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# THE REAL IMPACT OF CRIMEAN SANCTIONS



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## Crimea Occupation, Sanctions and Blockade

The occupation and subsequent illegal annexation of the Crimean peninsula by the Russian Federation in February-March 2014 and Russia's further aggression against Ukraine have become a turning point in the global history of sanctions.

Certainly, the use of various restrictive measures in an attempt to coerce a particular state to change its policies is a centuries-old practice. But the problem that we all have been facing since 2014 raises the stakes considerably. It challenges us to answer whether in the 3rd millennium, the civilized world is capable of changing the aggressive policy of a nuclear power, a founder and permanent member of the UN Security Council, without the application of military force.

The authors hope that the results of our work that has spanned the 5 years of the Crimean occupation and remains ongoing will make a valid contribution to the understanding of the subject.

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In the spring and summer of 2014, the first decisions on sanctions related to the occupation of the Crimea became effective. The active military phase of the Russian Crimea operation began on February 20, 2014 and ended on March 18, 2014 with the legitimization of the March 16, 2014 «referendum» in the already occupied Crimea.

The program of US sanctions due to Russia's aggression against Ukraine began on March 6, 2014, when US President Barack Obama issued an Executive Order (EO 13660) on Blocking Property of Certain Persons Contributing to the Situation in Ukraine. The decree declared the state of emergency and imposed personal sanctions: blocked assets and banned entry into the United States of persons responsible for or those who had directly or indirectly participated in the actions that undermined the democratic order in Ukraine and threatened peace, security, stability, sovereignty and territorial integrity of Ukraine.

Executive Order 13661 from March 16, 2014, signed by the US President, extended the scope of the state of emergency. Sanctions against a number of Russian officials imposed by the order included freezing their bank accounts, arresting their property and refusing to issue them US visas. While the EO listed seven names of those affected, the order allows the Treasury Secretary to add to the list per agreement with the Secretary of State.

On March 20, 2014, Executive Order 13662 introduced the sectoral sanctions against Russia. The decree imposed sanctions on individual entities operating in the military and other sectors of the Russian economy.

On March 27, 2014 the Resolution A/RES/68/262 on the Territorial Integrity of Ukraine was adopted at the UN General Assembly 68th session 80th plenary meeting. It called upon “all States, international organizations and specialized agencies not to recognize any alteration of the status of the Autonomous Republic of Crimea and the city of Sevastopol... and to refrain from any action or dealing that might be interpreted as recognizing any such altered status.”

This resolution set the basis for the system of international legal acts on the annexation of Crimea, the related sanctions, etc.

On June 25, 2014 the first European Union circular 692/2014 came into force. It banned import of goods from Crimea and Sevastopol to the EU countries as well as direct or indirect provision of financial services for such import, including the insurance and reinsurance services.

On December 19, 2014, the US President signed another Executive Order, #13685, directly related to the Russian occupation of the Crimea. The decree prohibits the import or export of goods, services or technologies to or from the Crimea, as well as any new investments in the Crimean region of Ukraine by a US person, regardless of his/her location. The Office for Foreign Assets Control (OFAC), a unit of the US Department of the Treasury, supervises the administration and implementation of the sanctions.

The Crimean sanctions prohibit: flights of aircraft and calls by the sea-going vessels and export and import of products and services to/from the territory of Crimea, including financial services, insurance, leasing, investments, tourism, lending and contracts with enterprises operating under the jurisdiction the invading state on the territory of Crimea and so on.



Additionally, since the spring of 2014, the following elements of the continental blockade of Crimea from mainland Ukraine started being implemented.

The Ukrainian government has legitimized the civil blockade in November 2015. Since the end of 2015, the continental civil blockade of Crimea that complemented the effects of the earlier sanctions, had de facto the peninsula into an island, creating an entirely new reality both for Crimea and for the Russian Federation.

Since late 2015 and until the motorway part of the Kerch bridge became operational in May-December 2018, cargo between the Russian Federation and Crimea was delivered by sea only, while passengers – in roughly equal shares by sea and air via the Kerch Ferry Terminal and the Simferopol airport and only from the territory of the Russian Federation.

Only passage of citizens and private cars with a capacity of up to 8 passengers is now allowed across the administrative boundary between Crimea and the Kherson region of Ukraine.

It's worth noting that according to the Ministry of Resorts and Tourism of Crimea, in 2013, 66% of passengers arrived to Crimea by rail, 24% – by road and 10% – by air. Passenger sea traffic was insignificant.

According to the Statistics Department of the Autonomous Republic of Crimea, in 2013, 70.8% of freight was carried by road, 27.3% – by rail, and 1.9% – by sea. The share of air transport was insignificant – 0.03%.

Therefore, the transport and infrastructure blockade, coupled with other sanctions, forced the occupying state to incur unanticipated huge additional costs for the urgent purchase of ferries and construction of new port berths, as well as the Kerch Bridge. In 2016, Russia was also forced to promptly build the underwater power and gas pipelines across the Kerch Strait.








## The Impact of Sanctions on the Maritime Transport

There are 10 seaports on the territory of the occupied Crimean peninsula. 8 of them, including 7 state and one private, belong to the Autonomous Republic of Crimea – namely, in Chornomorske, Yevpatoria, Yalta, Feodosia and four in Kerch – and 2 – to the city of Sevastopol: The Chornomorsk port (not to be confused with the former Illichivsk) is a specialized port of the Chornomornaftogaz in the village of Chornomorsk in the northwest of the Crimean peninsula that services the drilling rigs on the shelf and is not involved in commercial cargo operations.

Previously, the ports of Crimea mainly serviced exports of the Ukrainian grain and metal, as well as the transit of the Kazakh and Russian liquefied gas and petroleum products in Sevastopol, Feodosia and Kerch.

At the same time, Sevastopol also serviced a large volume of sea auto freight imports to Ukraine, while Yevpatoria – ferry consumer goods imports from Turkey. In addition, the Yalta port, together with Odesa, occupied respectively the 1st and 2nd places in Ukraine in the number of incoming cruise liners, with Sevastopol being the 3rd one.



-  On March 31, 2014, due to the occupation of the peninsula by the Russian Federation, the European Air Traffic Safety Organization (Eurocontrol) has banned flights to Crimea, in particular to Simferopol and Sevastopol
-  Since April 2014, no water or natural gas have been supplied on the peninsula from mainland Ukraine
- As of April 27, 2014, there has been a criminal liability for the illegal crossing of the state border of Ukraine in the occupied Crimea
-  As of April 30, 2014, all border crossing and customs control points in all seaports and airports of the Crimean peninsula have been officially closed
-  As of June 16, 2014, all seaports of Crimea have been officially closed
-  Since December 2014, all freight and passenger rail services have been terminated
-  Since fall 2015, as a result of the activist blockade, all automobile freight has been terminated
-  Since November 2015, as a result of the activist blockade, the electricity supply to the peninsula has been discontinued.

