New Sanctions to Pressure Russia to Agree to a Ceasefire in Ukraine

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International Working Group on Russian Sanctions

The International Working Group on Russian Sanctions aims to provide expertise and experience to governments and companies around the world by assisting with the formulation of sanctions proposals that will increase the cost to Russia of invading Ukraine and that will support democratic Ukraine in the defense of its territorial integrity and national sovereignty. Our working group is comprised of independent experts from many countries. We coordinate and consult with the Government of Ukraine and those governments imposing sanctions. This consultation process helps to inform our views. Still, our members express independently held opinions and do not take direction from or act at the behest of the Government of Ukraine or any other government, person, or entity. All members of this working group participate in their individual capacity.

Executive Summary

Since returning to the White House in January 2025, President Trump and his team have taken several initiatives designed to end the war in Ukraine, punctuated most dramatically by a summit in Alaska with Russian leader Vladimir Putin on August 15, 2025, followed by a meeting with President Zelenskyy and European leaders on August 18, 2025, in Washington. President Trump's commitment to end the war must be commended. To date, however, his strategy to achieve that end has not succeeded. Trump has offered inducements to Putin without pressure. To achieve success, he needs both an engagement track and a pressure track, coordinated in partnership with European allies. Part of a comprehensive pressure track must include greater military assistance to Ukraine. That's a subject for military experts to provide their ideas on. But part of a more effective pressure track must consist of more, better, and better-enforced sanctions. That is the subject of this working paper. If Trump, European leaders, and sanctions coalition partners more generally want to increase the pressure on Putin to negotiate an end to his barbaric invasion of Ukraine, we have some ideas. Critically, the oil market—the key source of Russia's export and budget revenues—is now much looser than at any point since the invasion, providing scope to tighten the screws on Russia without triggering a supply shock. Additional comprehensive financial sanctions, seizing Russian assets still sitting in Western banks, and more effective actions to slow the import of technology needed to build Russian weapons are also required. Better enforcement of existing sanctions is also necessary. All our proposals are easily implemented. And all our proposals are necessary now to help speed up the end of this war.

Expanding Sanctions on Russia’s Oil Exports

Exports of oil provide a significant source of financing for Russia’s war in Ukraine. Through a range of actions, the sanctions coalition has reduced revenues from energy exports that Putin needs to continue to pay for his invasion of Ukraine. For instance, oil sanctions cost Russia at least 1% of GDP in foregone oil revenues every year, notably by widening the discount on Russian oil, particularly for seaborne crude. Russian pipeline gas sales to Europe have collapsed from 144 billion cubic meters (bcm) in 2021 (worth around $50 billion at current prices) to an expected 17 bcm in 2025 and a planned zero in 2028.

But much more could be done. There is a range of options for reducing Russian revenues acquired through oil exports. We propose several new actions that could be taken by the US, Europe, and the entire sanctions coalition to reduce these revenues and thereby increase pressure on Putin to negotiate.

Increase Sanctions on the Shadow Fleet. Most importantly, the United States should align its sanctions on Russia's shadow fleet with G7 and EU allies to increase pressure on Russia to shift to using the mainstream Western-owned fleet, which would ensure better enforcement of sanctions. This would involve the US sanctioning over 300 additional tankers. US sanctions have proven to have a much more substantial impact on tankers than sanctions by other countries. Tankers sanctioned by the US generally cease operations, while many tankers with non-US sanctions have continued shipping Russian oil.

Next, the sanctions coalition should sanction the entire shadow fleet, which amounts to over 400 tankers. Banning more and eventually all of the shadow fleet would force Russia to use the shipping services of the mainstream fleet, which is motivated to comply with sanctions, thereby strengthening the impact of oil sanctions. It would also impact the Russian banks that lend the funds to buy the shadow fleet, creating a further tranche of bad loans and additional strain on the Russian financial system. In addition, we support targeted sanctions on the shadow fleet ecosystem, that is, individuals and companies helping Russia to circumvent the oil price cap regime. Importantly, substantial penalties for fraudulent price attestations should be applied.

Lower Oil Price Caps. The EU has set the price cap on Russian crude oil sales at 15% below the price of the market benchmark and proposed to readjust it quarterly. This reduced the cap from $60/bbl to around $47.60/bbl. The US should align with this new crude price cap. In addition, around one-third of Russia's oil exports are premium products, notably diesel, which are subject to a $100/bbl cap that is well above the current market price of around $70-75/bbl for premium products. The same methodology should be applied to the premium product price cap as to the crude oil price cap, setting it at 15% below the price of the market benchmark, adjusted quarterly. This is likely to imply a price cap for Russian premium products of around $60/bbl.

