one tool in an all-of-government, every-tool approach. They cannot win the war by themselves. The courage and ingenuity of the Ukrainian people are going to do that, but what sanctions can do is make it impossible for Russia to take care of its people and pay for its wars at the same time. They can let Russia's soldiers know that today is worse than yesterday and tomorrow is going to be still worse, and they will make it impossible for Putin to carry out the imperial project that he has announced, which was not intended to stop just with Ukraine, but to go on. Those are the conditions for victory. Sanctions can create those and be part of the answer.

I look forward to the questions. Thank you.

[The prepared statement of Mr. O'Brien follows:]

Prepared Statement of Mr. James O'Brien

Chairman Menendez, Ranking Member Risch, distinguished members of the Committee: thank you for the opportunity to speak with you today on the Department of State's work to impose costs on Russia and promote accountability for its unprovoked and unconscionable aggression against Ukraine.

Like our other policy tools, our sanctions and export controls are intended to ensure that Russia faces a strategic defeat. We have three objectives for this sanctions program: 1) depriving Russia of resources and technology it can use to sustain its unjust war; 2) reducing our and our partners' reliance on Russia; and 3) maintaining global markets in key commodities.

I have two key messages to share with you today:

First, there is clear evidence that our sanctions are working to achieve these objectives. *Our sanctions are constricting Russia's resources, denying Russia and prominent Russians the benefits of the rules-based global economy, and promoting accountability for the atrocities and abuse inherent in Russia's imperial project.* Our success is increasing our own freedom of action, while it is furthering strategic failure for Russia.

Second: this success is the result of working in coalition with allies and partners, and together *our resolve is strong and unwavering. Our pressure will intensify unless and until Putin relents in his unprovoked war against Ukraine.*

Of course, sanctions are just a part of our overall policy response. Our robust economic and military assistance to Ukraine, the coalition we have built in solidarity with Ukraine, and most of all, the incredible courage of the Ukrainian people and their leaders, are the driving forces behind this effort.

Vladimir Putin made the choice to unleash this war and inflict untold damage on Ukraine and the Ukrainian people, and also on global food and energy security.

The crises launched or exacerbated by Putin's war are felt far beyond Europe, and the United States has rallied the world to respond.

I expect that Putin will keep fighting as long as his stores of weapons and money hold out. But our sanctions are constraining Russia's ability to develop, produce, maintain, and buy weapons; to replace key components for his war fighting equipment, and to sustain the pace of his efforts. We understand that for Putin, this is not just about one attempted conquest. He has embarked on an imperial project, and we are limiting his ability to wage war, now and in the future.

As you know, I started my job as the Coordinator for Sanctions Policy at the Department of State in April 2022, after my Senate confirmation. I am grateful for the support of this Committee. What struck me about the Russia sanctions program when I first came on board was the sheer magnitude of what the Administration had accomplished in so brief a time. The scope, breadth, and pace of our Russia

sanctions program is unprecedented. Our efforts have been more innovative and more far-reaching than the Russian Government and many others expected.

More than 1,000 companies, as documented by a Yale study, have withdrawn from Russia. Nearly 40 countries around the world have joined us in imposing costs on Russia for its unconscionable war on Ukraine. These numbers are testament to the fact that the Russian Government's actions not only have made normal economic relations with Russia unpalatable, but unwise from a national security perspective. The global response—from traditional partners like the UK and the European Union to partners that are relatively new to deploying sanctions, such as Australia, New Zealand, Korea, and Japan—has been a game changer on many levels. This broad coalition of partners expands the reach and impact of our sanctions, and also sends a clear message of unity in opposing Russia's egregious behavior. I work daily, with teams across the interagency, to ensure that the United States and Europe are aligned to the maximum extent that our different legal and political systems allow, and to bring new partners along in our efforts.

Since February 2022, the United States has designated roughly 2,000 Russian, Belarusian, and Ukrainian individuals and entities for their involvement in and/or support for the war, cutting them off from the U.S. financial system. This includes key nodes in the Russian military-industrial supply chains, and the oligarchs and cronies who steal from the Russian people to line their own pockets and help Putin perpetuate his war. Further, the Russian Elites, Proxies, and Oligarchs (REPO) Task Force has blocked or frozen over \$30 billion worth of sanctioned Russians' assets and immobilized about \$300 billion worth of assets of the Central Bank of the Russian Federation.

Our most recent action included the designation of more than 70 targets, including leaders of Russia's financial institutions, high-tech companies in the Russian defense sector, and human rights abusers acting in Ukrainian territory that is currently controlled by Russia. This action included the designation of 22 Russian-imposed proxy officials, including five who have overseen the seizure or theft of hundreds of thousands of tons of Ukrainian grain, exacerbating food insecurity around the globe. The United States will continue to take actions against those who are involved in, or support, Russia's defense-industrial base, its abuse of human rights, and its attempts to legitimize its seizure of Ukrainian territory, wherever they may be.

We also continue to coordinate with partners to close gaps and share information on our priority targets. For instance, after close collaboration with allies, one of our previous rollouts included oligarchs sanctioned by the EU, UK, and/or Canada, including Dmitriy Pumpyanskiy, Andrey Melnichenko, and Viktor Rashnikov. Our continued cooperation on future actions will further the momentum of our sanctions programs.

SANCTIONS ARE WORKING

There is clear evidence our sanctions are reducing Russia's access to the resources and technologies it needs to fund, maintain and field a modern military to conduct a modern war. These effects will only increase over time.

The cracks in Russia's economy already are showing: the Russian Government defaulted on its foreign currency debt for the first time since 1918, when Lenin ruled the country; Russia's credit ratings have cratered, making borrowing expensive and harder to source; Russia is burning its budget propping up industries hurt by sanctions and pursuing violence against the Ukrainian people. The Russian Government ran a monthly budget deficit in July and August alone of over \$21 billion, and on September 16, the Kremlin announced intentions to cut 10 percent of all non-military government spending.

We do not have a full picture, since the Russian Government has refused to release much key economic data in recent months. So debates will continue on the macroeconomic situation in Russia. But from what we can see right now, it appears that the Russian Government has avoided a collapse of its financial system only at considerable costs, including strict capital controls and extraordinary measures by the Central Bank. Russia effectively is frozen out of major international debt markets, and sanctions restrict U.S. and partner investors from making new investments in Russia. This hamstringing the Russian Government's capacity to draw investments from outside Russia and raises government and private sector borrowing costs.

Our efforts to disentangle Russia from global supply chains and deny it the benefits of integration in the global economy are having a significant impact. Russia's inability to get microchips and other imports has been devastating for many industries; for example, passenger car manufacturing is down between 80 and 90 percent

year on year. The lack of access to imported inputs and finished goods—particularly goods embedded with sophisticated technologies—has created bottlenecks that are impairing not only industrial production and transport, but importantly, the production and maintenance of military equipment and hardware.

Even Russian Government statistics show a decline in industrial production year-to-year for July 2021 to July 2022. Overall manufacturing was down 1 percent. Chemical and chemical products was down 4.5 percent, optics and electrics down 3.2 percent. There was an even steeper decline in electronic equipment (down 10 percent) and textiles (down 15 percent).

Our sanctions and export controls target key “chokepoints” for the supplies and technology that Russia’s defense sector needs to wage war, whether now or in the future. As the chair of NATO’s Military Committee reported earlier this month, our work is impeding Russia’s ability to replace cruise missiles and more advanced weapons. Already, Russia has been forced to seek military equipment from Iran and the DPRK. News reporting shows Russia cannibalizing commercial goods to obtain microchips and other microelectronics for use in the defense sector. Russia’s diminished future economic prospects will further hamper its ability to fund its military. Going forward Russia has two choices: it can spend more of its shrinking GDP on the military, or it can fund fewer of its military ambitions.

Vladimir Putin has for years focused on leveraging advanced science and technology to strengthen Russia’s defense capabilities. So the most recent package of sanctions that we released on September 15 included targeted sanctions on companies engaged the development of semiconductors, microelectronics, and advanced computing that support Russia’s Ministry of Defense.

Our sanctions also throw a spotlight on the atrocities and egregious abuses of human rights that are inherent in Russia’s imperial project in Ukraine. The Department of State has imposed visa restrictions on nearly 5,000 individuals in response to Russia’s full-scale invasion of Ukraine, including for human rights abuses, violations of Ukraine’s sovereignty, and suppression of dissent in Russia and abroad. Treasury’s recent designations include a neo-Nazi group that fights for the Russians in Ukraine, and the Russian official responsible for the forced deportation of Ukrainian children to Russia. We also track and expose Russia’s theft of Ukrainian grain, and we most recently designated five Russia-appointed authorities who oversee grain theft operations in the territories they control.

As President Biden declared on September 23, the United States will never recognize Ukrainian territory as anything other than a part of Ukraine. Russia’s referenda are a sham. Moscow is creating a false pretext to attempt to annex parts of Ukraine by force in flagrant violation of the United Nations Charter and international law. The United States stands with our allies and partners around the world as well as with every nation that respects the core tenets of the United Nations Charter, rejecting whatever fabricated outcomes Russia will announce. We are working with allies and partners to impose additional severe and swift economic costs on Russia.

WHAT WE ARE DOING TO HELP MARKETS RUN SMOOTHLY

I have shared with you the clear evidence we already have that our sanctions are working; but we know that they will take time to achieve their full effect. That is why one of our priorities in our sanctions policy is to ensure that global markets continue to function smoothly; this is important for the overall success and sustainability of our sanctions.

In spring, the Biden administration announced a historic release from the Strategic Petroleum Reserves. The President’s historic action is in addition to agreements with International Energy Agency member countries for collective action to address the market disruption caused by Russia’s invasion of Ukraine. My Treasury Department colleague will discuss the G7’s commitment to implement a price cap for crude oil and petroleum products from Russia. The price cap advances our twin goals of denying Putin revenue to fund his brutal war in Ukraine, while also putting downward pressure on global energy prices by allowing Russian crude oil and petroleum products to continue flowing to the global market.

We have also taken extraordinary steps—along with our EU partners and the UN—to ensure Ukraine is able to export its grain and cooking oil to a hungry world. In the aftermath of Russia’s further invasion, Ukraine’s food exports plummeted to 300,000 metric tons per month. We supported the EU’s development of “Solidarity Lanes,” strengthening Ukraine’s east-west trade routes via road, river, and rail. And in August, the EU Solidarity Lanes brought out 3 million metric tons of grain and oilseeds. Still short of the pre-war levels, but an amazing achievement. The Soli-

darity Lanes also are carrying other products like poultry and metals, generating billions in foreign exchange for Ukraine's economy.

Putin's war of choice exacerbated what was already a grave crisis in global food security. According to World Food Programme, an additional 70 million people are at risk of acute hunger because of Putin's war. We didn't cause this problem, but we are doing our best to ensure that our response to Putin does not worsen food insecurity further.

From the beginning of Russia's further invasion of Ukraine, our sanctions program on Russia has had exceptions for trade in medicine, food and fertilizer. We have worked with the U.S. Department of the Treasury to clarify the scope of U.S. sanctions with a food security fact sheet, and we have reached out to countries across the Global South to make it clear to commercial actors that our sanctions do not target Russian food and fertilizer, so the food trade can continue. We even opened a Food Security Help Desk at State for those countries that are encountering difficulties, or have questions about our sanctions, when buying Russian grain or fertilizer.

Putin has tried to blame global food insecurity on Western sanctions, while at the same time he was blockading Ukraine's Black Sea ports and maintaining a quota on his own wheat exports. But it's clear that, when it comes to food security, it's the United States that has been leading the global response. The Biden administration is providing nearly \$8.2 billion in humanitarian and \$2.3 billion in development assistance to address food insecurity this year. We strongly support the Black Sea Grain Initiative spearheaded by the United Nations and Türkiye to bring Ukrainian grain to world markets, and the Administration provided \$68 million to the World Food Programme to procure Ukrainian grain for people in Yemen, Ethiopia, and elsewhere in desperate need. While we will continue to tighten the noose on Russia's imperial ambitions, we will do so in a way that addresses the impact Putin's war is having on some of the world's most vulnerable populations.

LOOKING AHEAD

Looking ahead, the pressure will only intensify unless and until Putin relents in his unprovoked war against Ukraine. The Administration has been rolling out a new sanctions package on average every 6 weeks, and I would expect that pace to continue. In the coming months, we will continue our focus on chokepoints in the Russian economy and Russia's military supply chains. Already it is very difficult for Russia to obtain a range of critical inputs at prices and through channels that are efficient.

We will continue to be vigilant about sanctions evasion and backfilling. We want to ensure that Russia can find no back door to obtain military equipment, to hide ill-gotten wealth, or to wield malign influence. Those who continue to do business with designated persons face increased sanctions risk. Under existing authorities, persons that provide material support for designated persons could be subject to U.S. sanctions.

Russia is largely shut out of the global financial system, and we want to make sure that they cannot recreate those connections to global financial networks. That is why what the EU has done is so important. Removing banks from the SWIFT messaging service banks allows them to continue operating, but it means they are no longer important to the global financial system; they will not be hubs of activity or investment.

International partnerships are key to maintaining our impact. We need to ensure that other countries do not provide a base from which Russian actors can hide assets or evade sanctions and export controls measures. We also work with many governments to encourage and support their efforts to ensure that persons in their jurisdiction do not provide support or services to designated individuals and entities.

In closing, I want to reiterate that our sanctions are just a part of our overall policy response, one in which the United States is joined by countries across Europe and around the world. We remain united in our determination to reject Russia's aggression.

I look forward to your questions. More importantly, I look forward to working with you as we promote accountability for Russia's unjust war and unlawful conduct. Thank you.

The CHAIRMAN. Assistant Secretary Rosenberg.

**STATEMENT OF THE HONORABLE ELIZABETH ROSENBERG,
ASSISTANT SECRETARY FOR TERRORIST FINANCING AND
FINANCIAL CRIMES, U.S. DEPARTMENT OF THE TREASURY,
WASHINGTON, DC**

Ms. ROSENBERG. Thank you, Chairman Menendez, Ranking Member Risch, and distinguished members of this committee, for the opportunity to speak with you today about the Department of the Treasury's efforts to hold Russia accountable for its brutal and unjustified further invasion of Ukraine.

The U.S. Department of the Treasury is working with Administration partners, including my colleagues from the State Department and Ambassador O'Brien, who I am joined by today, to implement the U.S. Government's holistic response to Putin's war. Since the further invasion began 6 months ago, we have been advancing President Biden's promise to "squeeze Russia's access to finance and technology for strategic sectors of its economy and degrade its industrial capacity for years to come."

Earlier this month, for example, we imposed sanctions to further degrade Russia's military, hold perpetrators of this war accountable, and financially isolate Putin. To date, Treasury has sanctioned hundreds of Russian individuals and entities. This includes a majority of Russia's largest financial institutions, key nodes in Russia's military-industrial supply chains, and the oligarchs and cronies who help perpetuate Putin's war. The United States has been joined by over 30 countries, collectively representing more than half of the global economy, and imposing the largest sanctions regime in modern history.