«The Island of Crimea»: the continental, air and sea blockade



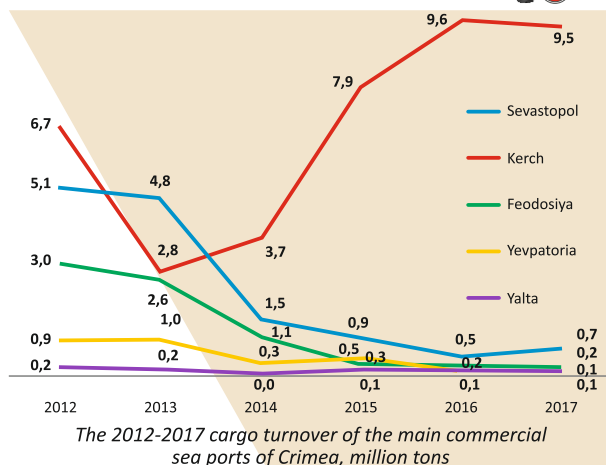
Since the occupation, the role of maritime transport in the occupied Crimean peninsula has changed fundamentally. Before the Kerch Bridge became operational, it had been the only means of delivery to the peninsula of literally all goods and cargo, including military ones.

As of now, we can identify the nature of the sea freight from the ports of the occupied Crimea is as follows:

- grain from Sevastopol, Kerch and Feodosia to Syria, Northern Cyprus, Lebanon, Libya and Egypt
- scrap metal from Sevastopol and Feodosia to Turkey, Albania and Romania (before 2017)
- soda ash from Feodosia and Sevastopol to the Russian Federation, Romania (before 2017), Syria, Lebanon and Egypt
- liquefied petroleum gas (LPG) from a gas terminal in the Kerch Sea Fisheries Port to Bulgaria (before 2017), Syria, Turkey and Lebanon.

In addition to the widest range of consumer goods, the following sea freight also comes to the ports of the Crimea:

- oil products from Novorossiysk, Temryuk and Rostov-on-Don, including that for the main oil terminal of the Russian Black Sea Fleet in Sevastopol and the largest Crimean petroleum station in Feodosia
- metal and non-metallic construction materials (cement, gypsum, sand and crushed stone)
- chemical raw materials (ilmenite ore)
- glass packaging for wineries and breweries.



As of January 1, 2018, the black list of our monitoring group included 325 ships under the flags of 33 countries that in violation of the Ukrainian and international sanctions, over the last three years, have carried out cargo and passenger transportation to the ports of the occupied Crimea and/or entered the Crimean ports for lay up or repairs. That amounts to 150-160 vessels annually.

In general, we can identify a number of trends that are a direct consequence of the Ukrainian and international maritime sanctions on maritime navigation:

- All in all, during the years of occupation, the number of the “flag states” of the ships-offenders has decreased from 33 to 15.
- There is a sharp decrease in the number of the vessels-violators belonging to the foreign, non-RF, shipowners. Over the years of occupation, the share of the Russian merchant fleet among seagoing vessels entering the Crimean ports, has increased from 41% to 72.7%, and the actual number – from 59 to 117.



One of the leading perpetrator of the Crimean sanctions, the Syrian ship LAODICEA (IMO 9274343), a specialized vessel capable of transporting munitions, arrives to the occupied Sevastopol on September 10, 2016. Photos from the BlackSeaNews archive.

Since 2014, the ports of Crimea have been put on the US, EU, and other countries' sanction lists, so the international insurance companies stopped insuring sea vessels planning to make calls in Crimea. The information on the vessels-perpetrators is shared with the seamen seeking employment.

For instance, in that period, the share of the Turkish merchant fleet among the infringing ships entering the Crimean ports has decreased from 27.1% to 9.3%, and the number of infringing ships has fallen almost four times – from 39 to 10. During that same time, the share of the Greek merchant fleet has dropped from 13.9% to 1.9%, and the number of vessels – from 20 to 3, i.e. almost sevenfold.

In 2014, 35 of infringing ships, or 24.3%, belonged to shipowners from the EU and Switzerland. Among the vessels that made calls in the occupied Crimea in 2017, 12, or 4,5% of the total number of perpetrators, belonged to the EU owners: 1 – Bulgarian, 3 – Greek and 8 – Romanian.

- In view of the above trend, Russia has been forced to replace the shortage of the sea-vessels by those owned by the RF shipowners.
- Due to the shortage of vessels owned by Russian shipowners, the RF has had to attract to the Crimean routes sea vessels owned by the Lebanese, Syrians and Egyptians.
- Besides, the Russian Federation has no choice now but to utilize old and worn-out vessels to service Crimea – 60% of these ships are 30 to 60 years old.

Interestingly, for shipping to Crimea, Russia now uses the vessels that it doesn't value – not only those that are obsolete and are nearing decommissioning, but also those included in other sanctions lists.

For example, the monitoring group has discovered that seven of the vessels violating the regime of the occupied territory in Crimea were also on the US Syrian sanctions list.

One of the things that almost all vessels-perpetrators have in common is that upon entering the Crimean ports, they grossly violate the requirements mandatory under the international maritime conventions, namely, distort the automated identification system (AIS) data, indicate false information on the port of destination or just turn off the AIS transmitters altogether.

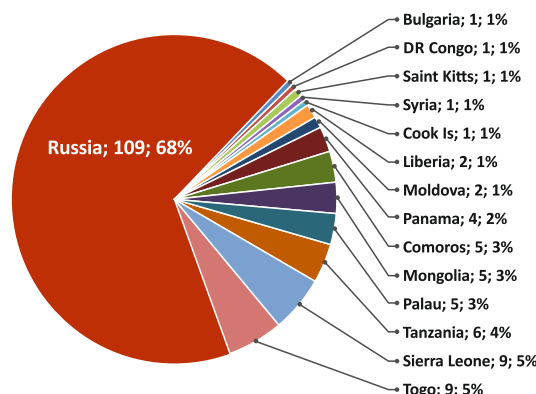
In March and October of 2017, Turkey officially refused to service in its ports sea vessels arriving from the occupied Crimean ports and banned all sea connection with the latter. However, due to the lack of appropriate control by the Turkish authorities, some of the shipowners regularly forge the paperwork regarding the ports of departure and destination by indicating the Russian ports, while in reality, going to Crimea.