Escrow the revenue. One approach that has precedent in sanctioning Iran since 2013 is to require financial institutions that purchase oil and/or natural gas from the sanctioned country to place the revenues in escrow accounts. The mechanics of this proposal are straightforward, although implementing it would require some diplomatic effort. In essence, the United States, the EU, and any partner governments could tell foreign financial institutions that, if they purchase Russian oil and/or natural gas, the financial institutions would be prohibited from accessing the sanctioning states' financial sector unless they restrict Russia's access to the funds from the oil and/or natural gas sales. Failure to establish and maintain appropriate controls on these funds would be a sanctionable act.

Russia would continue to accrue the corresponding revenues and would therefore have an incentive to keep up oil and natural gas production and exports, minimizing market and global economic risk. Some allowances could be made for humanitarian-related purchases from the escrow account (as was the case with Iran). This concept could be implemented immediately or with a phased entry-into-force, set either to several months (six months would be standard US practice) or a percentage of exports (perhaps starting with 50% of revenues and climbing to 100% after six months or a year).

Freight surcharge on Russian oil. Another option would be to announce a freight surcharge: in addition to their standard freight charges, all Western-owned/insured tankers would collect a surcharge per barrel on all cargoes lifted out of Russia. The effectiveness of this measure depends on squeezing out the shadow fleet with tanker sanctions so the overwhelming majority of Russia's oil is shipped on the mainstream fleet. This surcharge, which could start at a modest level and then be ratcheted up, could be remitted to a G7 collection agent who would use the proceeds for specific purposes, for example, to fund humanitarian aid and reconstruction in Ukraine. In principle, this approach reduces the risk of a price spike compared to volume constraints, offers flexibility, since the surcharge can be dialed up and down, and provides greater visibility over the economics by reducing reliance on unverifiable, fraudulent price attestations submitted by bad-actor traders.

Secondary sanctions on buyers of Russian oil. Of any nation, India has increased its purchases of Russian crude the most since Russia's full-scale invasion of Ukraine in 2022. India's oil imports from Russia have increased significantly, from negligible volumes in 2021 to approximately 2 million barrels of Russian oil per day. The Trump administration has imposed an additional US tariff of 25%, effective from August 27, in response to India's continued purchases of Russian crude oil. At the moment, the math should give India persuasive reasons to cooperate: the extra 25% tariff on the non-exempt 55% portion of India's current $87 bn exports to the US amounts to a charge of about $12 bn pa, while a Russian oil discount of 5% or $3.5/bbl on 2 million barrels a day of imports amounts to a much smaller benefit of around $2.5 bn pa. The Trump administration should now coordinate this action with allies, persuading them to agree on additional restrictive measures, such as banning imports of Indian petroleum products unless India's purchases of Russian oil are cut dramatically.

While we generally favor a policy of maximum pressure on Russia, we also suggest that the US administration provide India with an off-ramp. For example, the sanctions coalition could set a ceiling on Russian supply set at a much lower level and declining to a modest level over time to avoid driving India into a closer relationship with Russia and China and any potential backfiring in terms of oil price spikes. We note that with the recent increase in oil supply (including a rise of 2.5 million barrels a day by September 2025 in OPEC supply compared to the start of the year, mainly from India's traditional oil suppliers in the Gulf such as Saudi Arabia, UAE and Iraq), India should be able to substitute large-scale cuts in Russian supply within a short timeframe and without disruption.

India, however, cannot be singled out alone. Other importers of Russian oil must also face a similar level of tariffs, including, most importantly, China, but also Brazil, Turkey, and

European countries still buying Russian fossil fuels. With a concerted push, demand for Russian oil can be substantially reduced, and the discount on Russian oil compared to standard benchmarks widened materially, as Russia will have to compensate buyers for the enhanced risk of Russian oil purchases, without imposing further direct sanctions on Russia.

Port embargoes. In the context of a looser oil market, another tool for reducing the volume of Russian oil exports would be a port embargo, where the US would impose secondary sanctions on any tankers or companies that seek to ship oil from a targeted Russian port. The same approach should be applied to the buyers of Russian oil from the targeted port. Similar US sanctions have proven effective against Arctic LNG II and the small Baltic LNG ports, which shuttered operations after sanctions were imposed. Even the recent EU-only sanctions against Nayara Energy (the Rosneft JV that owns the Vadinar refinery in India) have had a significant impact. While we also support further sanctions on Russian oil companies, we see sanctions on infrastructure as potentially more effective, since infrastructure can be easier to monitor; for example, ship movements in and out of the port can be tracked, whereas a company would have more options to avoid sanctions by transferring its oil to an unsanctioned entity.