On the other side, Russian propagandists have been aggressively attempting to bury any unfavorable news and push misinformation, saying that sanctions are not working and that they are the cause of food insecurity. In fact, Russia has crippled Ukraine's farming and export economy and dramatically driven up global energy and grain prices, a topic discussed by my colleague on the panel.

U.S. and partner economies' responses to Russia's war have had, and will continue to have, a significant effect on Russia's ability to fund its war. Russia has been forced to impose draconian capital controls. The IMF expects Russia's economy will contract for at least the next 2 years, as was also mentioned, which is a sharp reversal from its forecasted 4.7 percent growth in 2021. The Russian stock market is about 35 percent below pre-war levels. Russia is unsustainably burning through its rainy-day funds, moving towards fiscal deficit by year's end. Simply put, Russia's economic picture is bleak and is deteriorating.

Significantly, these economic constraints are translating into real battlefield difficulties for Russia. Struggling to import industrial goods and technology, Russia has been forced to turn to outdated equipment and approach global pariahs like North Korea and Iran to source material.

Because Russia is a sizeable international economy and a globally important energy producer, imposing financial costs on Russia while mitigating the consequences of Russia's actions has required extraordinary planning, coordination, economic analysis, diplomacy, and creative policy-making. We have been keenly focused on Rus-

sia's large-volume oil exports and its windfall earnings, in this high-energy price environment. At this point these energy earnings represent Russia's primary source of hard currency.

Given the global nature of oil markets, elevated energy prices affect us all, including American households that have seen rising prices at the pump and inflationary pressure across our economy. High energy prices hit the poorest the hardest, in our country and in your districts, and across the world, unfortunately.

Our effort, alongside our international coalition, starting with the G7, to impose a price cap on maritime Russian oil exports, is the most viable option to support the security and affordability of the global oil supply. The policy involves price cap coalition countries offering services for Russia's maritime transport of oil, priced below the cap, and refraining from doing so for oil priced above the cap. The majority of providers of some maritime services, such as insurance, payments, and trade finance are located in the G7 countries and EU countries, so there is an overwhelming economic incentive for buyers to purchase under the price cap so that they can use these premium services. It will be cheaper and less risky to move Russian oil cargos with these services. We are already seeing this price cap policy work, with Russia forced to negotiate steep discounts for the oil it sells to buyers in Asia.

To close, I would like to express my gratitude for the additional resources that Congress provided in the Ukrainian supplemental appropriations packages, which help us in the Administration surge in the policy response to Russia's war, and critically to support the people of Ukraine.

I would be very happy to answer your questions and I look forward to working with you all in the future. Thank you.

[The prepared statement of Ms. Rosenberg follows:]

Prepared Statement of Ms. Elizabeth Rosenberg

Chairman Menendez, Ranking Member Risch, and distinguished Members of the Foreign Relations Committee, thank you for the opportunity to speak with you today and provide an update on the Department of the Treasury's efforts to hold Russia accountable for its brutal and unjustified further invasion of Ukraine.

The U.S. Department of the Treasury is a key agency working alongside others across the Administration to implement the U.S. Government's holistic response to Putin's war. Since the further invasion began 6 months ago, we have been advancing President Biden's promise to "squeeze Russia's access to finance and technology for strategic sectors of its economy and degrade its industrial capacity for years to come."¹

Just recently, we imposed additional sanctions to further degrade Russia's ability to rebuild its military, hold the perpetrators of this war accountable, and further financially isolate Putin. To date, Treasury has sanctioned hundreds of Russian individuals and entities, cutting them off from the U.S. financial system. This includes a majority of Russia's largest financial institutions, key nodes in their military-industrial supply chains, and the oligarchs and cronies who steal from the Russian people to line their own pockets and help Putin perpetuate his war. For example, Treasury's sanctions over the last few months, including our latest tranche, have targeted elites tied to the Kremlin, firms connected to Russian steel production and the military-industrial base, and sanctions evasion networks operating on behalf of designated Russian entities. They have also exposed Russian agents and entities involved with Russian Government efforts to promulgate disinformation and election interference in the U.S. and Ukraine.

Treasury has also implemented restrictions on dealings in Russian sovereign debt; prohibited economic dealings with the so-called Donetsk People's Republic and Luhansk People's Republic regions of Ukraine; prohibited new investment in the Russian Federation, and imposed services bans covering the provision of quantum computing, accounting, trust and corporate formation, and management consulting

services to any person located in the Russian federation. We have also imposed prohibitions on importing certain commodities from Russia into the United States, including oil and natural gas, and similarly imposed prohibitions on exporting certain items like luxury goods and dollar-denominated banknotes.

The United States has been joined by over 30 countries—representing more than half of the global economy—in imposing these measures. The G7, the EU, and other partners like South Korea, Singapore, and Australia have joined us in implementing the largest sanctions regime in modern history. To complement these targeted measures, Treasury has worked alongside colleagues at the Department of Justice to develop unprecedented and wide-reaching international information exchange activities with partner countries, including through the Russian Elites, Proxies, and Oligarchs (REPO) Task Force. These efforts facilitate our ability to share intelligence, law enforcement data, and relevant financial records in order to expose shadowy economic and commercial Russian evasion networks. We are also working with allies and the Government of Ukraine to examine how we may best use Russian assets that have been frozen and forfeited to support the people of Ukraine.

In addition, Treasury has mounted an aggressive campaign to close the global financial policy and regulatory loopholes across jurisdictions that Russian aiders and abettors of this war, and other criminals, use to perpetuate their illicit activity. At home, this includes three key regulatory efforts: FinCEN's work to stand up a beneficial ownership database pursuant to the Corporate Transparency Act, developing new disclosure requirements for non-financed purchases of real estate, and ongoing analysis related to the illicit finance risks presented by investment advisers and funds. FinCEN has also issued several Russia-related alerts, including on Russia's attempts to evade sanctions. Abroad, Treasury is working to strengthen global standards for corporate transparency through the Financial Action Task Force (FATF) and enhance its focus on using financial transparency tools to combat the scourge of corruption. This includes launching new efforts at the FATF to address abuse of Citizenship by Investment, or so-called golden passport programs, and the risks for money laundering, corruption, and evasion of sanctions posed by financial gatekeepers and Politically Exposed Persons (PEPs). Notably, FATF has also taken the unprecedented step of downgrading Russia's standing within FATF as a result of its war in Ukraine, further delegitimizing it in the eyes of the international financial community.

On the other side, Russian propagandists have been hard at work. In the style of the former Soviet Union, Moscow is aggressively attempting to bury any unfavorable news and push the paradoxical narrative—and misinformation—that sanctions are simultaneously not working and yet also cause food insecurity. In fact, Russia's invasion spiked the price of energy earlier this year by 21 percent. Russia's months-long blockade of Ukraine's Black Sea ports, coupled with the purposeful destruction and theft of agricultural infrastructure, crippled Ukraine's farming and export economy, dramatically drove up global grain prices, and outrageously deprived food-insecure recipients of much needed resources. Its attacks on a major food exporter produced similar shocks to global food prices. To detract focus from its brutal tactics, Russia continues to minimize the dislocations it has caused to global commodity markets and its inhumane deprivation of people in Ukraine and across the globe.

This lies in stark contrast with the efforts of the U.S. and others to aid Ukraine and developing countries around the world suffering from Putin's actions. Foremost among these efforts are the Congressional commitments to provide Ukraine with budget support and economic assistance to keep critical government functions going. In addition, we are pushing international donors to accelerate their complementary bilateral support. We thank Congress for already granting \$8.5 billion for Ukraine assistance that has gone toward these efforts.

The economic actions we have taken, both independently and jointly with our international partners, have had and will continue to have a significant effect on the Russian economy. Russia had been forced to impose draconian capital controls and is burning through its rainy-day fund, dramatically eroding its economic base and buffers in unsustainable ways. Russia will be in fiscal deficit by the end of this year. The IMF expects Russia's economy will contract for at least the next 2 years, a sharp reversal from its 4.7 percent growth in 2021.² Russia's inflation rate after its invasion reached up to 21.3 percent, almost triple the rate from 2021, and remains in the double digits.³ The Russian stock market also reflects pessimism—its valuation remains depressed, sitting about 35 percent below pre-war levels.⁴ Further, the Central Bank Governor of Russia has started to advocate for “structural transformation.”⁵ The bottom line is that Russia's economic picture is bleak and deteriorating.

Significantly, these economic constraints are translating into real battlefield difficulties for Russia. The Russian Duma proposed wartime economic controls over the

economy which would allow the state to commandeer private businesses as necessary and force employees of certain enterprises to work overtime.⁶ Struggling to import a host of industrial goods and technology, Russia has been forced to cannibalize its domestic industry to assemble battlefield hardware it can no longer buy from responsible countries. Russia has been forced to turn to outdated equipment and approach global pariahs like North Korea and Iran to source the tools to fight.

Fundamentally, the challenge we face in using financial measures to hold Russia accountable while mitigating the effects of the war on third countries is of a different kind than we face in other sanctions programs. Russia is not North Korea, Iran, or Venezuela. Moreover, Russia is a sizeable international economy, a globally important energy producer, and over the last 30 years has grown closely tied—and in some instances inextricably intertwined—with some of our closest international partners and allies. Imposing financial costs on Russia for its brutal policies while mitigating the consequences of Russia's actions has required extraordinary planning, coordination, economic analysis and diplomacy, and creative policymaking, all alongside a large group of international partners.

In line with the 2021 Treasury Sanctions Review, we are constantly re-evaluating and reassessing our course of action. We ask ourselves: Do our policies achieve our intended goals? How has the target adapted to our measures? What adjustments do we need to make to increase our effectiveness and mitigate unintended consequences? How do we sustain and strengthen the international coalition of countries working together to hold President Putin accountable for his horrific war?

Examples of the real time adjustment Treasury has made to our financial policies include the multiple fact sheets we have issued just this year, including Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine in April 2022 and the Food Security Fact Sheet published in July 2022, which both offer expansive information about how sanctions are calibrated to avoid unintended impacts as well as to counter Russian disinformation. These public guidance documents also clarify, in writing, to both industry and the international community that agricultural and medical products are not the targets of U.S. sanctions. Rather, any impediments to the delivery of these vital commodities lie squarely with Russia and its war, theft of food products, and shelling of agricultural sites, in addition to Russia's own export restrictions on food and fertilizer.

We have also been keenly focused on Russia's oil exports as we have implemented our evolving policy approach to deny Russia the money needed to sustain its war. At this point, these exports represent Russia's primary source of hard currency. Moreover, Russia is reaping windfall profits from oil and petroleum products due to rising energy costs, spurred by the geopolitical uncertainty Russia caused by choosing to pursue a land war in Europe. We are concerned with the way energy revenues fuel Russia's war efforts, but the global nature of the oil market requires a careful approach.

Energy security affects us all—including American households that have seen rising prices at the pump and elsewhere as the downstream effects of rising energy costs have applied inflationary pressures across the economy. Elevated energy prices hit the poorest the hardest, in our country and across the world. Simply put, applying financial pressure to curb Russia's windfall energy profits requires a different, creative approach to make sure that Russian coffers, not regular citizens in our economy and the rest of the world, bear the costs we impose. That challenge—and the need for a carefully tailored policy approach—is urgent. We cannot allow Russia to continue to fund its atrocities, and we must do all we can to prevent the recessionary risks that follow extended painful, unaffordable energy prices.

Our commitment to counter Russia's energy war profiteering centers on our effort—alongside an international coalition, starting with the G7 countries (https://www.bundesfinanzministerium.de/Content/DE/Downloads/Internationales-Finanzmarkt/G7/2022-09-02-erklaerung-der-g7-finanzminister.pdf?__blob=publicationFile&v=11)—to impose a “price cap” on maritime Russian oil and product exports. Ultimately, the price cap policy is the most viable option to support the security and affordability of the global oil supply.

The oil price cap mechanism is a tool for other importers—mainly developing and emerging economies suffering most as a result of Putin's war—to demand a lower price for Russian oil that they purchase. We are already seeing this take place with Russia negotiating steep discounts for the oil it sells to buyers in Asia. These discounts are already depriving Russia of revenues it would otherwise use to finance its reckless war.

As a technical matter, this policy creates a framework (<https://home.treasury.gov/news/press-releases/jy0943>) for companies in price-cap-coalition countries offering services for Russia's maritime transport of oil: They can continue

to offer these services for Russian oil priced below the cap, and may not for any Russian oil sold above that price. Given that premium service providers and the majority of providers of some maritime services—like insurance, payments, and trade finance—are located in G7 and EU countries, there is an overwhelming economic incentive for buyers to purchase under the price cap so they can engage these service providers. It will be cheaper and less risky to move Russian oil cargoes this way. We will continue to communicate closely with service providers, as we have already done in developing this framework, to collectively, constructively, and aggressively sustain participation in and the success of this policy.

But make no mistake: This is and will remain very hard work. This is an entirely new way to use financial measures against a global bully. A price cap coalition requires unprecedented coordination with international partners, as well as close partnership with global maritime industries, and exceptional resolve in the face of hostile Russian bluster and threats, including the risk that Russia may seek to retaliate. I can tell you confidently that we at Treasury—and our partners across the U.S. Government—are extraordinarily diligent when it comes to these economic policies and the commitment to extensive and creative multilateral engagement. Moreover, we are laser-focused on the imperative to hold Russia accountable and support the people of Ukraine, to constantly understand the risk environment, and to advance a foreign and financial policy that embodies our goals and does not bend to the rants and coercion of a brutal bully.

We know that Russia's war in Ukraine is not the only challenge for which the Treasury Department will be called upon to act. Other threats demand our attention as well, and the illicit finance landscape continues to evolve. Additionally, while the U.S. dollar, U.S. financial institutions and services, and our capital markets are still dominant in international finance and trade, our adversaries are actively finding ways to attack this centrality and insulate themselves from touchpoints with the U.S. financial system. These are long-term challenges that we cannot sanction ourselves out of. We must continue to strengthen the U.S. financial system and innovate new ways to use economic policies and authorities to meet both our domestic and foreign policy objectives. The price cap—a bold policy never previously attempted by the U.S. Treasury—is the vanguard for a new form of economic statecraft, and I am proud to be a part of the team pushing these boundaries in the interest of U.S. national security.

Lastly, I'd like to echo Secretary Yellen and Deputy Secretary Adeyemo's sentiments and my gratitude for the additional resources Congress has provided in the Ukraine supplemental appropriations packages. Your timely actions are what allow me and the dedicated career staff at Treasury to surge on this urgent national security priority. The partnership between Congress and the Administration has always been very important to U.S. policy toward Russia, sanctions, and responding to the crisis in Ukraine. I would be happy to answer your questions and look forward to working with you as we move forward. Thank you.

Notes

¹<https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/02/24/remarks-by-president-biden-on-russias-unprovoked-and-unjustified-attack-on-ukraine/>

²<https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

³<https://www.cbr.ru/eng/press/keypr/>

⁴Data from time series *Moscow Stock Exchange Index* available here: <https://www.moex.com/>

⁵<https://www.cbr.ru/eng/press/event/?id=14034>

⁶As reported by Russian media: <https://tass.com/economy/1476563>

The CHAIRMAN. Well thank you. We will start a round of 5-minute questions. I will recognize myself.