Also, between March 2015 and March 2017, two gas carriers under the flag of Bulgaria — BRIZ and POLARIS — have been continuing making calls at the ports of the occupied Crimea. Both vessels are owned by the Bulmarket Shipping Ltd (Rousse, Bulgaria). Until 2018, Bulgaria was the only EU and NATO country that since the very beginning of the Crimean occupation, had been openly ignoring the EU sanctions regarding the Crimean ports. However, in 2018 the violations have stopped.

While no vessels under the Romanian flag have entered the occupied Crimea over the years of occupation, before 2018, 13 ships-violators flying the



Dynamics of the infringing ships numbers over the years of occupation and the share of those belonging to the Russian shipowners



The 2017 distribution of the infringing ships by flag countries (the total of 161 = 100%)





Over the years of occupation, the proportion of the ships-perpetrators of the Turkish shipowners has decreased from 27.1% to 9.3%; Greek – from 13.9% to 1.9%, and EU countries overall – from 24.3% to 4.5%.

As a result, the share of those with the Russian shipowners has increased from 41% to 72.7%.

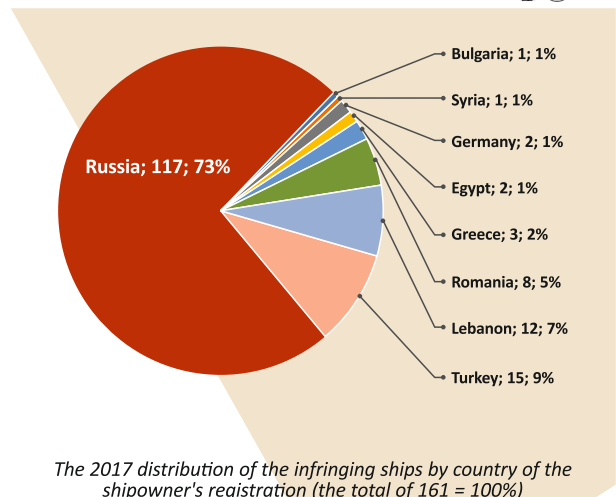
Flags of Sierra Leone, Tanzania and Togo had been owned and/or managed by a group of companies registered in Constanta by the natives of the Middle East. Due to the pressure by the Romanian authorities, in 2018, the shipowner has reregistered the majority of the ships in the Middle Eastern countries.

On November 30, 2016, one of these vessels, SKY MOON, carrying a load of the Crimean soda ash under the Tanzanian flag was detained by the Ukrainian border guards on the Danube on the way from Sevastopol to Giurgiulesti with 9 crew members, 8 of whom were Syrian citizens, while the captain — a citizen of Libya.

In the years of the Crimea occupation, ten vessels-offenders have been arrested in the territorial waters of Ukraine, ten have sunken and five have been demolished for scrap metal. Because of the fear of arrest, the calls of the infringing ships at the ports of mainland Ukraine and its territorial waters, remain isolated cases.

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However, due to the peninsula's continental blockade since December 2014 when the railroad connection was terminated and especially, since

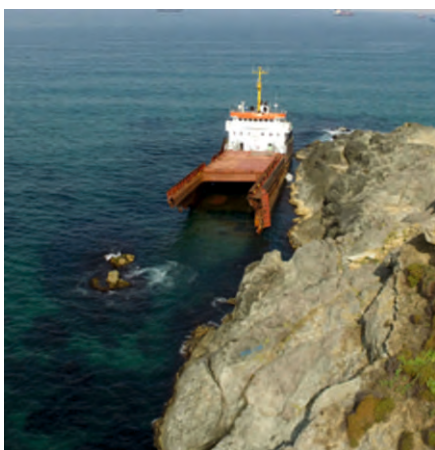


The 2017 distribution of the infringing ships by country of the shipowner's registration (the total of 161 = 100%)

October 2015 when the automobile connection was terminated and until the beginning of the Kerch Bridge motorway operation in May-October 2018, it is the ferry transportation between the ports of the occupied Crimea — especially Kerch — and Russia, as well as Turkey, that felt the most significance impact of sanctions.

Prior to the occupation of Crimea, passenger and cargo transportation via the Port Crimea-Port Kavkaz ferry line in Kerch was insignificant and mainly regional, running between the Autonomous Republic of Crimea and the Krasnodar Region of the Russian Federation. The ferries carried passenger cars and buses, as well as commercial trucks. Due to the lack of demand, passenger railway traffic via the Kerch Strait has been discontinued since the late 1980s.

Before 2014, the total volume of the Kerch passenger and motor vehicle ferry crossing has been carried by the two small ferries, Yeisk and Kerchsky-2, both owned by the Ukrainian state shipping company Kerch Ferry Terminal. In December 2013, they were joined by a new automobile and passenger ferry Mykola Aksenenko of the private Russian firm Anruss-trans.



LEONARDO, IMO: 7529641. In 2017 made at least 7 trips carrying ilmenite ore from Samsun to Kerch and 1 trip for grain to Sevastopol. On August 27, 2017, broke in half at the entrance to the Strait of Bosphorus. Shipowner: AQUA SHIPPING LTD. (incl AQUA SHIPPING LTD.-MAI), c / o Milenyum Denizcilik Gemi Istanbul, Turkey. Flag: Mongolia. Photo from <http://www.denizhaber.com.tr>

At the end of 2004, a freight rail link via the Kerch ferry line was restored. The freight was provided by two similar Russian railroad ferries Annenkov and Petrovsk that transported rail tanks with Kazakh oil for re-export via the large oil terminal in Feodosia.

In addition, the following ferry lines operated in Crimea prior to the occupation:

- Port Kavkaz – Port Crimea Kerch ferry: freight and passenger railways
- Port Kavkaz – Kerch Sea Fishery Port railway freight: liquefied petroleum gas from the Russian Federation for re-export
- Zonguldak – Evpatoria cargo and passenger ferry: vans with consumer goods
- Zonguldak – Sevastopol freight and passenger ferry: import of the new passenger cars.

After the Crimean occupation, the following ferry lines were operational in the peninsula:

1. Port Kavkaz - Port Crimea Kerch ferry: freight and passenger railways. Continues operation.
2. Port Kavkaz – Kerch Merchant Port: passenger and automobile transportation Continues operation.
3. Port Kavkaz – Kerch Fishery Port: cargo, automobile. Continues operation.
4. Port Kavkaz – Kamysh-Burun Sea Port in Kerch. Continues operation.
5. Temryuk-Kerch Merchant Marine Port (freight, car), worked only in 2014.
6. Novorossiysk – Feodosiia (cargo, auto), worked only in 2014.