One option would be to start with one of the four big Russian export ports—Kozmino/Nakhodka (Pacific), Novorossiysk (Black Sea), Ust Luga (Baltic), or Primorsk (Baltic)—each of which exports just over 1 million barrels of oil and product a day. We favor targeting one of the big Baltic ports, since enforcement is easier (all the Baltic states apart from Russia are in NATO) and diversion is harder, since Europe is closed to seaborne Russian oil. If policymakers remain concerned about the scope for driving a price spike, a smaller port could be targeted first, for example, Murmansk or Taman, both of which export several hundred thousand barrels of oil a day. Targeting a smaller port first would demonstrate the sanction coalition's ability to prevent oil exports from a targeted Russian port, without risking significant upward pressure on oil prices.

Preannounce future port and asset embargos. The sanctions coalition should commit to targeting shipments of Russian oil and gas from further ports if Russia continues to wage its war of aggression against Ukraine, disagrees on a ceasefire, or fails to engage seriously in peace talks. In particular, we recommend a pre-announcement that sanctions would be imposed on any tankers or companies involved in the shipping of Russian oil and any buyers of said oil from a second Russian port at the end of 2025. As additional gas supply comes online from new projects in the US and Qatar, the global gas market is expected to become looser in 2026. Consequently, a ban could also be applied to the Yamal and Sakhalin LNG plants. The timetable should be firm for the second port embargo, but could remain more flexible thereafter, so that the restrictions on Russian supply are only imposed when there is an adequate alternative supply, including from US shale, to substitute for the Russian barrels without driving a price spike.

Accelerate the implementation of the EU ban on purchases of Russian oil and gas, with deadlines set for the end of 2025 for oil, April 2026 for LNG, and the end of 2026 for pipeline gas. Under its Repower EU plan, Europe has committed to end spot purchases of Russian oil and gas by the end of 2025, and all purchases of Russian oil and gas by the end of 2027. But with looser markets conditions now in play, this plan can be accelerated without driving a significant increase in prices. Specifically, the sanctions coalition should urge Hungary and Slovakia—the two remaining purchasers of Russian crude—to replace the 200 kbd of

Russian oil which they currently buy from Russia with crude via the Adria pipeline from Croatia by the end of 2025. This pipeline has the capacity to fully replace the Russian oil. In light of the strong ongoing growth in global LNG supply, especially from the US, we propose to bring forward the ban on EU purchases of Russian LNG to April 2026, after the winter season, and the ban on the remaining Russian pipeline gas supplies to Europe via the TurkStream pipeline to the end of 2026.

Expanding Western Financial Sanctions

In response to Russia's full-scale invasion of Ukraine in 2022, the sanctions coalition has rightly imposed significant financial sanctions on Russia. These sanctions have limited the financing available to the Russian government and Russian businesses. Unable to access international markets, Russia's total foreign debt (both private and public) declined from $729 billion in 2013 to $323 billion in 2025. Russia's average growth rate was a mere 1.4% a year from 2014-24, significantly below the rates typical for a less developed economy, partly due to reduced access to finance. Since Russia is running out of liquid reserves and tight financial conditions are constraining the economy, these financial sanctions have become increasingly effective. It is vital to maintain them and to strengthen them to constrain Russia's ability to wage war. In particular, we propose further measures to isolate Russia from the Western financial system, including:

Comprehensive designation of all Russian banks. Sanctions should be placed on each Russian bank, so all 308 Russian banks with a banking license as of August 2025 are designated. This would isolate the Russian banking system and avoid international transactions being redirected through unsanctioned banks. In addition, the sanctions coalitions should implement an across-the-board prohibition on any interaction by a Western banking entity or person with a Russian banking entity, including the Russian subsidiaries of Western banks, such as Unicredit, Raiffeisen, and OTP, without special permission.

Block stablecoin/crypto circumvention of sanctions. One technique to circumvent financial sanctions and maintain access to US dollars has been through the extensive use of new instruments such as stablecoins and cryptocurrencies. We propose extending sanctions to prohibit Western persons from trading with prohibited counterparties through transactions involving stablecoins and cryptocurrencies and to require crypto exchanges to demonstrate adequate controls to prevent transactions with prohibited counterparties.