We have had an impact, but it is not quite what we thought. In March, economists estimated a contraction of the Russian economy by 15 percent in 2022. The International Monetary Fund forecasted in June a more moderate contraction of 6 percent this year, and the ruble has appreciated and rallied above its pre-war value.

There is clearly more work to do. It looks likely that Russia may be behind an effort to sabotage pipelines in the Baltic Sea.

I would like to ask you both, what other effective measures are on the table, particularly as we are trying to delicately balance limiting Russian oil revenues, but maintaining energy security for Eu-

rope? On the price cap outlook, it is a creative approach, but it also requires a delicate balancing act that requires broad buy-in. We see some voices in Europe who seem to be dissenting, like in Hungary. What is your current assessment of EU support, and what is the outlook for implementing the price cap as we sit here today?

Ms. ROSENBERG. Thank you, Senator. I would be happy to begin and then turn to my colleague. I certainly agree that we must be rigorous and also agree with the Ranking Member in your opening statement too. We must be rigorous in continuing to enforce our sanctions, as well as export controls, with our colleagues across this government. What we can be sure of is that Russia has used the tools it has available to try and shore up the losses and the economic pain that we have imposed with the sanctions we have brought forward.

Nevertheless, further priorities for us when it comes to enforcement and a rigorous approach here include going after the broader networks of facilitators that support Russia's weapons procurement or technology procurement to create and supply the battlefield equipment that it uses on the front line. Furthermore, it is critical that we work with our allies in Europe and beyond to plug some of those gaps, to match our sanctions one to another. For example, where we have taken a full blocking action and a partner jurisdiction has taken a measure that is not yet full blocking, that is an opportunity for us to continue to work with them, ensuring that they have the appropriate information and mechanism in order to match us there. Those will be effective ways to continue to apply pressure.

When it comes to the EU's support for the price cap, in the G7 Ministerial Statement, G7 members plus the EU pledged their commitment to implement the price cap policy. Several months from now, on December 5. The EU came forward and made the commitment to do so, and we are working with them constantly, daily, to bring forward the regulations—in their case it will be regulation and in ours it will be through administrative action. The U.K. will use legislation—such that we are in the position to implement in the coming months.

The CHAIRMAN. You think you are going to achieve that? That is my question.

Ms. ROSENBERG. We have every indication, that notwithstanding the difficulty, and a range—indeed, it is true—a range of positions. Some want a tougher policy. Some want certain dispensation. Nevertheless, we have every good indication that we are moving forward together toward implementation of this policy.

The CHAIRMAN. Let me ask you, many of the sanctions that I called for in legislation in January have been implemented. However, some have not. Gazprombank, one of the larger state-owned banks, is subjected to more limited sanctions that predate the invasion. As we work to use sanctions as part of a comprehensive strategy, what, in your mind, would be the trigger for full blocking sanctions on Gazprombank?

Ms. ROSENBERG. Thank you, Senator, for the question. Of course, you have noted that we have taken sanctions, full blocking sanctions, on a variety of Russian banks, including imposing financial restrictions on all of its 10 largest banks. One key to the price cap

policy, which as you know seeks to continue to have Russian oil flow, but at depressed prices, is the requirement for purchasers to pay for that oil at depressed prices, which means that there must be some controlled channels in order to continue to pay for that.

Nevertheless, I will say that we have, in the last several months, moved from scenarios where we imposed so-called less-than-blocking sanctions on a financial institution and then moved to a blocking sanction. I cannot, in this context, forecast what sanctions the United States or the Treasury may bring forward, but I take note of your point and we look for every opportunity, as appropriate, to impose these sanctions.

The CHAIRMAN. Well let me drive then the last question here because it follows on. Large banks and funds sanctioned by the United States have not been targeted by the EU, including SberBank, VTB, RDIF. Our allies have targeted a host of Duma members and Belarusian defense officials that we have not sanctioned. The U.S. has sanctioned subsidiaries of sanctioned entities while our counterparts in Europe and the G7 have not necessarily.

What explains for these existing gaps, and how do we align our regimes more closely? Because we all know that the more comprehensive and multilateral sanctions are, the better off we are in its effect.

Ms. ROSENBERG. Senator, to speak to this matter, it is a priority that we have complementary and consistent sanctions across jurisdictions, and that is something we discuss with colleagues. You have noted some of the financial institutions that EU has de-SWIFTed, but not imposed full blocking measures on, for example. That is an opportunity for us to encourage our European counterparts to work with them to match ours.

I will note, based on the disposition of assets, where they are, and in which jurisdiction, it may be more impactful for Europe to take full blocking actions than for the United States, if the target does not have assets in our jurisdiction. While we are moving towards complementarity and consistency across regimes, nevertheless some of the priority measures for our European colleagues might be ranked ahead of ours if they have a greater opportunity to impede and block assets, because their assets reside in their jurisdictions.

The CHAIRMAN. Well I would like you to give us the list. Senator Risch and I often get to meet, as well as other members here, heads of state or foreign ministers from these countries. I would like to get a list of who has not met it so that when we meet them we can raise the question.

Senator Risch.

Senator RISCH. Thank you, Mr. Chairman. That is an excellent idea, and we do talk with them, and we are pulling the wagon together, but it is best to have this information where we can encourage.

First of all, let there be no mistake about this. We really appreciate what you are doing. Arguably, what you are doing is more important than what is happening on the battlefield. The kinds of things that you are doing are the ones that are going to bring Russia to heel. It seems like Putin does not mind at all throwing his young men into the meat grinder every day and having the thou-

sands and thousands, tens of thousands of casualties that he has suffered, but the financial aspects of this are something that I suspect mean a whole lot more to him than that. What you are doing is important.

I think part of the frustration here, and the Chairman mentioned it, and that is that the outset we were led to believe, or at least believed one way or another that we would be more successful in the sanctions. We all know when the sanctions started there was a big wave, if you would, of things that happened that were obvious to us. Seven hundred companies left the country. I mean, that is significant, obviously, for Russian life. The ruble, as we all know, came close to collapse at the beginning, and now it is back up above where it was from where the war started. These are the kinds of things that make you wonder, well, wait a second.

We all know, and you have alluded to it, that they have people working full-time every day to avoid the sanctions. The longer the sanctions are in place, the more ways around it that they are going to find. One example I can give you is the price cap that we are talking about, obviously when it comes to maritime services such as insurance, these are helpful. The problem with that is, is I am told that every day they are turning to maritime services that are beyond your reach, in countries like China that are not subject to this or that we cannot get. These are things that I think you need to continue to focus on.

Lastly, I think I would stay away from the argument that they are going to older and older technologies. That is a really tough argument to make to the families of the Ukrainian soldiers that were killed by these new Iranian drones that have been brought in. Now they have got an answer for that. They are doing okay with the Stingers in countering these newer Iranian drones that have been brought in, but we need the NASAMS on the battlefield. Now that is not your concern. Obviously, that is in a different lane, but that is something that we are going to continue to work at.

Look, they are doing things somewhat differently. I agree with the observation that was made that this whole thing, what has happened there has totally dissipated Putin's vision, I think, for his imperialism. This war is won already by the Ukrainians. That does not mean that the carnage is not going to go on, but Putin's idea that he could occupy this country and put in a new regime, which was his objective, and then move from there to other countries, this is over. He will never occupy this country. He will go to his grave never having occupied this country. They will fight with broomsticks in the streets, if necessary, and all of us have had the opportunity to discuss this with the Ukrainians. They are angry. They are hurt. They are not going to let Putin succeed, no matter what. Unfortunately, that does not end the carnage. It goes on.

We appreciate what you do. We want to urge you to double your efforts in this regard, because you are the ones that can really help bring this thing to an end.

So briefly, I have only got a few minutes left. Your comments, Ambassador O'Brien?

Mr. O'BRIEN. Thank you, Senator. I appreciate the comments, mostly on behalf of all the people who have been working on this since before I arrived. I met with some of the visiting Ukrainian

soldiers, I think as you did, and you visited the front. They are the real heroes, and they are the ones making the difference. We are providing them with the weapons and technology. I know there will be a briefing tomorrow by some DoD and State reps to talk about that more.

We do feel that the export controls and the sanctions are keeping Russian weapons off. We see their tactics adjust to conserve some of their more advanced weaponry, and that is a clear sign that they cannot get more.

Now in that regard, I would appreciate—you mentioned some delegation of visiting Rostec executives. I would love it if you provided us that information.

Senator RISCH. Will do.

Mr. O'BRIEN. We will work together, and I appreciate the offer to help us as we speak with our allies.

A couple of points on how we coordinate and what is happening. To some extent the divergence is also breadth of coverage, and then we do have to make sure that even if we each hit different targets at different times we then converge. I think you will see some convergence relatively soon.

In terms of what comes next, there will be more packages. We are working on more sanctions. Our European colleagues have said they will continue. President von der Leyen, in her State of the EU speech last week, said the sanctions are here to stay and they are working with us on additional packages. We will keep coordinating.

Now what are the area we will look at? Everything is on the table. We will work in the financial sector because they have very skilled professionals who are working to move functions from the banks we have designated to others, and so we will follow them down the chain, try to anticipate where they are moving. We will look a lot in high tech, especially for energy exploitation, and anything that might be dual use for the military, as well as continuing to work on the human rights violators and soft power that Russia tries to deploy through its disinformation and other areas. We can go into some more detail on that, but I am very happy to have any advice or suggestions that you or other members of the committee have.

A final note. You mentioned the Iranian drones, and of course we designated some of those involved in that transaction, but this goes to the strength of the coalition moving forward. We have more than three dozen countries, either formally or informally, working with us on export controls, run largely by Department of Commerce and by some of my colleagues at the State Department. We have about the same number of countries that are implementing strong financial sanctions. It is most of the global economy. Still, big outliers, as you pointed out, and we need to work on those.

Russia is scrounging some help from the DPRK, Iran, maybe Belarus. Not a lot is showing up. I think that goes to show you the strength of the abhorrence that the international community feel toward what Russia is doing, and that is led by President Biden and others. I know you are really helping in pushing this effort, but let us never forget the strength of the group that we are going—

The CHAIRMAN. Thank you. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you to both of you for being here.

I think the frustration that you are hearing from us was very accurately described by both Chairman Menendez and Ranking Member Risch, and that is that when we were told these were going to be the toughest sanctions ever on a country, and they were going to have certain impacts, and we have not seen the full impact that was described to us. I think we are anxious to know what more we can do, what more the Administration can do to make these sanctions even tougher, to make it even harder for Russia to operate.

One of the things you said, Secretary Rosenberg, was the fact that there are European colleagues who may be better positioned for certain banks or certain efforts because of where they are located. I would just point out, as I know you are aware, that often if the United States takes a lead that helps prompt our allies, our European colleagues, to follow that. I hope we are continuing to think about that.

I wonder if you could—you talked about the additional ways that we need to apply pressure. I wonder if you could talk about what the plan is to do that, to the extent that you can publicly. Then I wanted to follow up on the energy issue, because as Senator Menendez mentioned in the news this morning was about the sabotage of the pipeline. Maybe you could start with this, Ambassador O'Brien. The suggestion is that it is Russia sabotaging the gas pipeline. Do we have any idea what the impact of that is going to be, and how that is being mitigated?

Mr. O'BRIEN. Thanks, Senator. It is apparently sabotage. The Danes and others are going to investigate. We have to see the result of the investigation. They will mitigate the environmental damage. Neither pipeline is delivering all that much energy at the moment so it will not affect that, but we will have to evaluate the status going forward. We have promised support for the European efforts to look into what is happening.

Senator SHAHEEN. What are the other ways that we are hoping to apply pressure, increase the impact of the sanctions, for both of you really, as we think about going forward?

Ms. ROSENBERG. Thank you, Senator, for the question. To go back to where you began your comments, this is the largest sanctions program that the United States has undertaken, along with other counterparts, in the scope and scale, the size of institutions, the size of the economy, the international coalition that has brought this forward. I appreciate the point you are making that what we are seeing in the drift back up of some of the economic indicators. That is what it looks like when Russia has had to burn through its fiscal buffers in order to create a veil of management or to seek to try and telegraph stability here. The draconian capital controls that they have put in place, they have spent over \$100 billion in fiscal stimulus this year.

Senator SHAHEEN. I appreciate that and I am sorry to interrupt, but my question is really more what are we doing to respond to that? Recognizing that Russia is taking these measures to try and keep their economy as stable as possible and to reassure their public, what are we doing to make sure they are not successful at that?

Ms. ROSENBERG. I think it is critical to take the long view here and play a long game. What they are doing is unsustainable, so we must match the intensity of our prior efforts and continue on with this. That means applying pressure with our own additional sanctions and working with colleagues in other jurisdictions to match ours.

You made a very good point about leading by example when it comes to implementation of sanctions. The same is true when it comes to enforcement. When the United States takes enforcement actions, that is also a critical leadership function, not just on substance, but also in form, in the methodology of how to go about bringing enforcement actions that our partners can and will follow the United States in, in order to apply this pressure.

Senator SHAHEEN. Well thank you, and I appreciate the point about the long game. The frustration is, as we know, that while we are playing the long game Ukrainians are dying. Anything we can do to speed up these efforts I think are important.

Ambassador O'Brien, a final question, because I am almost out of time. What are we doing to get countries like India, who ought to be all in here in terms of being willing to join this effort against Russia, what are we doing to try and get them to work with us more closely?

Mr. O'BRIEN. Thank you, Senator. We work intensively with all the key governments, including India. India, obviously, has a long-term special relationship with Russia. This is a time for India to reconsider where it is positioning itself geopolitically. It is part of an all-of-government approach with them.

Indian companies understand that their access to the global financial system depends upon them complying with our sanctions, and we have made that point very clear. Deputy Secretary Adeyemo was just in India. We are working at a high level consistently with India, with other countries.

As one example of how this constantly evolves, Turkey had begun accepting an alternative Russian payment system. This was very troubling, and I think largely through a number of communications, both privately and more publicly, particularly by the Treasury, we made clear that we were concerned about this. We designated some of the Russian officials involved in the payment system, and now the government has instructed all Turkish banks to back out of it. That is a way in which we are stopping Russia from insulating itself, and it exposes them to further sanctions and to more enforcement. This happens on an ongoing basis.

Senator SHAHEEN. Thank you.

The CHAIRMAN. Thank you. Senator Romney.

Senator ROMNEY. Thank you, Mr. Chairman, and I appreciate the work that is being done by our government, Department of State, in putting in place this regime of sanctions.

I must admit that I have the same sense that I am hearing from both the Chairman and the Ranking Member that we have, in our own minds, overstated the impact of sanctions. It obviously depends on the country you are dealing with. There are some countries that if we put sanctions on them they will put sanctions on us, and it might be an unfair fight in a setting of that nature.