7. Novorossiysk-Sevastopol (cargo, auto); since September 2014, replaced by a container line.
8. Zonguldak-Sevastopol (cargo, auto), worked until the end of 2015, and then again from November 2016 to March 2017.
9. Zonguldak-Yevpatoria (cargo, auto), worked until the end of 2015.
10. Samsun-Kerch (freight, auto), worked until November 2014.

Initially, the operation of ferry lines involved private vessel operators from Turkey, Greece and Italy under different flags.

But after the introduction of the maritime sanctions, the work of foreign crews and vessels in the Crimean region became risky. For example, the Greek ferry IONAS under the flag of Cyprus that had serviced the Kerch Ferry Terminal from May 13, 2014, was forced to leave Kerch on March 26, 2015 due to the protests of the crew.

The end of ferry operations on the routes from Zonguldak and Samsun to Evpatoria, Sevastopol and Kerch is a direct consequence of the international sanctions, as well as of the civil and diplomatic pressure on Turkey.

Meanwhile, the end of rail traffic to the occupied Crimea in December 2014 and of the motorway shipping in October 2015 resulting from the civil blockade, for the next 3-4 years, have made the sea transportation across the Kerch Strait the only logistical route to the peninsula, forcing the occupying state to undertake numerous urgent and expensive measures.



On July 2, 2015, the new Greek ferry MARIA ELENI (IMO 9617923) started servicing the Port Kavkaz — Kerch Fishing Port route. In February 2016, the Oboronlogistics enterprise of the RF Ministry of Defense acquired the ferry specifically for transporting the troops. Photo from marinetraffic.com





The blockade and sanctions forced the Russian Federation to buy abroad 15 ferries for the Kerch Strait crossing: 8 in Greece, 2 in Italy and 5 in Turkey. After the completion of the Kerch Bridge, most of them won't be needed any longer.

\* \* \*

Immediately after the occupation of Crimea, all foreign cruise liners with only one exception have completely stopped making calls at the Crimean ports.

Before the illegal annexation, the Crimean seaports had been successfully developing as international passenger terminals and had great prospects for growth and international investment. For instance, the 2013 cruise season became the best in their history.

Specifically, in 2013, the Yalta port got 109 cruise liner calls, 25 calls of the river-sea type liners and the total of 77,880 passengers, which put it slightly ahead of Odesa. At the same time, the Sevastopol seaport got 58 liners and 23,400 passengers, the Feodosia seaport – 18 liners and 3479 passengers, while Yevpatoriya and Kerch seaports — one liner each.

Naturally, the prospects for the 2014 cruise season were not just optimistic, but unprecedentedly high. After all, for that year, the Yalta port alone confirmed applications for 195 cruise liners calls plus 16 by the river-sea type vessels.

But because of the occupation that began in February 2014, the cruise season that usually started in late March-early April, did not happen at all. There was only one exception – on September 17, 2014, a cruise ship OCEAN MAJESTY under the flag of Portugal, owned by the Greek company Majestic International Cruises (Athens) and chartered by a German operator Hansa Touristik GmbH, Stuttgart, arrived from Sochi to the Yalta Sea Port.

The rapid reaction of the media and civil society, however, had led to the fact that, since that incident, there has been no violations of the regime of the occupied territory and international sanctions in Crimea by foreign cruise ships, other than those belonging to the shipowners from the Russian Federation.

All three attempts by the Russian cruise operators to organize sea cruises in the occupied Crimea in 2014 – 2015 have failed.

Specifically, the anticipated cruises on POSEIDON EXPRESS and ISABELLA 1, both under the flag of Belize, fell through. The 2014 cruise on a small, outdated ADRIANA under the St. Kitts Nevis flag, was interrupted and eventually canceled due to the sanctions. The only relatively successful Russian attempt to organize a cruise connection with Crimea was the three 2016 Kerch voyages of the outdated Rus Velika cruise liner. Because of its technical parameters, the liner has no permission to enter the Black Sea further than Kerch. In 2017, that liner with the 196 people capacity has made 4 such voyages. However, in 2018, due to the Registry ban for technical reasons, the liner has cancelled the trips to the Kerch port despite being docked in the Sea of Azov. There are no cruise plans for 2019 either.

In the early 2017, on Vladimir Putin's personal directive, Rosmorport purchased from the Israeli company Mano Maritime Ltd (Haifa, Israel) an old cruise ship ROYAL IRIS, that was first renamed first ROY STAR and then – PRINCE VLADIMIR. Starting with June 11, 2017, the liner has made 18 cruise voyages on the Sochi – Novorossiysk – Yalta – Sevastopol – Sochi route. The attempts to negotiate Istanbul and Haifa's inclusion into the route have failed due to the sanctions.

Over 2017, the liner has made 18 Black Sea cruise voyages, carrying the total of 5233 passengers. The average passenger load was 288, or 30,6% of the ship's capacity of 940 people. Throughout 2018, the liner remained mostly idle due to technical troubles and a fire.

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As a result of sanctions and blockade, the degradation of the Yevpatoriya, Yalta and Feodosia ports have become an obvious fact. The re-export of liquefied gas from the Kerch Fishery Port has stopped. As compared with 2013, exports via the ports of Sevastopol, decreased by 20 times.

As a result of sanctions, since 2014, sea cruises to Crimea that had been successfully expanding the market prior to the occupation, have completely stopped operation.

## The Impact of Sanctions on the Civil Aviation

At the time of occupation, there were two airports in Crimea that provided civilian transportation:

1. The Simferopol international airport with a 3706 x 60 m runway intended to receive all types of aircrafts
2. The Belbek airport in Sevastopol with a 3007 x 48 m runway.

On the night of February 27-28, 2014, the first day of the Crimean occupation, the Simferopol International Airport and the Belbek airdrome were seized by the Russian troops.

On April 9, 2014, the Simferopol Airport was included in the State Register of Airports of the Russian Federation (Certificate of Rosaviatsiya #AD 0001 from April 9, 2014). In June 2014, the Belbek airdrome was included in the list of airdromes of joint deployment (order #1057-p from June 16, 2014). However, the RF uses Belbek exclusively as a military airfield.