More individual sanctions on senior financial officials. We recommend imposing individual sanctions on all officials in the Ministry of Finance, all members of the board of the Russian central bank, all members of the board of directors, and all members of the management board of the major state-owned banks (Sberbank, VTB, VEB, Gazprombank, Promsvyazbank, Rosselkhozbank), who are responsible for the activity of their institutions in support of Russia's invasion of Ukraine.

Secondary sanctions. Foreign banks that deal with Russian banks, particularly those involved in facilitating Russian imports of military technology, should be subject to secondary sanctions. In countries such as Kazakhstan, where there is widespread and systematic financing of trade in dual-use and military goods from the West to Russia, the West should impose broader sanctions such as those proposed under the EU's anti-circumvention tool.

Reduce Russia’s Access to Western Military Technology

Despite successive sanctions packages, Russia continues to access critical technologies that sustain its military-industrial complex. The primary shift over the past year has been the consolidation of supply through China—often routed through intermediaries in Central Asia, Turkey, and the UAE— to protect traders and banking entities that also mediate trade with G7 countries and cultivate plausible deniability through HS code drift. The role of American, European, and Japanese firms in providing components for Russian weapons through intermediaries has declined but not disappeared. Leakage through secondary markets remains significant. The sanctions coalition must first expose the existing supply chains; shaming those companies still helping Putin make weapons that are then used to kill Ukrainians is itself a worthwhile goal. Second, the sanctions coalition must do more to reduce these technology transfers. Actions should include sanctioning companies that provide strategic inputs to Russia’s war machine, implementing an end-user verification system for technical controls, and tackling evasion through third-party countries (e.g., Kazakhstan, Armenia, UAE) by restricting trade in sensitive HS categories with these countries.

Coverage Gaps in Materials and Machinery. Several categories of goods essential to Russian weapons production remain inadequately controlled. Composite materials and the equipment required to process them are critical. Epoxy resins (HS 3907.30) and carbon fibers, including prepregs (HS 6815.11–.13), are not consistently restricted. The machinery used for composite lay-up and curing—filament winding and resin transfer equipment (HS 8477.80/.90, 8479.89) and industrial autoclaves (HS 8419.89)—likewise fall outside current lists in many jurisdictions. These inputs are required for airframes, missile casings, and pressure vessels.

Precision machining capacity also remains available to Russia. CNC machine tools (HS 8456–8466) and spare parts (HS 8466) are imported at scale from China, with $227 million in 2024 trade recorded under HS 8466 alone. Controllers and operator panels (HS 8537/8538) and metrology systems (HS 9031.49/.80, HS 9027) are critical complements, ensuring tolerances and quality assurance in weapons production. Evidence from Russian procurement and factory postings in 2024–25 indicates ongoing dependence on Siemens, Fanuc, and Heidenhain ecosystems, sustained through intermediated supply of hardware, firmware, and service keys.

These categories must be comprehensively brought under restrictive annexes, not only in the United States and European Union but across the entire coalition, to prevent re-classification or re-routing. Taken together, these machines and the spare parts that keep them operating support billions of dollars of output engineered to destroy Ukraine and Ukrainians.

End-User Verification and Technical Controls. A structural weakness in current controls is the absence of systematic end-user verification. High-value machinery and software already operate with serialized controllers, option keys, and license servers—and this should be taken advantage of. For example, Siemens SINUMERIK and Fanuc controllers use runtime licenses, Hexagon metrology software requires activation, and autoclave control systems run proprietary firmware. These mechanisms can be tied to an international registry of end users, requiring activation against a verified identity and re-attestation on transfer.

This model, analogous to the Cold War CoCom framework (as recommended in our Working Group Sanctions Papers #12, #16, and #20), would not require new technology but rather the integration of existing licensing systems with a shared registry. If the individual costs of implementation cannot be justified for all exports, the compliance burden could be limited to a set of bottleneck categories where diversion risk is highest and margins/risk support additional oversight.

Tackling Evasion Through Third Countries. The largest remaining channel for routing sensitive technology into Russia is circumvention through third countries. China supplies most machine tools, electronics, and materials, but routing through Kazakhstan, Kyrgyzstan, Armenia, Turkey, and the UAE provides deniability, alternative banking, and opportunities for re-classification.