I say that in part because I am looking at the statistics you provided. Their stock market is down 34 percent. Our stock market is down, what, 24 percent this year. It is not the end of the world for Russia if their stock market is down. The ruble is actually trading higher than it was before the war. You note that by 2030, their economy will be 20 percent smaller. By 2030. That is a long way out. I wonder how much smaller Iran's economy is as a result of the sanctions we have had for a long time, crippling sanctions we call them. Do you know what their shrinkage is of their economy? I mean, it is at least 30. It is probably 40-plus percent, and Iran is still there and selling oil and selling military equipment.

In global markets, if we cut off access to certain technologies that Russia would want to purchase, they can find ways around it, and particularly if their friends are China and India, those are big countries with lots of technology. Some places, of course, will represent gaps.

I think that we have to have a more clear assessment in Congress' mind, in our national psyche, as to just what the impact of sanctions can do. I know many of my friends think, well, the Chinese better be watching because they are going to see this could happen to them. Well, really? Just what would be the impact if they decided not to let us buy the rare earths and the copper and the cobalt and the lithium that they dominate? Who would be hurting who the most?

I guess I look for a more precise estimate of the impacts sanctions will have. Not that we then do not do them. Of course we do, but we want to make sure that we do not overestimate in our own minds and plan on reaction that otherwise would not occur.

Am I missing this somehow? Am I underestimating this? I realize we do not have a very clear view of what is happening in Russia. We think some things will be happening, but the indications so far are it was not as crippling as we thought on Russia, and I wonder whether that teaches us a lesson that should be important to us as we consider the impact of sanction regimes in the future.

Assistant Secretary, you might lead, and then let me turn to the ambassador.

Ms. ROSENBERG. Thank you, Senator. I am happy to address this point. There are a couple of things you said which are essential for us to bear in mind. First, we must be humble, and we cannot rest on our laurels. We must take the long view and be rigorous in how we move forward. We are seeing in Russia's intensive use of its reserves, the \$100 billion it has spent in fiscal stimulus to try and disguise the true pain of its economy. We must continue to force them to burn through the entirety of the buffers they have in place.

It is that motivation which has led us to the price cap policy. The largest source of hard currency that Russia has now is from energy sales, and while we can sever Russia's access to the international financial system with sanctions, and we can impede its ability to earn money in several of its key revenue-generating sectors, it is on energy where we must focus our attention in order to deny Russia that revenue. Without that hard currency it will not be able to continue to support its economy and to disguise the cratering economic conditions that are occurring.

Senator ROMNEY. I certainly concur, but the reality is if a country has oil, they are going to be able to get money for it. If we were putting sanctions on a nation that did not have raw materials and oil, those sanctions would be really tough. With Russia, we can try and do all sorts of things, but if you have got oil and you have got gas and you have got coal and you have got gold, you are going to be able to get money.

Yes, Ambassador?

Mr. O'BRIEN. I think this is really well said, Senator, and it is an issue we struggle with every day, so I agree with you, and particularly being humble about our projections of what will happen.

I will get back to you with the point on Iran. I do not have that with me now. It is a good comparison, though obviously Russia's ambitions under President Putin are very different from Iran's. The scale does matter. I agree with the Ranking Member that the imperial ambition has taken a very serious hit at this point.

Now sanctions are one tool, and on Russia I will just emphasize two pieces in addition to what Assistant Secretary Rosenberg just mentioned. One of them is the measure for me is not how much do they have, it is what can they buy. That is why I emphasize the export controls and the restrictions on their ability to finance their major purchases, because we see that they cannot buy the things they want to use on the battlefield, and this is expanding and we will keep growing.

The second is this is impossible to quantify. As I mentioned, it is like the effect of soldiers' morale during a battle. At some point the system becomes so rickety and improvised that it cannot succeed. I mean, you had a great career making businesses more efficient and transparent, and Russia is now a system that is built upon improvisations, lies, and guesses, and that just cannot go on for long. It is impossible to put one number against that, but it is how a sanctions program really has an effect.

The China point we can discuss more. Thank you.

The CHAIRMAN. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Thank both of you for being here. I want to applaud the Administration's effort with respect to supporting Ukraine and punishing Russia. Congress, of course, has been an important partner, key partner in that effort. I think we have about \$15 billion as part of the continuing resolution in support of Ukraine.

As you mentioned, Assistant Secretary Rosenberg, in response to Senator Romney, the big sort of hole in our sanctions is the record revenue and record profits Russia has obtained from the sale of energy, oil and gas. I share the concerns that Chairman Menendez raised at the beginning of the hearing regarding holes in proposed sanctions regimes coming up with respect to the price cap. I would like to drill down a little bit more on it, because it is a creative idea, and I want to applaud the Administration for this price cap idea with the G7.

A couple of questions as to how you envision that being enacted. I assume that there will be penalties on entities from participating countries if they do not comply. Right? I mean, is that not right? I mean, if you are an entity in one of the participating countries

and you knowingly do not comply with the price cap there will be penalties, right?

Ms. ROSENBERG. Yes, Senator. That is correct.

Senator VAN HOLLEN. All right. There will be sanctions on those countries. Do you envision those sanctions being applied by each participating country?

Ms. ROSENBERG. Yes, they can. Here I think you are talking about enforcement actions?

Senator VAN HOLLEN. I am talking about enforcement actions.

Ms. ROSENBERG. Yes. They could also be applied by other jurisdictions where there is nevertheless a jurisdictional link. For example, a service provider in an EU country, but that is using dollars. There are two different jurisdictions there, so there is an opportunity for multiple jurisdictions.

Senator VAN HOLLEN. Right. In that case, in that example you are talking about the participating G7 country and the United States, when we are talking about dollar-denominated transactions, right?

Ms. ROSENBERG. Yes, Senator.

Senator VAN HOLLEN. Okay, but we have no plan to enforce the price cap on any countries that do not participate in the price cap. Is that not right?

Ms. ROSENBERG. To play out an example here, in order to answer this question. If, for example, we have a Southeast Asian country that is purchasing oil not under the price cap and using entirely non-G7 services, there is not a jurisdictional link. I would note that we believe that the powerful economic incentive for them to use services in these jurisdictions and also the risk involved in not using these services will direct, in addition to which Russia does not have sufficient services in order to completely backfill all of the barrels that would flow through G7—

Senator VAN HOLLEN. No, I understand. Again, that is applying the penalty on the servicers that are participating under the G7 framework. It is not a sanction against entities that are not part of that servicing network. I agree—

Ms. ROSENBERG. Senator, if I may.

Senator VAN HOLLEN. —if I could because my time is short. This is why Senator Toomey and I introduced the secondary sanctions regime because it is our view that if you are talking about a country like China and you are talking about a period of time—and we have to be in this for the long haul. I know you agree with that—that there is just a real opportunity if there are no penalties applied to China, for example, for buying under the price cap, that the whole thing could unravel.

I guess if all of this works as you expect, what is the downside of creating penalties, not just for servicers and entities in the G7 sort of framework, but beyond that?

Ms. ROSENBERG. Senator, we do currently have authorities to sanction entities that compel G7 service providers to violate sanctions. That is to say, there is an opportunity to go after entities outside of the G7 countries if they are violating these measures and in some way have a jurisdictional hook to ours.

Senator VAN HOLLEN. I understand. As I understand, what you are saying is if they use coercive measures, essentially, to say to

one of the servicers, if you do not participate with us in evading the price cap, we can go after you.

Again, it does leave a network, admittedly not a huge network right now, outside the G7 countries, that would be free to purchase Russian oil above the price cap. I just think especially over time, because markets can adjust quickly, oil traders can adjust quickly, over time that just leaves, I think, a big hole in what is I think a really good idea and concept.

Look, we are working with you and your team, and happy to continue conversations as we introduce the final bill.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Young.

Senator YOUNG. Thank you, Chairman. I thank our witnesses for being here today.

The title of the hearing is “Keeping the Pressures on Russia and its Enablers,” and with that in mind I am thinking perhaps it is time that the President considers more of an asymmetric approach to isolate Putin from his allies. For example, the Burmese military junta has positioned itself as Putin’s arguably most uncritical post-invasion partner in Asia. I see Moscow has readily backed the junta in return, both diplomatically and by arms sales, totaling over \$1.7 billion over the last 20 years.

Mr. O’Brien, has the Administration considered imposing targeted sanctions or reinforcement of arms embargos against the Burmese military?

Mr. O’BRIEN. Yes.

Senator YOUNG. Oh, okay. Very good. What has been the result of that reflection and consideration?

Mr. O’BRIEN. We are looking at the pillars of—we have sanctioned 70 individuals, 27 institutions. We are working with our regional partners to target the junta and sort of push toward free and fair elections.

Senator YOUNG. To leverage the ASEAN relationships, in particular?

Mr. O’BRIEN. Yes. Trying to, as with the Russia sanctions directly, we need to make sure our partners have some options. That increases their leverage. We are looking at the pillars of support of the regime.

We have sanctioned Rostec, as the Ranking Member noted, and that is a major partner in Burma. We will look to see what more we need to do there as well.

Senator YOUNG. Very good. Among the menu of options you visited, have you looked at some of the traditional sanctions or trade measures like revoking access to EU trade preference? That might be among the menu of options. What do you think about that one?

Mr. O’BRIEN. Well, that is not ours.

Senator YOUNG. You are no doubt developing these policies in concert with our allies, right?

Mr. O’BRIEN. Yes. I think maybe it would make sense for us to have a conversation in another forum. I do not want to foreshadow particular actions we may take. I think we are very focused on the continued threat the junta poses to its own citizens and its relationship with Russia, and we are developing ways that our sanc-

tions can be part of an effective policy. I am happy to come up and talk more over the next weeks if you would like.

Senator YOUNG. That would be great, and I will look forward to doing that. I represent a sizeable Burmese-American population so that is in part my interest in this topic.

Part of the engagement is owed to Beijing's engagement, particularly in 2006, when Beijing became an active intermediary with Russia. You will recall the junta secured Moscow's backing, allowing for a historical double-veto on the Security Council, scrutinizing the junta's activities. This all comes despite the regime's historic reluctance and suspicion in dealing with China.

In your opinion, what is Beijing's endgame in supporting this diplomatic relationship?

Mr. O'BRIEN. I think that economic relationships run deep. There is a long-time security relationship around the border, and so they have got a natural inclination to working together. We are looking at the ways in which our policies might be able to adjust that, but that may be a topic for a discussion.

Senator YOUNG. Yes, sir. One of the other things, I will get on record that I will look forward to exploring with you or your team is how some other bigger regional players, like China or India, might respond to targeted sanctions against the Burmese.

With that I will yield back, Mr. Chairman.

The CHAIRMAN. Okay. In the absence of any member presently being here, I have some additional questions, and we will see if anybody else joins us.

Ambassador O'Brien, first of all, outside of Europe only a handful of countries have been willing to impose sanctions. How are we working to broaden the coalition of sanction partners working to hold Russia accountable? Beyond the price cap, what are we doing to prevent countries like China and India from taking advantage of their chance to trade and help Russia make up for its losses?

Mr. O'BRIEN. Thank you, Mr. Chairman. The first step is to ensure that the sanctions are complied with by anyone who touches our system, and I think this was the heart of the exchange between the Assistant Secretary and Senator Van Hollen.

We see the private sectors around the globe being very interested in continuing their access. The private sectors in China, India, and elsewhere are very well-attuned and aware of what they can and cannot do. Even companies with substantial state ownership are aware and attuned to what we expect of them.

The coalition, in fact, the sort of coalition and those running alongside it, in fact, is pretty robust. Where there are specific problems, we raise them with those governments. We take appropriate actions, sometimes in law enforcement channels or other channels, and sometimes through sanctions activity.

More generally, broadening the coalition means—

The CHAIRMAN. Excuse me. China and India are both actively engaged in making a variety of purchases from Russia.

Mr. O'BRIEN. Yes.

The CHAIRMAN. I have not seen any actions against either one of them.

Mr. O'BRIEN. Well, the actions that we have seen are ones that are allowed under the sanctions, which I realize may be your point,

but it is not that we are negligent in enforcing the sanctions. It is that much of the trade is in the kinds of commodities that are important.

This goes also to keeping the coalition strong, because there are many lower- and middle-income countries around the world that need the global markets to function, and that includes allowing Russian and Ukrainian products to reach them. Trade, say, to Turkey, Turkey re-exports 70 percent of any wheat and grain it gets from Russia and Ukraine to Africa. Although that number looks like a lot of trade, it actually is a part of keeping the global coalition in a place where we are able to sustain the support for Ukraine.

The CHAIRMAN. Well, China is certainly not a lower- or middle-income country, right?

Mr. O'BRIEN. I think it technically—well, I think China's role in this is very interesting, because I think the Chinese have made clear, including publicly, that the war strikes them as, say, not going well. We have all seen the exchange in the last week or 2 weeks ago, and I think we will continue to work with the Chinese to ensure that they understand where our sanctions operate and that that has an effect on the way that they engage with Russia.

The CHAIRMAN. Yes. I just am a big supporter of U.S.-India relationship, but India is now part of the Quad. If you are going to be part of the Quad, you have got to act as part of it. It is not only vis-à-vis China, but beyond that.

Kazakhstan is considered by many to be Russia's closest ally, only second to Belarus, yet recent reports regarding the Kazakh Government's decision to crack down on loopholes allowing Russia and Belorussian trackers to transport EU cargo across Russia to Kazakhstan suggests that this relationship maybe fissuring.

What steps are we taking to seize upon any opportunities to put further pressure on Russia as a result of divisions possibly deepening between them and their Central Asian partners?

Mr. O'BRIEN. Yes, it is a great point. The Central Asian countries have economies that are largely entwined with Russia. Kazakhstan's access to European markets was largely by way of Russia, both its oil pipeline and its agricultural exports. Many of the countries have substantial remittances coming from emigres who work in Russia and send the money home.

We are working with them to provide them with options, whether that is physical alternative routes and other ways to develop investment and cash. Over the last week, Secretary Blinken met with five foreign ministers of the Central Asian countries. We have provided them with guidance on how to implement our sanctions. We followed up with specific concerns, and we will be having further conversations with them on precisely what they can do. I think we will see all of those countries that will be happy to have alternatives to the relationship that they had had with Moscow before, so we will continue to work in that vein.

The CHAIRMAN. Senator Cardin.

Senator CARDIN. Thank you very much. Let me thank both of you for your work, and I agree with the Chairman and Ranking Member. We have made a lot of progress, but where we have gaps, where we have the inconsistencies between our European allies

and ourselves and our global partners, we should be looking at ways that we can strengthen the sanctions.

The purpose of the sanctions that you point out is to win this war, and you have pointed out a lot of ways in which it helps—taking resources away from Russia that could be used for its military, to deal with the inability to deal with its supply chain through the material and equipment that cannot get into Russia.

I want to raise an additional point here, and that is winning this war is holding Russia accountable in addition to protecting Ukraine's sovereignty for the destruction it has caused and to hold those responsible for the atrocities criminally responsible for their activities. One of the points about individual sanctions, one of the points about putting a spotlight on the people that are committing these atrocities is that there will come a point that those around Mr. Putin, and those in the military recognize that their future may be at the Hague, and they may wish to try to cleanse themselves from the atrocities being committed.