On March 31, 2014, due to the occupation of the peninsula by the Russian Federation, the European air traffic management organization Eurocontrol banned all flights to Crimea, in particular to Simferopol and Sevastopol. In strict adherence with the ICAO Convention on International Civil Aviation, Eurocontrol does not recognize any unilateral declarations of air navigation service over any part of the Ukrainian airspace issued by anyone other than Ukrainian authorities.

Overall, since the beginning of the Crimean occupation, more than 40 Russian airlines provided regular flights to the peninsula. During that time, the number of carriers varied from 23 in the fall of 2014 to 19 in 2015 and 16 at the end of 2016. In 2017,

passenger air transportation to the Simferopol airport was carried out by 19 Russian carriers, the number that has remained unchanged in 2018. 11 Russian airlines that had previously flown to Crimea, have gone bankrupt, while others have suffered considerable losses.

On August 4, 2014, a Russian low-cost airline Dobrolet, a 100% subsidiary of Aeroflot, stopped selling tickets and operating flights. The reason was that because of the EU sanctions from July 30, 2014, the airline's European contractors had stopped all business with it and canceled all existing leasing agreements on Boeing 737-800NG aircraft and its maintenance, aircraft insurance and provision of aeronautical information.

The EU explained the decision with the fact that after the annexation of Crimea, Dobrolet had conducted flights on the Moscow-Simferopol route, "thus, facilitating the integration of Crimea into the Russian Federation."

Dobrolet began selling tickets on the night of May 27, 2014. Its first flight was on the Moscow-Simferopol route, although originally it was planned that the airline would fly to St. Petersburg. In July 2015 the company was eliminated.

So far, that case is the only one of its kind. Given that it was a new company whose fleet consisted of only 2 aircrafts, it is possible that these sanctions were enacted to send a clear message.

Since the first year of the Crimean occupation, Russia has been making attempts to organize international flights for Russian airlines from the Simferopol airport. Just for that purpose, on June 5, 2014 Prime Minister Dmitry Medvedev signed order #960-r on opening the Simferopol airport for international flights, while the RF Ministry of Transport allowed two airlines to fly abroad from Crimea.



Simferopol Airport, September 11, 2017. Russian airlines aircrafts Airbus A320 of the Ural Airlines and Boeing 737-800 of the Nordwind Airlines. Photo from <https://yuhanson.livejournal.com>



## The Impact of Sanctions on the Black Sea Fleet

Subsequently, on July 9, 2014, the so-called “Transport Ministry of Crimea” reported the flight of Grozny Avia airline from Simferopol to Istanbul, the first international flight from Crimea since the annexation. Meanwhile, before proceeding to Istanbul, the plane had first made a technical landing at the airport of the Russian city of Anapa. Also, notably, no flight to Istanbul was listed in the Simferopol airport online departure schedule, while in the online arrivals of the Sabiha-Gokcen Istanbul airport the flight was listed as Anapa-Istanbul.

On August 11, 2014, the route Simferopol-Istanbul-Simferopol was made regular. The same day, the border guards at the Simferopol airport, for the first time have stamped “Simferopol, Russia” in the passports of the passengers traveling to Turkey. But merely a month later, the flight to Istanbul was canceled. In an interview, the Deputy Minister of the Russian Federation for Crimea, Andriy Sokolov, said: “The international flights have been suspended. I am not prepared now to state the reasons, perhaps, due to the reservations of the international aviation organizations”.

In fact, the cancellation of that flight that was meant to demonstrative that the air blockade could be breached, was the result of a major collaborative effort by the Ukrainian civil society, the media, the Mejlis of the Crimean Tatar people and the Ukrainian diplomats in Turkey.

On November 16, 2014, the same Grozny Avia airline opened another so-called “regular flight” from Simferopol to Yerevan with a technical landing in Anapa. According to the Yerevan Zvartnots airport, it also showed as the Anapa-Yerevan flight. But in June 2016, Rosaviatsiya banned Grozny Avia Airlines from carrying out international flights altogether (order #463-50 from June 7, 2016).

All air transportation to Crimea is provided by Russian airlines only and from the RF territory only. Attempts to organize international flights on the routes Simferopol - Istanbul and Simferopol - Yerevan have failed due to sanctions.

2016 was that very year when the Ukrainian and international sanctions against the Russian military-industrial complex hit the Russian Federation especially hard when it came to the BSF modernization.

In fact, the program of the new surface ships construction for the Black Sea Fleet has been thwarted. The main reason was the sanction-related ban on supplying Ukrainian and German engines for three new project 11356 missile frigates of the Admiral Grygorovich type and three new project 21631 missile corvettes similar to the already operating corvettes Serpukhov and Zelenyi Dol.

The Government of the Russian Federation ordered the Russian enterprises to build replacements for the Ukrainian engines, but the attempt was unsuccessful.

As a result, in October 2016, it was decided that the bodies of the 4th and 5th frigate of the six frigate series previously assigned to the BSF – Admiral Butakov and Admiral Istomin – would be completed at the Kaliningrad Yantar Plant and sold to India without the engines.

Thus, instead of six, Russia's BSF will get only three frigates of that type.

A similar fate was faced by the 21631 series of small missile boats (corvettes) equipped with engines by the German MTU Friedrichshafen GmbH, a Rolls-Royce Holdings group.

Due to the German manufacturer's refusal to continue supplying engines for the series, the task of the import substitution was entrusted to the Kolomensky plant and Zirka plant in St. Petersburg.

After that attempt had failed, the naval command of the Russian Federation decided to fit the boats with the Chinese engines, specifically, the 1980-design Henan's diesel engines licensed by the German Deutz-MWM that had left the high-speed marine diesel engines market.

The international sanctions have seriously strained yet another Russian Navy ship construction project unrelated to the Black Sea – the 20385 series corvettes. The construction of the series flagman ship Gremyaschiy started at the St. Petersburg Norther Shipyard on February 1, 2012 and the second one – Provorniy – on July 25, 2013.



However, given that the 20385 series corvettes were also supposed to be fitted with the MTU Friedrichshafen diesel engines that due to the international sanctions were now out of Russia's reach, the construction of both ships has been suspended.

Currently, the command of the Russian Navy of the Russian Federation anticipates the German MTU diesel engines to be replaced with the ones manufactured by Russia's Kolomensky Plant.

## The Impact of Sanctions on the Crimean Banking

Before the occupation, Crimea and the city of Sevastopol had an extensive network of independent branches of commercial banks — the total of 67 banking institutions registered in mainland of Ukraine, as well as 2 Crimean banks – The Black Sea Bank for Development and Reconstruction and Morskoi.

The occupying state planned to use Ukrainian financial institutions to mitigate its problems of the «transition period».