Controls should be based on pre-invasion trade baselines. For each sensitive HS category, 2021 trade levels should serve as the reference point. Exports above baseline, adjusted for domestic economic growth, should be presumed to represent diversion to Russia. Enforcement can then be applied on three levels:

- **At the company level**. Exporters whose goods appear in excess flows should face civil penalties. Existing legislation allows this. Under IEEPA in the United States, fines may reach twice the transaction value; the UK's OFSI imposes strict liability; and EU Regulation 833 requires "no re-export to Russia" clauses. These frameworks already support penalties equivalent to the value of diversion.
- **Country level**. Where entire hubs show persistent excess, sanctions should target the traders, freight forwarders, and banks enabling shipments. Freezing assets and removing access to Western markets raises the cost of complicity.

- **Quota ceilings**. Trade in sensitive codes can be capped at 2021 levels. Any volume above this ceiling would be automatically flagged, with presumption of Russia-bound diversion. This protects the third countries' legitimate domestic supply while eliminating excess available for re-export.

This baseline approach shifts enforcement from reactive investigations to automatic triggers, anchored in public trade data. It provides clarity to exporters and governments alike, removing discretion that can be exploited.

Confiscate Frozen Russian Assets Abroad

Ukraine requires approximately $100 billion in international assistance for every year that the war continues, including at least $50 billion for military supplies, $40 billion to cover the budget deficit to keep civilian government services afloat, and $10 billion for humanitarian assistance. In addition, Ukraine will need at least $500 billion over a decade or so for its reconstruction.

The sanctions coalition rightly immobilized Russian assets of over $300 billion at the beginning of Russia's full-scale invasion of Ukraine. Transferring these Russian assets to Ukraine is long overdue. Our International Working Group on Russian Sanctions has repeatedly recommended using the frozen Russian assets to make the aggressor pay and finance Ukraine. We have spelled out the legal reasoning and the mechanics for doing so (see our Working Paper #15). In a new paper titled "Implications of the Confiscation of Russian Sovereign Assets," our colleagues at the Kyiv School of Economics have detailed why the European seizure of these assets will not have the deleterious consequences for the West that some fear.

More urgently than ever, Europe must move ahead with this idea. In previous working papers, we recommended that the United States act first and set a precedent for Europe. Given that the Trump administration appears unlikely to do this, we now propose that Europe act independently of the United States. The bulk of frozen Russian Central Bank assets is held in European institutions, specifically in Euroclear. Increased uncertainty about the US and China has boosted investor demand for euro assets, making it an opportune time for the EU to move forward with the asset seizure.

Doing so would be a strategic investment in Europe's own security. The Ukrainian army is around 900,000 strong, the same size as the next five most significant national armed forces in

Europe (Poland, France, Germany, Italy, and the UK) combined. It also operates at a relatively low cost, around one-tenth of the cost of European NATO armed forces during peacetime ($400 billion in 2024). In transferring Russian assets to Ukraine, European leaders would ensure that Ukraine's highly effective, motivated, and battle-hardened army had the financial capacity to stay in the fight, hampering Russia's ability to launch attacks on the rest of Europe while the war continues. Post-war, this would ensure that Ukraine's large and capable armed forces can continue to participate in Europe's collective defense.

Moreover, additional Ukrainian defense purchases will help to revive Europe's defense industrial capacity. Using Russian money to aid Ukraine and thereby enhance European security is not only morally sound but strategically wise. Providing the Ukrainian military with the resources to buy the arms it needs for several years could also have a deterrent effect and encourage Russia to shift from waging war to seeking a settlement.

Conclusion

Putin has demonstrated repeatedly that he is not yet serious about engaging in meaningful negotiations to end the war that he started in Ukraine. Greater pressure on the Russian economy can help persuade him to take negotiations more seriously. Inducement alone will not work. The Russia economy today is weaker than at any point since Putin launched his full-scale invasion of Ukraine, with falling oil revenues, a stagnant economy, and a widening deficit. New sanctions now will have a greater impact. Sanctions alone will not compel Putin to end his war. But the set of further energy, financial, and technology measures proposed in this paper, combined with greater military assistance to Ukraine, will put pressure on Putin to end his war. In particular, a weaker oil market creates a new opportunity to squeeze Russia's oil revenues through a mix of better enforcement and further restrictive measures to a level at which Russia's economy, budget, and currency have historically been fragile and unstable. At the same time, we propose to strengthen Ukraine through the strategic use of Russia's frozen reserves to finance Ukraine's resistance and reconstruction. Transferring these assets to Ukrainians is not only the right thing to do; it's also the legal thing to do, and the strategic thing to do.

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