One of the ways that we make that point very clear is through individual sanctions. I do appreciate that the United States has been strong on the individual sanction front, but as you pointed out, we can do more. The atrocities are continuing, so our spotlight on those committing these atrocities need to keep up with, unfortunately, the activities that are occurring through Mr. Putin's direction.

I just really would like to get your assessment as to how we are working with those that recognize that accountability must be part of the ultimate victory here, and the way that we use our individual sanctions gives a roadmap to those that will be ultimately responsible for this part of accountability.

Mr. Ambassador, do you want to start? Or either one.

Mr. O'BRIEN. Thank you, Senator. You have been a champion on these issues for all my time working in public service and I appreciate the support. I completely agree with you. I think that it is necessary to highlight the criminality and the violence that is intrinsic to this imperial campaign. One of the, say, buckets in which our sanctions work is to highlight the atrocities that are being committed, anything that goes to indicating the illegitimacy of the project.

We have sanctioned scores, if not hundreds of individuals. As we learn we will sanction more. As we learn more about the institutions that are part of this we will continue to designate those. Any Russian-backed institution established in the occupied areas is a target for designation and very likely to be so, and that is part of a policy for the other work that others are doing, and I know you know it well. Ambassador Van Schaack and others are working to support investigations, the documentation of the atrocities, and making clear that, as you say, for many of these people their future may well be in the Hague.

Senator CARDIN. Secretary Rosenberg, a lot of times there is the pressure on the economic sanction front, and the individual sanction front may not have the same degree of visibility or attention. Assure me that is not the case in your work.

Ms. ROSENBERG. Thank you, Senator, for the opportunity to do so. There are two points that I want to make that complement

what my colleague, Ambassador O'Brien, has just said. Individual sanctions on ultra-high-net-worth individuals in particular, are particularly critical in this sanctions regime. They do a number of things. So first, it sends a powerful message, as you have indicated, and it also will lock up the assets and holdings of these individuals who benefit from their position with proximity to President Putin or who otherwise support and facilitate his activities and decision-making.

The so-called REPO Task Force, the Russian Elites, Proxies, and Oligarchs Task Force, which is the Treasury Department and Justice Department here in the United States and their counterparts in the G7 countries, have worked together to enforce these ultra-high-net-worth, or oligarch sanctions, individual sanctions, across our jurisdictions, and have locked up, frozen over \$30 billion related to these individuals. That is material for our purposes here.

Furthermore, you have noted the criminality associated with some of these individuals. To the extent that is established, then we have the opportunity not just to freeze these assets, but then forfeit them, including for purposes of restitution for the Ukrainian people, which is a unique opportunity of great significance for this program, given the Ukrainian people that we all seek to support and address in this broader sanctions program.

Senator CARDIN. That is an area that I am sure we are going to put more attention to as we get later to the restitution issues in Ukraine itself.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I have one final question for you, Ambassador O'Brien, since we have you here. We are obviously devoting extensive resources to Russia sanctions, as we should. I wonder whether this comes at the expense of our ability to respond effectively in other regions. For example, despite horrific conflict in Ethiopia, where fighting has killed an estimated half a million people in Tigray alone, the Administration has not sanctioned any Ethiopians for gross violations of human rights. Eritreans, but no Ethiopians. Clearly, there are Ethiopians that have been part of gross violations of human rights.

Likewise, the Administration has not sanctioned any senior security force officials in Sudan for the killing of more than 100 pro-democracy protesters since the October 2021 coup, or Sudanese known to be working with the Wagner Group to export Sudanese gold to Russia.

What needs to happen to ensure a proactive approach in these areas?

Mr. O'BRIEN. Thank you, Mr. Chairman, and your attention to these areas I very much appreciate. I do not want to foreshadow what we are doing. I would love to maybe come and we could have a discussion with some of my colleagues from the policy side.

Part of the mandate that this committee shaped for my office is to ensure that sanctions are properly used as part of an effective policy. I have spoken with Ambassador Hammer, and we are very focused also on the issues, and that is around the Horn and Ethiopia/Eritrea. We are also very focused on the issues across the Sahel, from Sudan across to West Africa. I think in that regard it

would be great to have a conversation about where we see things moving.

The influence of Russia is something that—well, how to put this. We are well aware of the Wagner operations, and Mr. Prigozhin advertising himself across the region, and that makes it a very high-priority target. In addition, I think Sudan and the gold trade and other elements are very important to us, so maybe we can come and have a conversation in another venue for that.

The CHAIRMAN. Well, I would be happy to have a conversation in another venue. Let me just say, I think one of our challenges in our sanctions policy, more broadly defined, is if you are committing human rights violations, as clearly it is happening in Tigray and Ethiopia, if you are committing human rights violations in Sudan, and for that fact, in other places of the world, and we do not sanction them when we have full knowledge of it, then what is the global message? What is the global message to other nefarious and authoritarian actors in the world about, well, they pick and choose when they want to do it.

I understand broader policy constructs and sanctions within that context, but I also think there is a gnawing question, for those of us who are big advocates for human rights and democracy, about the lack of our sanction policy when it is so clear and obvious that there are parties here that clearly have blood on their hands. It is not that we do not know who they are—we do—and we do not pursue them.

I think that is a problematic set of circumstances as we deal in a broader policy construct, but certainly as it relates to these countries. Because I have a feeling that as it relates particularly to Ethiopia, some of your colleagues have an aspiration, but it is not an aspiration that is being realized. In the interim, half a million people have been killed. How long do you wait before the aspiration is realized until you use one of your tools of peaceful diplomacy? We only have a handful of them.

At the end of the day I welcome, and I will have my staff reach out to you, and you bring in whoever you want, and in any setting you want. I want to have a serious conversation about why we do not see action in some of these things. Someone is going to have to make the case to me that, in fact, it is better for our ultimate goals, and to save the lives of people, that we not pursue any sanctions than that we do. I am looking forward to that.

Mr. O'BRIEN. I appreciate the attention and I agree with you. Thank you, Mr. Chairman.

The CHAIRMAN. I am told Senator Kaine is on his way, but I do not know how much longer we can keep this open, waiting for colleagues.

Well, I was not going to belabor the point, but instead of just sitting—you work with your colleagues, Ambassador, obviously, in the promotion of these sanctions. They are bilateral relationships that are challenging. What about Orbán in Hungary? He seems to be one of the roadblocks as we deal to cohesion over EU sanctions.

Mr. O'BRIEN. We have made clear our support for the position of 26 of the 27. Obviously, Hungary has its own difficulties right now with the European institutions. We strongly support the emphasis on the rule of law in Hungary. We are very concerned about the

prospect of Russian influence operating through Hungary, and are calling attention to that in all the channels that we can find.

Senator, just as a minor point, one piece that the EU did, a decision made in July, was to align all of the sanctions programs so that they all roll over at once. This makes it very difficult for one country to stand up and block everything, as opposed to before when they could kind of pick one small item and try to stand up. I think that is part of the strategy of focusing attention where it needs to be and making it easier for us then to bring whatever tools we have to bear.

The CHAIRMAN. You do not think he will be an impediment to the necessary unity of the EU to enforce its sanctions?

Mr. O'BRIEN. I am not going to predict. I think that the gravity in this situation runs toward maintaining the coalition and keeping everything moving well.

The CHAIRMAN. Senator Kaine, I have been filibustering here for you, although I have gotten very precious information in doing so. You are recognized.

Senator KAINE. Great. Thank you, Mr. Chair and Ranking Member Risch, and thanks to the witnesses. I am not going to ask you to repeat questions that I am sure my colleagues have asked. One of the things I am interested in, and I know questions have been asked about European solidarity and how that is going to hang together as we get into winter with energy challenges.

If you could talk about the potential role of the current or potential role of the OSCE. We often talk about NATO, and that is a flash point with Russia, but OSCE is the broader organization, as you know, that includes many European nations that are not members of NATO, including Russia. It struck me that during the last administration, I started to notice maybe a little bit more activity in the OSCE. Share with me. Is there value that that institution is bringing, or can bring, to this very, very difficult problem?

Mr. O'BRIEN. Thank you, Senator. The OSCE, of course, is the institution that was formed around the values of the West, and in this conflict it has allowed us to clarify what it takes to be a member of the rule-abiding group.

The OSCE has a set of institutions and standards that are very important as we move forward. I know the Secretary is attending an OSCE ministerial and democratic elections in the next week. That will be a key place to highlight some of the important steps governments can take to reinforce the rule of law for having free and fair elections and taking steps against corruption. That is very important, particularly through Central Asia. I was just meeting yesterday with a visiting minister, and this was one of the focal areas of the meeting. You see, the OSCE is a place in which we refine the standards and help one another meet them. That is one particular role.

Its peace and security role is something maybe we can come back and brief you on more. Obviously, with Russia there it becomes a little more difficult, but the role in the rule of law and democratic standards is a vitally important one.

Senator KAINE. Secretary Rosenberg, I want to ask you, and I imagine you have been asked this, but if I could, what grade would you give to our allies in terms of rigorously complying with sanc-

tions, or how much leakage is there around the sanctions? I know it varies country to country, but if you could kind of give me a more general answer first, and then if there are things that we can do to improve the bite of the sanctions and reduce leakage, or end-running around the sanctions, what should we do?

Ms. ROSENBERG. Thank you, Senator, for the question. We work extremely closely with our colleagues in Europe and elsewhere to bring forward sanctions, sharing information in order to construct the packages, the technical work of implementing them, and sharing information for enforcement actions that we can take in our jurisdiction or they can take in theirs.

The sanctions that we have brought forward with respect to Russia are unprecedented in their scope and scale, in the number of international partners involved, in addition to those European partners with which we work closely. Also partners in East Asia. This is the first time that Singapore, for example, has brought forward this kind of sanctions program on an individual country, outside of a U.N. framework. The same is true for a number of East Asian partners. The information exchange that we have all had, including with these Asian allies, has been truly unprecedented.

Furthermore, the technical implementation is fresh in this experience. The information-sharing, downgrading of information in order to construct these packages and to enforce them, and also the mechanisms for things like licensing, guidance—this is brand new territory for many of our allies, and they have worked at lightning speed to implement it. It is truly a feat, and it sets us up for other shared challenges that we may encounter in the future.

Senator KAINE. Thank you for that. I will just conclude and say that my colleagues know I do not mind criticizing administrations that are Democratic or Republican if things are going wrong. Not that everything with respect to U.S. response in Ukraine has gone right or perfectly, but the Administration confronted a very, very difficult challenge, which is European nations, including Ukraine, did not think there would be an invasion, and we believed there would be. With the same facts we had very different predictions about what would happen.

I think what the Administration did, given that challenge, was really adroit in pre-negotiating a set of consequences that would snap into place if our prediction turned out to be right and our allies were wrong. We wanted them to be right and us to be wrong, but if we were right and they were wrong, the way the Administration put consequences in place in advance, I just give that very, very high marks and I appreciate your role in that.

With that, Mr. Chair, I yield back.

The CHAIRMAN. Thank you. Senator Kaine, my filibustering for you has allowed two of our other colleagues to make it here on time, before the end of the hearing. Senator Portman is next.

Senator PORTMAN. Thank you, Mr. Chairman. As you know I said earlier, and I am sorry I had to step out for a markup, but I really appreciate you holding this hearing, you and Senator Risch, and your vigilance in ensuring that we can put the squeeze on Russia, because that is all that is going to get them to the table.

I will say earlier there was discussion by Mr. O'Brien about the fact that we need to demonstrate, you said the violence and crimi-

nality going on in Ukraine. The atrocities are clear. I was in Bucha a month ago and saw where the mass graves are. Izyum, we learned about last week, which is this part of northeast Ukraine that has now been liberated. Torture, rape, executions of civilians, forgetting the bombings of the hospitals and the churches and the apartment buildings, forgetting the fact that they are taking orphaned kids out of Ukraine and putting them in Russian families, when they could keep them in Ukraine in extended families. These are actually definitions of genocide.

We need to understand, this is going on as we talk, and what are we doing about it? Well, we are helping the Ukrainians militarily, and I think that has been extremely helpful to the successes we have seen on the battlefield. I think that is all that gets Vladimir Putin to the table is feeling some pressure on the battlefield. Second, he has got to feel pressure at home, and I do not think they are feeling the squeeze.

I appreciate all you are doing. I agree with what Senator Kaine said, but team, we have to realize that this is not working yet. You look at these numbers. You said that the Russian economy is bleak and deteriorating. That is how I would describe the Ukrainian economy. The Ukrainian economy is down, by best estimates, 40–50 percent—40 to 50 percent their GDP, this year. How about the Russian economy? How far is it down this year? Well, based on the IMF numbers that we have, the best numbers we have, it is down 8.5 percent in 2022. Our economy is down this year a couple of points. Eight point five percent versus 45 percent or 40 to 50 percent—the economic comparison is, to me, pretty concerning.

I am not sure they are feeling the squeeze in terms of the sanction side. They are starting to feel the battlefield successes by the Ukrainians, and I think that will help get them to the table. We have got to tighten up the squeeze on Russia, if we all agree that what they are doing are atrocities. I agree with that, and so does the free world.

Energy. Windfall earnings this year. In Russia, the revenue that Russia is getting from energy is up 30 percent this year. If I am wrong, correct me. Is that accurate, that the revenue is up 30 percent this year? That revenue is funding the war machine.

My questions are many, but Ms. Rosenberg I am going to start with you. I would like to reiterate the importance of Europe and their dependence on Russian energy. We have talked about that before. I have given speeches on this on the floor, that Europe needs to do more in terms of the energy side.

LNG imports are up. That is good. They are twice as high as they were last September right now, and I am all for the LNG exports from us and from the Middle East to go to help, and from other countries. The share of Russian natural gas has gone down. That is good.

What I want to know is the Treasury Department has renewed the General License 8C, which has allowed certain Russian energy transactions to continue without sanctions. Is the Treasury Department prepared to sanction entities once that waiver expires in December—I think it is on December 5—or does the Department intend to extend that license again?

Ms. ROSENBERG. Senator, thank you for the question. I could not agree more that we need to be laser-focused on Russia's windfall earnings from energy and deny Russia some of that earning in order to fund its brutal war. That has led to this price cap policy amongst the G7, which would seek to keep Russian oil flowing at a lower price in order to deny Russia that revenue.

One thing to note. You mentioned General License 8C. This, as you know, is the method by which purchasers of Russian oil can continue to pay for that oil. The price cap policy, in keeping that oil on the market, though at lower prices, requires that those purchasers be able to purchase it. That is part of the conceived policy here, which would keep the oil on the market but, as we have noted, diminish the revenue.

That is part and parcel of this broader policy. It is different from prior sanctions, which have focused on denying volume rather than revenue. Here, given the critical interconnectivity of Russia's economy with so many others for commodities, energy in particular, this is part of the policy.

Senator PORTMAN. I am at the end of my questioning time. Let me be sure I understand what you are saying. You are saying that General License 8C may well be extended in early December because instead you believe that the price cap is more important. That should be used instead of the energy sanctions under the 8C license. Is that what you are saying?