However, none of the Ukrainian banks with independent branches in Crimea had consented to continue working in the occupied territory under the Russian legislation, so the Russian banks tried to fill the void.

Over the period of occupation, at different times, 34 Russian banks started operations in Crimea. In addition, 2 local banks began operations under the RF jurisdiction, bringing the total to 36.

During the occupation, the total of 34 Russian banks started operations in Crimea. Of those, 24 have already lost their licenses — 2 have been liquidated and 19 are in bankruptcy proceedings — while 5 banks have left Crimea on their own.

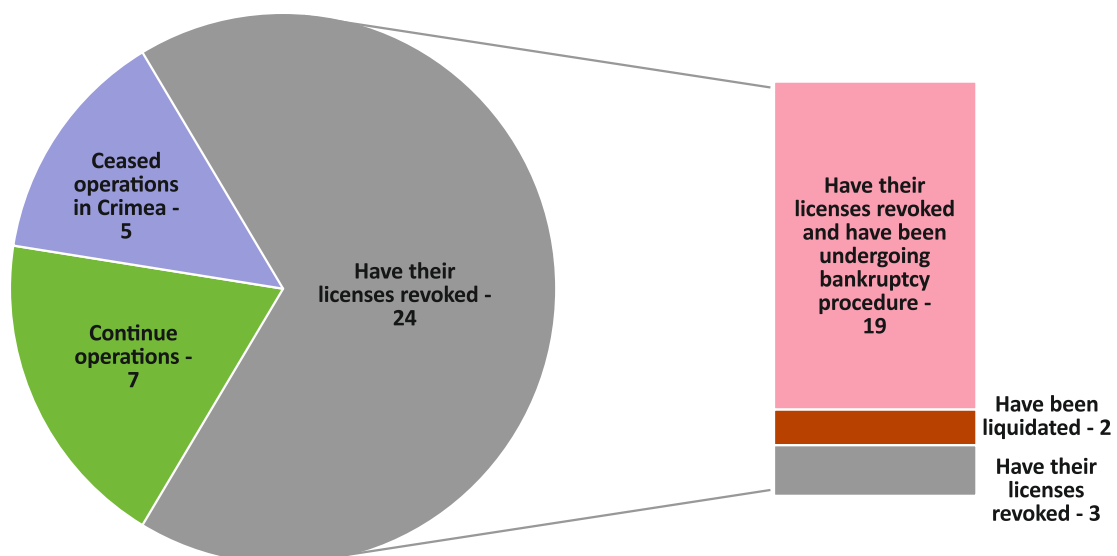
Eventually, so far, 24 of those banks have already lost their licenses. On top of that, two banks have been liquidated, while 19 other underwent bankruptcy proceedings. Five of the banks have left the Crimean financial market on their own, due to the increased risks.

By the end of 2018, only 7 Russian banks have remained on the peninsula. All of them are now under the sanctions.

Due to sanctions, the large Russian banks that used to operate in Crimea before the occupation, namely Sberbank, Alfa-Bank and VTB, have since stopped operations there and do not intend to resume them.

The situation has made a number of Western businessmen who had initially visited Crimea in search of investment opportunities, to later retreat assuming a wait-and-see position. Also, there is no question that it is mainly due to the sanctions that European banks do not work with the banks operating in the peninsula.

To sum up, the banking sanctions against Crimea make any investments, including even private Russian ones, or modern payment systems there impossible.



The difficult fate of the Russian Federation banks in the occupied Crimea in 2014-2018. Data as of December 2018.



China heavy load carrier KANG SHENG KOU transports JIAN JI 3001 cable trailer to China after construction of the «energy bridge» across the Kerch Strait. May 15, 2016, Bosphorus Strait, Istanbul. Photo from <https://twitter.com/Yoruklsik>

## Impact of Sanctions on the Crimean Energy Supply

Historically, the Crimean peninsula has always been an energy-deficient region. In different years it received from 80% to 90% of electricity from mainland Ukraine over the 220/330 kV electric power lines across the Perekopskiy isthmus and the Chonhar peninsula.

The termination of electricity supply from mainland Ukraine as a result of the civil blockade had caused the blackout in Crimea that lasted for six months – from November 23, 2015 until the end of May 2016.

During that period, the energy provision of most enterprises was stopped and the population received electricity for several hours a day only.

The primary energy supply of military facilities and critical infrastructure was provided by mobile diesel generating sets (DSUs) and mobile gas turbine power stations (GES) that worked on diesel fuel.

Anticipating the problems of ensuring Crimea's energy security, in the spring of 2014, the RF Ministry of Energy delivered and installed 13 mobile power stations on the peninsula with a capacity of 22.5 MW each. Nine of those had been delivered from the Olympic Sochi and another four – from the Moscow region. All had been produced by Pratt & Whitney Power Systems and weighed 75 tons each.

In addition, 1,423 mobile DSUs with a total capacity of 310 MW were installed in the military, infrastructure and socially significant facilities. Another 315 units of the DSU with a total capacity of 113.7 MW were set as reserve.

The RF Ministry of Energy spent about 5.16 billion rubles from the federal budget to compensate companies for the costs of transporting the mobile gas

turbines to Crimea and Sevastopol. 2.3 billion rubles were allocated for the DSUs relocation.

After the start of the blackout in December 2015, two other mobile gas-fired power stations of the Energy Systems of the East (RAO ESE), were urgently delivered all the way from Vladivostok to the occupied Crimea with two separate flights of the An-124 Ruslan aircraft. The 14th mobile gas station became operational on December 31, 2015 and the 15th one – on January 14, 2016.

That, however, had not solved the problem, which compelled the Russian Federation to considerably accelerate the construction of the four strands of the underwater «power bridge» along the bottom of the Kerch Strait. The first line was launched on December 2, 2015, the second – on December 15, the third – on April 15, 2016 and the fourth – on May 11, 2016.

According to the original plans, the power bridge was to be completed by the beginning of 2018, that is in 1.5-2 years.

The additional expenses of the state-occupant for the underwater power bridge have amounted to 47.3 billion rubles or more than 0.8 billion US dollars. In addition, the RF had to accelerate the construction and reconstruction of the relevant electrical networks, substations, etc. not only in the occupied Crimea, but also in the Krasnodar region, by at least 1.5-2 years.

The end of electricity supply to Crimea as a result of the Ukrainian civil blockade, had forced Russia to take emergency measures and urgently revise its plans, which has cost the RF a whopping expense of over \$1 billion.