Ms. ROSENBERG. Senator, I am not in the position to forecast exactly what will happen with this or other general licenses. Nevertheless, I would emphasize here that in order for the price cap policy to successfully deprive Russia of revenue by pushing down the price there must be a means to pay for it.

Senator PORTMAN. Let me ask you about the price cap. Have you set a price yet for the price cap? Yes or no.

Ms. ROSENBERG. The process has begun to set the price.

Senator PORTMAN. Have you set a price yet?

Ms. ROSENBERG. The process is—

Senator PORTMAN. Yes or no.

Ms. ROSENBERG. —has currently begun in order to set that price.

Senator PORTMAN. Have you set a price yet? Yes or no.

Ms. ROSENBERG. The process has begun, Senator.

Senator PORTMAN. Have you set a price cap yet? Yes or no.

Ms. ROSENBERG. We are in the process, Senator, of doing so.

Senator PORTMAN. You will not say no. Why will you not say no? You have not set a price yet.

Ms. ROSENBERG. Senator, I appreciate your question, but we have begun this process with the G7 partners in the price cap coalition.

Senator PORTMAN. Okay. The answer is no. You have acknowledged that. Correct?

Ms. ROSENBERG. Senator, I appreciate your question. We have begun this process and fully intend to do so.

Senator PORTMAN. Maybe you can follow up on that. My time is—

The CHAIRMAN. The answer is no—

Senator PORTMAN. Thank you.

The CHAIRMAN. —because they have not established it yet. They are in the process of establishing it.

Senator PORTMAN. Yes, so just say so.

The CHAIRMAN. If you asked right now what is the price cap, there is no price cap to give you, but they are in the process of establishing it. That is what I take away from the answer.

Senator PORTMAN. I think General License 8C is more effective. I understand what you are trying to do with the price cap. I think going against market forces is very difficult to do. I think there are some practicality issues there. My hope is that we will not extend that General License 8C and that we will continue to do what we can to try to truly squeeze Russia on the economic side. That has to be through energy.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Cruz.

Senator CRUZ. Thank you, Mr. Chairman.

Ms. Rosenberg, for decades Iran has used Russia to evade sanctions. Recently we have seen that situation reversed, with Russia using Iran as a hub to evade our sanctions in response to Putin's further aggression against Ukraine.

I am specifically concerned about Iran supplying Russia with weapons. The Iranian regime has been supplying Putin with drones that threaten to stall the enormous progress that our Ukrainian allies have been making retaking their territory.

Now the Biden administration has sanctioned some of the Iranian drone manufacturers and the transportation companies, and that was certainly a good start, but it has not worked. Iran continues to supply these and other weapons.

Now I believe one of the reasons it has not worked is because you have stopped short of targeting the Iranian banks, including the Iranian Central Bank, that enable these sales with the same powerful authorities you have used elsewhere. Why has the Biden administration not imposed additional sanctions on Iranian banks involved in the supply of weapons to Russia?

Ms. ROSENBERG. Senator, thank you for your question. It is particularly horrifying and egregious when Russia is able to use entities and individuals to supply its military equipment, its materiel, in violation of sanctions. In the instance you were talking about from earlier this month, where we designated Iranian entities supplying drones to Russia, that is an example of Russia's evasion. They were supplying a designated entity. We are looking for every opportunity to go after nodes in a network of procurement that Russian designated individuals are using to seek material and technology to field its battlefield equipment.

Senator CRUZ. Ms. Rosenberg, I am a little dismayed. Every word you said was non-responsive to my question. My question was, why has the Biden administration not imposed additional sanctions on Iranian banks involved in the supply of weapons to Russia? Let me try it again.

Ms. ROSENBERG. Senator, we are looking for good opportunities and the relevant intelligence and information to substantiate packages to go after evasion networks, including with respect to Iran. I take your point and appreciate this one. I would be happy to continue talking with you and your staff as we put together the pack-

ages to do so. This is a priority for us, looking for Iranian and North Korean entities supplying Russian materiel.

Senator CRUZ. Okay. Let us take that answer at face value. Do you commit to this committee to maintaining powerful secondary sanctions on Iranian banks, and especially the Iranian Central Bank, for their role in supplying weapons to Russia, even if there is another nuclear deal?

Ms. ROSENBERG. Thank you for the question. I can commit to this committee to powerfully imposing and enforcing sanctions on any evasatory network, Iranian or otherwise, that supplies Russia with military equipment to fund this brutal war.

Senator CRUZ. How about what funds it, like the Iranian Central Bank?

Ms. ROSENBERG. Funding, facilitation, of financial or material means, those are all priorities across the Administration.

Senator CRUZ. You have not done it yet?

Ms. ROSENBERG. We have gone after a variety of evasatory networks.

Senator CRUZ. Not the banks?

Ms. ROSENBERG. We have named financial nodes in different instances, and furthermore, companies acting as financial cutouts. Russians, unfortunately, are best in class at evading and creating—

Senator CRUZ. At the end of the day it is not complicated. We know the banks are doing this, so it is not best-in-class evasion. They are doing it openly and brazenly. The question is, does the Biden administration have the political willingness to sanction them, or is the Iran deal that is such a holy grail for this White House that they are willing to look a blind eye while the Iranian banks fund weapons that are being used by Putin to kill Ukrainians right now in the midst of the invasion?

Ms. ROSENBERG. Senator, I think we share the political commitment and intensity of focus with many of the members of this committee and of Congress to go after evasatory individuals and networks and entities, wherever they may be located, that are funding Russia.

Senator CRUZ. Let us change the topic for a second and let us go to another aspect that contributed to the war in Ukraine, which is Nord Stream 2, and actually Nord Stream 1. As you know, I authored legislation sanctioning Nord Stream 2. It stopped the construction of Nord Stream 2 until President Biden waived those sanctions, which allowed Putin to complete the pipeline and caused the invasion of Ukraine.

Right now it appears both of those pipelines have been bombed or destroyed or sabotaged in some way. That sabotage was carried out either by the United States, by Russia, or by some third party. I assume you are not going to tell this Administration, if it was the Biden administration, that blew up those pipelines.

Ms. ROSENBERG. I would be happy to defer to my colleagues from the State Department. Those authorities for Nord Stream 2 rest with the State Department.

Mr. O'BRIEN. Senator, we have said it is apparent sabotage. There are investigations happening in Europe. We will see what the investigations turn up.

Senator CRUZ. Does that mean you are not going to tell us if it was the Biden administration?

Mr. O'BRIEN. Senator, I think even the question poses a premise that is impossible to answer in an effective way.

Senator CRUZ. You can answer yes or no.

Let me just ask this because my time has expired. Let me ask a final question of Ms. Rosenberg.

I think the pipelines being out of commission is good for the United States and good for Europe. Would you agree it would have been much better to stop those pipelines using our sanction authority, which had been successful, rather than what we have now, which is an environmental disaster due to the sabotage? Would you agree that sanctions would have been a much more effective way to do this?

Ms. ROSENBERG. Senator, to the point of European energy security and denying Russia economic advantage and opportunity, and the opportunity to engage in manipulating Europe on the end of the pipeline, I think there are a variety of different ways, and I appreciate the collaboration we have had with this committee and with Congress, in general, in addressing those key priorities. I think more broadly on the sanctions versus our diplomacy, our energy supply relationships, it is the combination of all of them that can best advance our purposes.

Senator CRUZ. Thank you. It is amazing you are not willing to answer that question.

The CHAIRMAN. Senator Coons.

Senator COONS. Thank you, Mr. Chairman. I would like to thank our two witnesses today for your engagement in implementing the Biden administration's global leadership in pulling together our allies, not just in western Europe, but around the world, and imposing real costs on Putin and Putin's Russia for their brutal invasion of Ukraine.

Forgive me. I was at another hearing. The Judiciary Committee is currently conducting a hearing on how to hold accountable those Russians who are committing war crimes, atrocities against Ukrainians, so I may have missed the exchange on this particular point.

Are there additional economic sanctions that you are urging that we support or authorize or that the Administration is considering that would impose significant and effective additional costs on Russia, and if so, what are they?

Ms. ROSENBERG. Thank you, Senator, for the question. There are two main themes that I would like to address in answering your question. The first is a continuation of many of the sanctions on targeting financial institutions and military entities or military industrial supply chains. That is critical in order to deny Russia revenue to fund its brutal war, not only the U.S. imposition and enforcement of those measures, but also the parallel implementation and enforcement by our colleagues and counterparts in Europe and other jurisdictions that have parallel measures. We have an opportunity for them to match us in certain of our measures, and vice versa.

Senator COONS. Great. Should we be considering revoking Russia's membership in institutions like the IMF or the World Bank?

That would be a significant and a bold step. I would be interested in hearing your opinions on whether further removing them from some of these multilateral international financial institutions would have some positive impact.

Ms. Rosenberg and then Mr. O'Brien, if you may.

Ms. ROSENBERG. Thank you for the question, Senator. This question is relevant not just for financial institutions, but other multilateral bodies in which Russia has membership. The principle that, if I may, the Administration has sought to consider when evaluating each of these is that Russia should be denied opportunity for decision-making and leadership in forums where that is unacceptable for it to continue to play a leadership role. The bylaws of different organizations and institutions create different pathways here, whether excluding Russia entirely or depriving it of leadership and decision-making. It is different from institution to institution or multilateral body, but we are committed to the principle that Russia should not be in the position to inform significant decision-making or hold a veto over policy that other members would seek to advance.

Senator COONS. Let me ask you one more question briefly and then I will turn to Mr. O'Brien for both. Is Treasury looking seriously at using Russian asset seizures as a way to fund reconstruction efforts in Ukraine?

Ms. ROSENBERG. Thank you for that question. This is a major priority for this Administration. I know many here on the Hill are also focused on this, and I expect that some of our Department of Justice colleagues may have had the chance to share with you some of their preliminary thinking on this matter.

The Administration did send suggested legislation up to the Hill earlier this year. It was not included in the supplementary legislative package, but this is an area we would like to focus on further with all of you. The concept of restitution here is key for many of us. The mode and mechanism requires some detailed work, including with our allies.

Senator COONS. Mr. O'Brien, if you might. I would be interested in your views on the consequences for our relationships for us to both impose additional secondary sanctions or enforce secondary sanctions against nations that we otherwise have good relationships with for their ongoing business dealings with Russia. Just hypothetically, Turkey, the UAE, India. What would the consequences be of our trying to actually carry out the things Ms. Rosenberg is talking about, driving the Russians out of positions of leadership and responsibility in multilateral financial institutions, actually enforcing secondary sanctions, seizing assets and using them for reconstruction?

Mr. O'BRIEN. Well, I think the point, Senator, is we have many tools to get countries into compliance with sanctions. Many of the countries actually want to be part of the rule-abiding club, or at least have access to our economies, and that gives us enormous leverage through the prospect of financial sanctions, designations, export controls, et cetera. In each of those situations that I would say, in a number of other countries that have different relationships with Russia, we find ourselves in active conversations about how they can retool their economies to not be completely dependent

on Russia, how they can develop the mechanisms needed to enforce the sanctions and comply with them. Then, throughout that process, while we are working with governments, the private sectors are well aware of what will make them vulnerable to sanctions.

Then I will close with this point. As we mentioned in a particular conversation earlier, sometimes if we designate the Russian counterparty, then that causes the institutions in some of those countries to say they can no longer continue working in an area. We do not necessarily have to employ these tools against the friendly countries, but we are able to achieve the same result in other ways.

Senator COONS. Thank you. I would like to thank you both for your testimony and for your work, and to recognize the Administration's success so far in pulling together a very wide range of very disparate partners, but also urge you to sharpen and focus this work because of the urgency of imposing greater costs on Putin's Russia for their aggression in Ukraine.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The record for this hearing will remain open until the close of business tomorrow, and with the thanks of the committee this hearing is adjourned.

[Whereupon, at 11:53 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MR. JAMES O'BRIEN TO QUESTIONS SUBMITTED BY SENATOR JAMES E. RISCH

Question. One goal for creating this office and elevating this position to the rank of ambassador was to create a centralized point of contact for foreign governments to ensure effective communication with allies and partners on sanctions, implementation, and technical cooperation. In the months since your confirmation, how would you say that communication is going? Do you feel you are able to effectively engage with other nations and appropriate staff on sanctions issues? Do you feel other nations are aware that they can and should be coordinating through the Department's Office of Sanctions Coordination for any questions, concerns, or updates?

Answer. In a few short months, I have established productive and direct relationships with my G7, UK, and EU counterparts on an array of sanctions and sanctions-adjacent issues, such as the Black Sea Grain Initiative and the EU's Solidarity Lanes program. These relationships have built upon the existing sanctions architecture and expertise at the State Department and are proving invaluable for coordinating successive tranches of Russia sanctions, information-sharing, and other key priorities, such as facilitating the movement of Ukrainian grain. I also have developed highly productive relationships with UN counterparts, banks, insurance companies, and the like. I look forward to deepening and expanding those relationships to encompass other regional sanctions priorities.

Question. In your opinion, have your office's communications with other nations been successful so far? Do you feel other nations see you as a legitimate point of contact on sanctions matters? Or will it take additional time for other nations to recognize the Office of Sanctions Coordination as a primary source for coordinating sanctions information?

Answer. In a few short months, the Office of Sanctions Coordination (S/SC) has increasingly expanded its reach—and outreach—to other nations, including our UK, EU, and Indo-pacific partners, as well as Central Asian and Africa countries. Senior officials from these partner countries regularly seek our guidance and advice on sanctions policy issues involving Russia, anti-corruption, critical minerals, and other country-based and thematic programs, such as Global Magnitsky. There is more work to be done in certain regions to socialize our overarching coordination role, but we endeavor to approach this with a whole-of-government approach that leverages

contacts and expertise within the State Department and the Department of the Treasury.

Question. Where does the United States need to improve communications with foreign countries on sanctions? Particularly on Russia sanctions?

Answer. We have long had robust cooperation and communication with the UK, Canada, and EU on sanctions, including on Russia sanctions since 2014. We also have increased coordination with other key partners, such as Australia, New Zealand, Japan, and Korea. This is important to ensure that our communications with foreign countries on sanctions are tied to our foreign policy objectives and are grounded in a broader strategy. Looking ahead, we intend to enhance our communication and outreach to countries that traditionally have close ties with Russia, such as Turkey and others in Central Asia and the Caucasus region. By engaging both partner governments and the private sector, we can increase sanctions compliance and implementation, prevent illicit flows of money to and from Russia, and counteract sanctions evasion. More broadly, it is important that we continue to clarify the scope of our sanctions and counter the narrative that our sanctions are responsible for food insecurity or high energy prices, which we intend to do in concert with our G7 partners.

Question. In particular, how would you say your communications with the European Union are going? How often do you communicate with DG FISMA?

Answer. We have a strong, productive relationship with our EU partners—including at DG FISMA—and are continuously working to maintain alignment and bolster transatlantic sanctions unity. We also engage with key Member States, which are critical for continued unity and sanctions implementation. I personally have travelled to Brussels on numerous occasions since my confirmation to engage on Russia sanctions and related issues, such as the EU Solidarity Lanes and Oil Price Cap.

Question. It is my understanding that earlier this year, when Russia sanctions were rolled out, DG FISMA had fewer than 20 staff responsible for all sanctions alignment, inquiries, and enforcement for all 27 EU member states. Do you feel DG FISMA is appropriately resourced to coordinate sanctions enforcement for the EU?

Answer. The European Union's economic response has been robust and closely coordinated with the U.S. and our other partners. This reflects a response that draws on resources across the European institutions. We work across EU institutions and directorates, with DG FISMA, DG TRADE, and the European External Action Service, on different responses to Russia's actions; they along with others, work under the coordination of the Commission Presidency. We also work with the Council of member states and individual member states on the enforcement and implementation of sanctions. Several member states have created sanctions coordination and implementation offices, and the Commission has announced plans to create a sanctions coordinator's office that will augment its resources further. I defer to the Commission on questions related to its staffing and requirements.

Question. How are your communications with Indo-Pacific nations participating in the Russia sanctions regime? What are the major challenges in engaging with Indo-Pacific nations on Russia sanctions?

Answer. The Department has regular exchanges with our Five Eyes partners and with the Indo-Pacific nations that have supported Russia sanctions. During UNGA, I met with several of our Indo-Pacific partners—Japan, New Zealand, and South Korea—to discuss cooperation on Russia sanctions and related issues. Our Indo-Pacific partners are steadfast in their support and are looking for ways to improve their relatively new sanctions regimes and increase capacity.

Question. In demarches sent by your office to other embassies, are you listed as the point of contact for embassies? If not, why not?

Answer. Our office works with regional and functional bureaus throughout the Department to shape and send appropriate demarches on sanctions issues, ensuring they are tightly linked to our overarching policy objectives. As a coordinating office, the regional and/or functional bureaus send the demarches and collect any responses for consideration and incorporation into our overall policy efforts. This is a joint effort by all stakeholders in the Department of State, to include input from the Department of the Treasury, and it reflects a whole-of-government effort to ensure the right policy and technical experts are involved in our outreach to foreign partners.

Question. How would you say the Office of Sanctions Coordination's interactions and communications with the Department of Treasury are going?

Answer. Our office has developed productive relationships with our Treasury colleagues at all levels. We regularly speak and meet to coordinate on our targeting priorities, discuss our foreign policy objectives, deconflict, and simplify processes to improve the efficiency and efficacy of sanctions as a tool of foreign policy.

Question. When it comes to identifying sanctions targets, how do you communicate with the Department of Treasury on who pursues targeting investigations?

Answer. Conversations happen every day at every level to identify targets, discuss timelines, prepare supporting documentation, coordinate, and conduct outreach to industry and affected parties, and assess both the effectiveness of sanctions and any mitigation required. We also coordinate closely with other agencies, particularly the Department of Commerce, both through regular coordination meetings chaired by the National Security Council and as needed.

Question. Intelligence-sharing is key to successful targeting efforts as well as effective enforcement of sanctions both in the United States and abroad. How would you say your interactions with the intelligence community (IC) are going? Does the IC respond to your requests in a timely manner? How often do you ask the Treasury Department to share classified intelligence? When you do, are those requests responded to in a timely manner?

Answer. The intelligence community has been an invaluable partner in developing targets and identifying evasion across sanctions regimes. In the case of Russia, it also has helped us determine the efficacy of our sanctions and export controls and enabled us to refine and focus future actions. Treasury and State share classified information on a regular basis.

Question. Understanding you are still setting up the organizational structure of the office, do you feel you are appropriately resourced for the staff you have and the staff you want to hire?

Answer. The Department is committed to adequately resourcing the important work of the Office of Sanctions Coordination. The FY 2024 President's Budget Request will be the first budget request for this office. Details regarding resource needs are currently under development. Once the FY 2024 Request is finalized in the coming months, I would welcome the chance to discuss how it supports the Office of Sanctions Coordination and ensures State Department-funded targeters and analysts have the resources needed to support the Secretary of State's sanctions authorities on Russia, Iran, and other programs.

Question. The direct hiring authority (DHA) provided to you by Congress is set to expire soon. Would it help you and your office to have that authority extended?

Answer. The direct hiring authority that Congress granted in the legislation establishing the office has enabled us to staff-up more swiftly and to acquire specific skills in critical areas. To date, we have utilized both the Department's regular hiring authority and the authorizing statute's special hiring authorities to extend offers to five sanctions and policy experts, but we need additional positions to succeed. It would be helpful to have the authority extended.

Question. Sanctions on Russia's Energy Sector: During the hearing, in her exchange with Sen. Portman, Asst. Sec. Rosenberg stated that the reason the United States continues to extend general licenses (GL) 8(a)-(c) is that the license is necessary to enable transactions that comply with the oil price cap. However, these licenses were first issued in February and have been extended twice since then. Thus, they predate the Administration's oil price cap proposal.

Does this answer mean that the Administration intends to again extend this license when it expires in December?

Answer. The Administration is discussing options to extend GL8C before its expiration in December. No determination has been made considering the length of the extension, should one be granted.

Question. Is it the Administration's position that the oil price cap is the justification for the continued existence of the license?

Answer. A decision to extend the license beyond its December expiration would reflect our commitment to see that energy markets continue to operate in a stable manner, including under the price cap regime that will come into effect.

Question. Given that these licenses predate the oil price cap proposal by more than 7 months, what was the Administration's rationale for not imposing energy-related sanctions on Russia prior to the oil price cap proposal?

Answer. The United States and our partners have multiple sanctions that have restricted the revenue Russia receives from its energy exports; reduce our reliance

on Russian energy; and allow global markets to function smoothly. The U.S., UK, and now EU have banned the import of Russian oil, liquified natural gas, and coal; we could move earlier because of our strong domestic energy industry and infrastructure, and our EU partners have reduced their reliance on Russian gas and oil by substantial amounts. At the peak of the oil market this summer, Russian crude sold for substantial discounts to global oil prices. At the same time, energy markets are global, and we understand the importance of seeing those markets function smoothly, which GLSC facilitates.

Question. Oil Price Cap Proposal: Has there been any progress on setting a price for the oil price cap?

Answer. Yes. The price cap was announced.

Question. What is the Administration's strategy as it relates to India with regard to the price cap?

Answer. We continue to consult closely with India about the price cap and encourage India to negotiate prices consistent with, and if possible, below, the price cap. We also will continue to require any U.S. persons to comply with the requirements of the price cap to the extent that they are providing services related to the maritime transport of Russian oil, and we anticipate that our partners will maintain similar requirements. This means that the price cap can still achieve its objectives even if some buyers choose not to join because they will benefit economically from paying lower prices for Russian oil, and the Russian Government will earn below market prices for the energy products it sells.

Question. What is the Administration's strategy as it relates to China with regard to the price cap?

Answer. We continue to consult closely with China about the price cap and encourage China to negotiate prices consistent with, and if possible, below, the price cap. We also will continue to require any U.S. persons to comply with the requirements of the price cap to the extent that they are providing services related to the maritime transport of Russian oil, and we anticipate that our partners will maintain similar requirements. This means that the price cap can still achieve its objectives even if some buyers choose not to join because they will benefit economically from paying lower prices for Russian oil, and the Russian Government will earn below market prices for the energy products it sells.

Question. What is the Administration's strategy as it relates to the United Arab Emirates (UAE) with regard to the price cap?

Answer. We continue to consult closely with UAE about the price cap and encourage UAE to negotiate prices consistent with, and if possible, below, the price cap. We also will continue to require any U.S. persons to comply with the requirements of the price cap to the extent that they are providing services related to the maritime transport of Russian oil, and we anticipate that our partners will maintain similar requirements. This means that the price cap can still achieve its objectives even if some buyers choose not to join because they will benefit economically from paying lower prices for Russian oil, and the Russian Government will earn below market prices for the energy products it sells.

Question. What is the Administration's strategy as it relates to Turkey with regard to the price cap?

Answer. We continue to consult closely with Turkey about the price cap and encourage Turkey to negotiate prices consistent with, and if possible, below, the price cap. We also will continue to require any U.S. persons to comply with the requirements of the price cap to the extent that they are providing services related to the maritime transport of Russian oil, and we anticipate that our partners will maintain similar requirements. This means that the price cap can still achieve its objectives even if some buyers choose not to join because they will benefit economically from paying lower prices for Russian oil, and the Russian Government will earn below market prices for the energy products it sells.

Question. What is the Administration's strategy as it relates to Germany with regard to the price cap?

Answer. Germany is an important partner in the price cap as an EU leader, and we are working closely with Germany on its implementation.

Question. In a recent Treasury briefing to congressional staff about the oil price cap proposal, Treasury briefers stated that enforcement will be handled by each participating country. Can you please confirm whether this is the case?

Answer. The price cap works through service providers, which now have requirements to confirm that Russian oil being transported by sea is in compliance with the cap. (The requirements are tied to the role the service providers play in the transaction.) Because most service providers operate subject to EU, UK, and/or U.S. law the key services will be provided only upon the cap being respected. Enforcement, for example, against those who provide false documentation or obscure the origin or price of oil, will fall to the countries with jurisdiction. The EU may also implement additional enforcement measures, which are still under discussion by EU Member states.

Question. The Organization of the Petroleum Exporting Countries (OPEC) recently announced a cut in global production of oil. Russia is a member [with observer status] of OPEC. How does this announcement impact the feasibility of the oil price cap proposal?

Answer. With the price cap, we are creating clear incentives for key actors in global oil markets—Russia, oil importing countries, and market participants—to maintain the flow of Russian oil while reducing the Kremlin’s revenues. These goals remain the same regardless of OPEC’s actions.

Question. Putin recently announced that he will put an embargo on any country that adheres to the oil price cap. In your view, is he serious about this threat?

Answer. Russia has clear economic and strategic reasons to continue to sell oil to its customers. Russia may, as President Putin said, refuse to sell oil to countries that join the price cap coalition, although it remains unclear whether Russia has made the same threat to those who negotiate prices consistent with the price cap even though they have not formally joined the coalition.

Question. Senators Toomey and Van Hollen recently introduced legislation that would impose secondary sanctions on countries and entities that do not abide by the oil price cap. Do you support this legislation?

Answer. I sincerely appreciate the Senators’ efforts to help us impose economic costs on Russia for its war on Ukraine and am happy to engage further with them on this. As explained above, there already are incentives for countries and service providers to operate consistently with the price cap, including enforcement mechanisms.

Question. During the hearing, I raised concerns about foreign persons who are employees of a subsidiary of a designated Russian defense company potentially being granted visas to attend an upcoming conference in the United States. My staff shared additional information regarding those conference attendees. What action have you taken to look into this issue since receiving that information?

Answer. The conference attendees’ list provided to the Department may have contained information about U.S. citizens or Legal Permanent Residents. The Department generally may not collect or use information about U.S. citizens or Legal Permanent Residents associations with business or trade groups.

Question. Why has the Biden administration not sanctioned VSMPO-Avisma given its extensive ties to other sanctioned Russian defense entities and role as a supplier of critical materials to the Russian defense-industrial complex?

Answer. The United States has led a coalition of allies and partners in imposing sanctions and export controls that have undermined Russia’s ability to carry out its unprovoked war of aggression against Ukraine. We continue to evaluate entities for addition to those already sanctioned. While we cannot preview sanctions, all options are on the table.

Question. Does the Administration believe it currently has the domestic authority to seize and confiscate Russian sovereign assets?

Answer. There are complex legal and policy issues surrounding the potential seizure and confiscation of Russian sovereign assets, and there is no legal mechanism that allows us to turn over funds to Ukraine or to set them aside for Ukraine’s use. We will continue to work with the interagency to examine all domestic and international legal authorities and options.

Question. Does the Administration support legislation that would provide authority to seize and confiscate Russian sovereign assets?

Answer. Russia’s brutal invasion of Ukraine has caused untold damage, including billions of dollars in damage to the country’s infrastructure, residential buildings, businesses, schools, and cultural facilities. The Administration has sought to enhance the U.S. Government’s authority to hold the Russian Government and Russian oligarchs accountable, including a streamlined process for the seizure of oli-

garch assets, an expansion of the assets subject to seizure, and a mechanism to allow the proceeds to flow to Ukraine. We are working with the international community to coordinate actions involving Russia's blocked assets and are committed to keeping these assets blocked, as long as Russia continues its brutal war in Ukraine.

Question. JCPOA: Moscow seeks to continue several civil nuclear projects in Iran that were previously allowed under the Joint Comprehensive Plan of Action, or JCPOA. In addition to a \$500M debt the Iranian regime owes to Russia for previous work, Russia previously held a \$10 billion contract to maintain and build additional reactors at the Bushehr nuclear power plant. In addition, Russian state-owned enterprise, Rosatom, has been historically involved in both enriched uranium and heavy water exchanges to ensure Iran's stockpiles are under JCPOA-prescribed limits. Jake Sullivan and State Department Spokesman, Ned Price confirmed Russia's role in JCPOA implementation in public comments. How does the Department and the Biden administration intend to ensure that Russian financial windfall from a potential JCPOA re-entry does not violate both Ukraine and Crimea sanctions and that funds will not be used to support Putin's continued aggression against Ukraine?

Answer. We have made clear that the JCPOA is not our focus now, the JCPOA, UNSCR 2231, and previous UN Security Council resolutions on Iran permitted Russia's engagement with Iran regarding the Bushehr nuclear power plant. It remains in the interest of the international community that Russia continue the support necessary for safe operation of the nuclear facility, that enriched uranium for use as fuel at the power plant continues to be produced outside Iran, and that spent fuel is removed from Iran. We are implementing sanctions measures against Russia unprecedented for an economy of its size and continue to work closely with our allies and partners to impose significant further costs on Russia for its war of aggression against Ukraine.

Question. The Arab Gas Pipeline: Amos Hochstein, Special Envoy for Energy, was central to negotiations on the Arab Gas Pipeline, bringing Egyptian natural gas through Jordan, through Syria, and ultimately into Lebanon. The deal has since stalled over concerns with Caesar Syria Civilian Protection Act sanctions compliance. In addition to Caesar concerns, Russian state-owned enterprises are involved in the repair and maintenance of Syrian portions of the Arab Gas Pipeline. Is the Arab Gas Pipeline compliant with Caesar Syria Civilian Protection Act sanctions? Why or why not?

Answer. As Secretary Blinken has made clear, we have not lifted or waived Syria-related sanctions, and these sanctions remain in place. Regional proposals to sell Egyptian gas and Jordanian electricity to Lebanon are about providing the Lebanese people with more sustainable energy sources, which could significantly increase the number of hours of power they currently receive from Lebanon's electricity utility per day. Neither of these proposals would involve any financial payments to the Assad regime. The potential involvement of the World Bank would promote transparency, accountability, and reform in the electricity sector, which is in desperate need of structural transformation. The Departments of the Treasury and State will review details to assess and address any possible sanctions concerns after receiving final financing details from the World Bank, in addition to the final contracts from the parties.

Question. Is Russia's involvement in the repair and upkeep of the Syrian portion of the Arab Gas Pipeline compliant with the Caesar Act or existing sanctions regimes against Russia for its actions in Crimea and Ukraine?