The decisive contribution to the construction of the Crimean power bridge has been made by the Chinese business, specifically, the Shanghai Foundation Engineering Group Co, Ltd. that specializes in the construction of bridges, tunnels and railways and is a part of one of the largest Chinese construction companies, the Shanghai Construction Group (SCG). The company provided its specialized vessel — cable layer JIAN JI 3001 — flying the Chinese flag (MMSI 413375460) and the crew.

The vessel was used for laying the power bridge cables from the Krasnodar region to Crimea across the bottom of the Kerch Strait up until April 29, 2016.

There can be no doubt that continued sanctions on supplies of foreign energy equipment to Crimea would continue causing a heavy damage to the economy of the Russian Federation.

## New Sanctions Against the Russian Shipyards Operating in Crimea

The Russian firms VAT Leningrad Shipyard “Pella” (Otradnoye, Leningrad Oblast, Russia) and JSC Zelenodolsk Plant named after A.M. Gorky (Zelenodolsk, Tatarstan, Russia) have launched production of the Caliber missile corvettes at the seized Crimean shipyards Morye and Zaliv (Feodosia and Kerch, respectively). By 2021, the companies plan to build nine corvettes for the Black Sea Fleet of the Russian Federation.

In August 2014, with the support of the peninsula's occupying authority, the JSC Zelenodolsk Plant named

after A.M. Gorky carried out a takeover raid of the JSC Kerch Shipyard Zaliv, the property of the Ukrainian shareholders, and re-registered it as LLC Shipbuilding Plant Zaliv with all the assets transferred to the latter.

As of June 1, 2018, as part of its state defense contract, the Zelenodolsk Plant was building the following vessels for the Russian Black Sea Fleet at the Zaliv shipyard:

Three far sea missile corvettes of the new project 22160:

- the project's main ship, Vasily Bykov, had been completed and on March 25, 2018, headed from Kerch to Novorossiysk for state testing. In December 2018 it was added to the BSF RF
- missile corvette Pavel Derzhavin was started on February 18, 2016 and is currently under construction. It is anticipated to be put to water in 2019 and completed in 2020
- missile corvette Sergey Kotov started on May 8, 2016 and is currently under construction. It is anticipated to be put to water in 2019 and completed in 2020

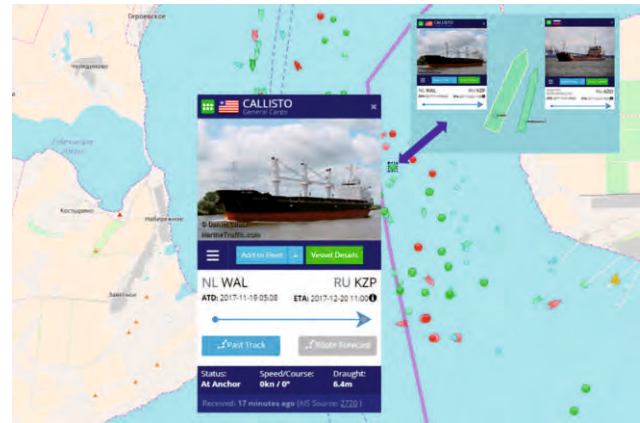
Three far sea missile corvettes of the new project 22800 (codename Karakurt):

- the construction of the corvette Cyclone has started in the summer of 2016
- the contracts for corvettes Passat and Breeze have been signed.

(The JSC Zelenodolsk Plant named after A.M. Gorky is part of the Ak Bars Holding Company OJSC). Address: 5 Zavodskaya St., Zelenodolsk, Tatarstan, Russia, 422546, tel. +7 (84371) 5-76-10,



*Zelenodolsk Plant named after Gorky builds new ships with Caliber missiles at the seized Ukrainian shipyard Zaliv in the occupied Kerch, 2018. Photos from the BlackSeaNews archive*



Roadstead # 451 in the Kerch Strait, the area where to circumvent the sanctions, the ilmenite cargo for the Kamysh-Burun port is being reloaded. The illegal reloading of the Norwegian ilmenite from the German bulk carrier CALLISTO onto the Russian dry cargo ship NEFTERUDOVOZ-2, December 23, 2017

fax. +7 (84371) 5-78-00, e-mail: info@zdship.ru, <http://www.zdship.ru>.

The VAT Leningrad Shipyard Pella first became a “curator” and then a “leaseholder” of the Morye shipyard in Feodosia that is owned by the State of Ukraine, but after the occupation of Crimea has been seized, expropriated and “transferred” into the federal ownership of the RF.

On November 12, 2016, the shipyard has been leased to the St. Petersburg's Pella shipyard until the end of 2020.

Currently, the shipyard is building three new project 22800 far sea missile corvettes (codename Karakurt). Even before the «official lease» of Morye, on May 10, 2016, the Pella shipyard started building Storm, the first of a series of 3 missile corvettes of the new project 22800 for the Black Sea Fleet of the Russian Federation, as part of the Russian state defense contract. The vessels are scheduled to be put to water in 2019.

On March 17, 2017, the shipyard began the construction of Okhotsk, the second missile ship of that series, and on December 19, 2017 – Vikhr, the third corvette, both to be completed in 2019.

It is worth mentioning that since March 10, 2014, the Pella shipyard has been owned by Germany's J.J. Sietas Shipyard through a subsidiary Pella Sietas GmbH, Neuenfelder Fährdeich 88, 21129 Hamburg, [www.pellasietas.com](http://www.pellasietas.com). VAT Leningrad Shipyard “Pella,” 4 Tsentralnaya St., Otradnoye, Leningrad Oblast, Kirov District, Russia, tel. +7 (812) 336 4066, tel/fax +7 (81362) 4-01-82, e-mail: mail@pellaship.ru, [www.pellaship.ru](http://www.pellaship.ru).

Sanctions proposal: We propose to block all Pella's assets and ban US and EU businesses from any collaboration with the VAT Leningrad Shipyard Pella and the JSC Zelenodolsk Plant named after A.M. Gorky.

## New Sanctions for the Sanctions Circumvention at the Port Kavkaz

The Kavkaz port on the Russian side of the Kerch Strait (the Kavkaz branch of the Administration of the Azov Sea Ports state enterprise, Chushka, Temryuk district, Krasnodar region, Russia) facilitates the Crimea Bridge construction and all cargo to Crimea, including military one. The port operates 19 regular ferries to the occupied Crimea.

The port has been using the following scheme to circumvent the sanctions: imported foreign cargo (including the critically needed EU raw materials for the titan production) de-facto destined for Crimea, instead, arrives to the Kavkaz port, where on a Kerch Strait roadstead it is reloaded onto the vessels that then proceed to Crimea.

The same scheme is used for shipping Crimean exports, such as grain and calcined soda.

The shipping of ilmenite - the raw material for the production of titanium - to the Kerch port of Kamysh-Burun continues on a monthly basis. The ilmenite ore is being used by the single buyer in the occupied peninsula — the Titan plant in Armyansk, in the north of Crimea, that is part of the corporate group owned by Dmytro Firtash.

On November 23, 2017, a German cargo ship HHL MISSISSIPPI (IMO: 9435765) arrived from the Romanian Constanta under the flag of Liberia to the roadstead of the Russian Port Kavkaz in the Kerch Strait (the same roadstead 451) and remained there until December 5, 2017. Over that period, for at least three times, an old Russian cargo ship NEFTERUDOVOZ-2 (IMO: 8986884) approached it and the HHL MISSISSIPPI onboard cranes loaded ilmenite to the NEFTERUDOVOZ-2 holds. After that, the Russian ship delivered ilmenite to the Kerch port of Kamysh-Burun.

Earlier, On November 2, 2017, HHL MISSISSIPPI left the port of Bremen and on November 3 arrived at the small Norwegian port of Jøssingfjord, the site one of the largest in Norwegian and one of the largest in Western Europe titanium mines Tellnes. The mine is run by Titania, while the fjord is used as the company's port. It was there that between November 3-6, 2017, HHL MISSISSIPPI accepted a cargo of 10,000 tons of ilmenite ore for the occupied Crimea. The HHL MISSISSIPPI belongs to HANSA HEAVY LIFT GMBH Oberbaumbruecke 1, 20457 Hamburg, Germany.

Thus, the reputable companies from Germany and Norway have been involved in the illegal scheme of the export supplies to the occupied Crimea.

On December 20, 2017, another German bulker CALLISTO (IMO: 9427392) owned by the HEINZ CORLEIS REEDEREI KG (Kampweg 4A, 21706 Drochtersen, Germany).

Was also involved in the identical operation on circumnavigating the sanctions.

Overall, during 2017-2018 that scheme has been used at the port Kavkaz at least 27 times.

(the Kavkaz branch of the Administration of the Azov Sea Ports state enterprise, Chushka, Temryuk district, Krasnodar region, Russia).

Sanctions proposal: to block all assets and ban US and EU businesses from any collaboration with port Kavkaz, including an explicit ban on shipping and receiving any cargo to/from that port by seafaring vessels.

## New Sanctions: US and EU Airports Blacklist for the Aircrafts that Flew to Crimea

In 2017, we registered the total of 164 aircrafts that flew to the EU, having previously flown to Crimea:

- 1) Larnaca (Cyprus) – 46; Pafos (Cyprus) – 5; total = 51.
- 2) Berlin (Germany) – 30; Munich (Germany) – 16; Hamburg (Germany) – 10; Dusseldorf (Germany) – 41; Frankfurt (Germany) – 21; Stuttgart (Germany) – 4; Hannover (Germany) – 3; total = 125.
- 3) Oslo (Norway) – 18;
- 4) Riga (Latvia) – 13;
- 5) Tallinn (Estonia) – 12;
- 6) Prague (CZ) – 31;

We propose to impose a ban on servicing in the EU and US airports passenger aircrafts that have been identified at the Crimean airports, because they therefore, have been used for massive violations of the Ukrainian border in the occupied territory.

- 7) Stockholm (Sweden) – 19;
- 8) Vienna (Austria) – 14;
- 9) Rome (Italy) – 14; Rimini (Italy) – 23; Venice (Italy) – 6; Verona (Italy) – 8; Bologna (Italy) – 3; Milan (Italy) – 12; всего = 66
- 10) Nice (France) – 12; Paris (France) – 20; всего = 32
- 11) Tivat (Montenegro) – 17; Podgorica (Montenegro) – 1; total = 18
- 12) Barcelona (Spain) – 32; Valencia (Spain) – 9; Palma de Mallorca (Spain) – 5; total = 44
- 13) Heraklion (Greece) – 16; Athens (Greece) – 4; Thessaloniki (Greece) – 2; total = 22
- 14) Amsterdam (Netherlands) – 2;
- 15) Geneva (Switzerland) – 2; Zurich (Switzerland) – 7; total = 9
- 16) London (UK) – 15;
- 17) Copenhagen (Denmark) – 15;
- 18) Burgas (Bulgaria) – 10; Varna (Bulgaria) – 4; total = 14
- 19) Brussels (Belgium) – 3; Liege (Belgium) – 1; total = 4
- 20) Warsaw (Poland) – 11;
- 21) Budapest (Hungary) – 19;
- 22) Zagreb (Croatia) – 2;
- 23) Vilnius (Lithuania) – 6;
- 24) Helsinki (Finland) – 11;
- 25) Bratislava (Slovakia) – 2;
- 26) Lisbon (Portugal) – 6.

Also, we have identified nine Russian airlines whose aircrafts had flown to the occupied Crimea and later flew to the US and other airports, namely to: New York (USA) – 9, Washington (USA) – 1, Anchorage (USA) – 2 and Tokyo (Japan) – 2.

\* \* \*





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**Andriy Klymenko** is a Crimean expert and journalist, co-founder and editor-in-chief of the online Black Sea News portal [www.blackseanews.net](http://www.blackseanews.net). Before the occupation of Crimea, he lived and worked in Yalta. Klymenko is the author of many development strategies of the Crimean cities, economy sectors and peninsula as a whole. Economist Emeritus of the Autonomous Republic of Crimea

A. Klymenko is currently being persecuted by the FSB for resisting the Crimean occupation and is on the official Russian Federation list of terrorists and extremists. Since 2014, together with the rest of the news portal staff, he has been working in Kyiv as the Chairman of the Supervisory Board and the Crimean Department of the Maidan of Foreign Affairs and Head of the joint Monitoring Group with the Black Sea Institute of Strategic Studies that focuses on the issues of compliance with international sanctions against the RF imposed due to the occupation and illegal annexation of Crimea.



**Olha Korbut** is an expert of the Maidan of Foreign Affairs and the Black Sea Institute of Strategic Studies monitoring group who specializes in civil aviation in the occupied Crimea. A philosophy graduate of the Kyiv-Mohyla Academy with an M.A. in NGO management from the Ukrainian Catholic University, since 2014, Korbut daily monitors the civil aviation traffic over the occupied peninsula, as well as the compliance with sanctions against Russia in connection with the illegal annexation and occupation of Crimea.