Answer. A number of Syrian and Russian entities involved in the Syrian economy are designated under various U.S. sanctions authorities. The Departments of the Treasury and State will review details to assess and address any possible sanctions concerns after receiving final financing details from the World Bank and final contracts from the parties.

RESPONSES OF MS. ELIZABETH ROSENBERG TO QUESTIONS
SUBMITTED BY SENATOR JAMES E. RISCH

Question. Sanctions on Russia's Energy Sector: During the hearing, in your exchange with Sen. Portman, you stated that the reason the United States continues to extend general licenses (GL) 8(a)-(c) is that the license is necessary to enable transactions that comply with the oil price cap. However, these licenses were first

issued in February and have been extended twice since then. Thus, they predate the Administration's oil price cap proposal.

Does this answer mean that Treasury intends to again extend this license when it expires in December?

Answer. Treasury has extended GL 8C with the issuance of GL 8D. This authorization is valid until May 15, 2023, though Treasury reserves the right to revoke a license at any time and will consider a range of factors in any decision to do so.

Question. Is it the Administration's position that the oil price cap is the justification for the continued existence of the license?

Answer. Russia's brutal war has not only caused widespread destruction in Ukraine, but has had negative spillover effects—including through higher energy prices—on people around the world.

As we have imposed sanctions on Russia for its unprovoked war in Ukraine this year, we have taken painstaking efforts to ensure we have done so in a way that does not take energy supply off the market—an outcome that would hurt low-and-middle income countries the most.

Through the issuance of GL 8 and its subsequent amendments to its current version of GL 8D, we have broadly carved out Russian energy-related payments to keep these transactions for other countries flowing, and Treasury's extension of GL 8C to GL 8D demonstrates our commitment to further bolstering our collective energy security.

GL 8D will also play an important role in ensuring energy transactions can continue in support of our efforts to work with our partners to implement a price cap on seaborne Russian-origin oil, which aims to restrict the revenues the Russian Federation earns from oil, and to do so in a way that maintains a reliable supply of oil to the global market.

Question. Given that these licenses predate the oil price cap proposal by more than 7 months, what was the Administration's rationale for not imposing energy-related sanctions on Russia prior to the oil price cap proposal?

Answer. As noted during my testimony, fundamentally, the challenge we face in using financial measures to hold Russia accountable while mitigating the effects of the war on third countries is of a different kind from what we face in other sanctions programs. Russia is a sizeable international economy and a globally important energy producer, and over the last 30 years it has grown closely tied—and in some instances thoroughly intertwined—with some of our closest international partners and allies.

Given that the energy sector is a key generator of revenue for the Russian Government, we have sought to apply pressure on Russia by targeting certain activities in the energy sector. Most notably, on March 8, 2022, the President issued Executive Order (E.O.) 14066, which prohibits the importation into the United States of Russian oil, liquefied natural gas, and coal as well as bans new investment in the energy sector in the Russian Federation by U.S. persons. In addition, Treasury imposed energy-related sanctions on Russia as far back as 2014, when we imposed sanctions that prohibited U.S. persons from providing new financing to Russia's largest oil firm, Rosneft, as well as Novatek, limiting their access to U.S. capital markets.

At the same time, we seek to ensure that our sanctions do not disrupt energy supplies for our partners and allies, especially during this crucial period when many partners and allies transition away from Russian energy. Accordingly, GL 8 and its subsequent amendments to its current version of GL 8D have authorized certain payments related to energy for these partners and allies that transit the U.S. financial system. GL 8D will also play an important role in ensuring energy transactions can continue in support of our efforts to work with our partners to implement a price cap on seaborne Russian-origin oil, which aims to restrict the revenues the Russian Federation earns from oil, and to do so in a way that maintains a reliable supply of oil to the global market.

As also noted in my testimony, applying financial pressure to curb Russia's energy profits requires a different, creative approach to make sure that Russian coffers, not regular citizens in our economy and the rest of the world, bear the costs we impose. This is exactly the challenge that the oil price cap seeks to address.

Question. Oil Price Cap Proposal: Has there been any progress on setting a price for the oil price cap?

Answer. Yes. The price cap coalition countries has now banned a broad range of services—including maritime insurance and trade finance—related to the maritime transport of crude oil of Russian Federation origin ("Russian oil") unless purchasers

buy the oil at or below \$60/barrel. On February 5, 2023, this ban on services will extend to the maritime transport of Russian-origin petroleum products unless the products are sold at or below a price cap to be announced before February 5, 2023.

Question. What is the Administration’s strategy as it relates to India with regard to the price cap?

Answer. The Treasury Department regularly engages Indian Government counterparts as well as private-sector entities to highlight current guidance; explain the objectives and mechanics of the price cap policy, including specific attestation and recordkeeping requirements; and flag potential risks, particularly relating to India’s role in energy markets.

Question. What is the Administration’s strategy as it relates to China with regard to the price cap?

Answer. The Treasury Department has engaged China at senior levels to share our intent and desired effect for imposing a price cap on Russian oil. A price cap seeks to prevent further increases in global energy prices, and cut into Russia’s revenue.

Question. What is the Administration’s strategy as it relates to the United Arab Emirates (UAE) with regard to the price cap?

Answer. The Treasury Department is engaging with UAE Government counterparts and private-sector entities to highlight guidance; explain the objectives and mechanics of the price cap policy, including specific attestation and recordkeeping requirements; and flag potential risks particularly relating to the UAE’s transshipment role in energy markets.

Question. What is the Administration’s strategy as it relates to Turkey with regard to the price cap?

Answer. The Treasury Department is engaging Turkish Government counterparts and private-sector entities to highlight guidance; explain the objectives and mechanics of the price cap policy, including specific attestation and recordkeeping requirements.

Question. What is the Administration’s strategy as it relates to Germany with regard to the price cap?

Answer. Germany, as the G7 president, has been a key partner in developing the Russian oil price cap policy. Our leaders have coordinated about critical milestones, such as the September 2 G7 announcement of the price cap. Our technical experts have been in continuing communication with German technical experts to refine the implementation details.

Question. For questions 4–8, what opportunities are there for the United States to work with or assist each of these respective nations on their energy needs so that they are not forced to turn to Russian oil?

Answer. The Departments of State and Energy generally lead on efforts to work with other countries to meet their energy needs. Treasury will fully support these Departments’ efforts as necessary and appropriate.

Question. In a recent Treasury briefing to congressional staff about the oil price cap proposal, Treasury briefers stated that enforcement will be handled by each participating country. Can you please confirm whether this is the case?

Answer. The price cap is implemented as a prohibition on certain services unless Russian oil is purchased at or below the cap. As the G7 Finance Ministers’ December 2 statement confirmed, the G7 countries, along with other allies and partners, is prohibiting the provision of services that enable maritime transportation of such oil unless purchased at or below the cap. If an entity wants to access these services from participating countries, it will need to demonstrate that it bought Russian oil at or below the cap.

Treasury, together with other departments and agencies of the U.S. Government, is working with partner countries implementing the maritime-services policy, or otherwise coordinating with the United States, to enforce the price cap, including by sharing information.

I would also note that OFAC has authorities to address actors that violate or evade the price cap, including actors that provide falsified or erroneous information to U.S. service providers. Key to the price cap policy is the “safe harbor” afforded to U.S. service providers that act in good faith. These actors can use a recordkeeping and attestation process to be afforded the safe harbor, so that they will not face penalties if someone causes them to inadvertently violate the price cap. OFAC intends

to focus its enforcement responses on those actors who willfully violate or evade the price cap.

Question. The Organization of the Petroleum Exporting Countries (OPEC) recently announced a cut in global production of oil. Russia is a member of OPEC. How does this announcement impact the feasibility of the oil price cap proposal?

Answer. The price cap policy is intended to restrict the revenue the Russian Federation earns from oil, and to do so in a way that maintains a reliable supply of oil to the global market. By contrast, OPEC's announcement reduces that supply. Ultimately, Russia may make choices that have negative impacts on emerging markets and even its allies in the developing world, but Russia bears responsibility for those choices.

Question. Putin recently announced that he will put an embargo on any country that adheres to the oil price cap. In your view, is he serious about this threat?

Answer. With the price cap policy, Russia retains clear incentives to continue to provide oil to the global market. One major aspect of our sanctions against Russia is that Russia has become even more reliant on energy exports for government revenue. If Russia decides to halt the export of its oil to all markets that implement a price cap, Russia will suffer significant decreases in government revenue and also cause long-term damage to its own goal of being a reliable global energy exporter.

Question. Senators Toomey and Van Hollen recently introduced legislation that would impose secondary sanctions on countries and entities that do not abide by the oil price cap. Do you support this legislation?

Answer. As Deputy Secretary Adeyemo said in June, we do not think that secondary sanctions are necessary to implement the price cap policy.

Question. If secondary sanctions were to be imposed against India, how would they affect our ability to work with India in the Indo-Pacific, bilaterally and through the Quad? What opportunities will we lose for cooperation if we apply secondary sanctions on India?

Answer. As Deputy Secretary Adeyemo said in June, we do not think that secondary sanctions are necessary to implement the price cap policy. We will continue to engage with India on a variety of sanctions matters and cooperate on shared interests.

Question. How do we balance enforcement of sanctions against Russia without unnecessarily harming our allies and partners who have legitimate energy needs and concerns?

Answer. Treasury will continue to effectively and appropriately use its tools, including enforcement actions, to hold actors around the world accountable for attempting to undercut our sanctions or otherwise support Russia's aggression in Ukraine. However, alongside enforcement, Treasury, with G7 partners, continues to engage with the public on its strategy to restrict the Kremlin's revenues while keeping Russian oil flowing to global markets.

Question. Sanctions Enforcement: During the hearing, I raised concerns about foreign persons who are employees of a subsidiary of a designated Russian defense company potentially being granted visas to attend an upcoming conference in the United States. My staff shared additional information regarding those conference attendees. What action have you taken to look into this issue since receiving that information?

Answer. Treasury appreciates the information you provided. Treasury routinely assess open-source, business-proprietary, and classified information to identify potential violations of U.S. sanctions, including those imposed on Russia, and welcome leads provided by Congress. If a potential sanctions violation is discovered, Treasury will pursue an appropriate enforcement action. However, the agency cannot comment on sanctions enforcement investigations. You may also consider referring this question to the Departments of State and Homeland Security.

Question. Why has the Biden administration not sanctioned VSMPO-Avisma given its extensive ties to other sanctioned Russian defense entities and role as a supplier of critical materials to the Russian defense-industrial complex?

Answer. All options are on the table; however, we do not comment on sanctions investigations.

Question. Seizure of Sovereign Russian Assets: Does the Administration believe it currently has the domestic authority to seize and confiscate Russian sovereign assets?

Answer. The Treasury Department has supported Administration legislative proposals, led by the Department of Justice, to streamline the process to recoup proceeds from seized and forfeited private assets and use them to remediate the harm caused in Ukraine. You may also consider referring this question to the Department of Justice.

Question. Does the Administration support legislation that would provide authority to seize and confiscate Russian sovereign assets?

Answer. As stated above, the Treasury Department has supported Administration legislative proposals, led by the Department of Justice, to streamline the process to recoup proceeds from seized and forfeited private assets and use them to remediate the harm caused in Ukraine. Legislation related to seizing and forfeiting Russian sovereign assets would likely pose complex questions of international and domestic law, and would implicate sensitive policy considerations. You may also consider referring this question to the Department of Justice.

Question. MIDDLE EAST/NORTH AFRICA: JCPOA Re-entry and Associated Nuclear Work: Moscow seeks to continue several civil nuclear projects in Iran that were previously allowed under the Joint Comprehensive Plan of Action, or JCPOA. In addition to a \$500M debt the Iranian regime owes to Russia for previous work, Russia previously held a \$10 billion contract to maintain and build additional reactors at the Bushehr nuclear power plant. In addition, Russian state-owned enterprise, Rosatom, has been historically involved in both enriched uranium and heavy water exchanges to ensure Iran's stockpiles are under JCPOA-prescribed limits. Jake Sullivan and State Department Spokesman, Ned Price confirmed Russia's role in JCPOA implementation in public comments. How does the Department and the Biden administration intend to ensure that Russian financial windfall from a potential JCPOA re-entry does not violate both Ukraine and Crimea sanctions and that funds will not be used to support Putin's continued aggression against Ukraine?

Answer. The United States is committed to strictly enforcing our sanctions against both Russia and Iran and holding accountable Iran and those supporting Russia's war of aggression against Ukraine.

Question. The Arab Gas Pipeline: Amos Hochstein, Special Envoy for Energy, was central to negotiations on the Arab Gas Pipeline, bringing Egyptian natural gas through Jordan, through Syria, and ultimately into Lebanon. The deal has since stalled over concerns with Caesar Syria Civilian Protection Act sanctions compliance. In addition to Caesar concerns, Russian state-owned enterprises are involved in the repair and maintenance of Syrian portions of the Arab Gas Pipeline. Is the Arab Gas Pipeline compliant with Caesar Syria Civilian Protection Act sanctions? Why or why not?

Answer. The World Bank requested that the Government of Lebanon complete certain sectoral reforms before the World Bank can bring the project to its Board for approval. We have made clear to the parties involved, including the World Bank, that we need more information—including the final financing details from the World Bank—before we can make a final determination about whether the activities would be sanctionable.

Question. Is Russia's involvement in the repair and upkeep of the Syrian portion of the Arab Gas Pipeline compliant with the Caesar Act or existing sanctions regimes against Russia for its actions in Crimea and Ukraine?

Answer. We are aware of reports that the Russian firm Stroytransgaz was involved in construction of the Syrian portion of the Arab Gas Pipeline, which was completed in February 2008. Treasury designated Stroytransgaz on April 28, 2014. We have made clear to the parties involved, including the World Bank, that we need more information—including the final financing details from the World Bank—before Treasury, in collaboration with State, will be able to conduct its analysis to determine the implications of any potential interactions with relevant sanctioned entities that may be part of the proposed deal.

RESPONSES OF MR. JAMES O'BRIEN TO QUESTIONS
SUBMITTED BY SENATOR TODD YOUNG

Question. Noting how you mentioned that Russia is having difficulties procuring key components for its military, including advanced weaponry and microchips, can you speak to the long-term impacts of Russia's export of military hardware to other countries?

Answer. I expect that the long-term effect will likely be to significantly reduce Russia's export of arms and military equipment to other countries as Russian equipment will not be top of the line. We are already seeing countries accelerating the phase-out of Russian equipment given the general poor performance of Russian systems on the battlefield in its unprovoked war in Ukraine.

Question. Would it be reasonable to conclude that these shortages mean a significant degradation of the quality and effectiveness of Russian arms presently on the market?

Answer. I expect that the growing lack of access to modern components will continue to wear down Russia's ability to both wage its imperialistic war in Ukraine as well as to provide top-grade arms on the world market.

Since 2017, largely as a result of United States sanctions and diplomatic engagement, Russian arms exports have decreased significantly. Indications are that this trend will accelerate as a result of component shortages caused by the coordinated work of 37 U.S. Allies and partners to block the export of such components to Russia.

